

CITY OF SPICER, MINNESOTA  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

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CITY OF SPICER, MINNESOTA

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CITY OF SPICER, MINNESOTA

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CITY OF SPICER, MINNESOTA  
 ELECTED AND APPOINTED OFFICIALS  
 DECEMBER 31, 2019

<u>Elected Officials - City</u>	<u>Position</u>	<u>Term Expires</u>
Dennis Baker	Mayor	December 31, 2020
Troy Block	Council Member	December 31, 2022
Shelly Munyon	Council Member	December 31, 2022
Robin deCathlineau	Council Member	December 31, 2020
Jesse Gislason	Council Member	December 31, 2020

Administration - City

Leslie Valiant	City Administrator
Chris Johnson	Finance Officer
Lisa Aasen	Utility Billing Clerk

Elected Officials - Economic  
Development Authority Board

<u>Elected Officials - Economic Development Authority Board</u>	<u>Position</u>	<u>Term Expires</u>
Dave Henle	President	December 31, 2022
Doug Dietz	Vice-President	December 31, 2019
Eryn Hanning	Treasurer	December 31, 2022
Todd Erickson	Director	December 31, 2020
Dennis Baker	Director	December 31, 2022
Kerry Johnson	Director	December 31, 2022
Shelly Munyon	Director	December 31, 2022

Administration - Economic  
Development Authority Board

Leslie Valiant	Director
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Spicer  
Spicer, 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 Spicer, Minnesota, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Opinions**

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

## **Report on Partial Comparative Information**

We have previously audited the City's 2018 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 21, 2019. Refer to Note 12 of the Notes to the Financial Statements for additional information regarding prior year partial comparative information. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and 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 statements and schedules listed in the table of contents as supplementary information and the Elected and Appointed Officials section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Elected and Appointed Officials 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 the information presented.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 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, and 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.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

May 19, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

As management of the City of Spicer, we offer readers of the City of Spicer's financial statements this narrative overview and analysis of the financial activities of the City of Spicer for the fiscal year ended December 31, 2019. Please read it in conjunction with the City's financial statements, which immediately follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the City of Spicer exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,328,594 (net position). Of this amount, \$4,054,340 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital assets, less depreciation, total \$14,048,966, representing a broad base of city-wide infrastructure.
- As of the close of the current fiscal year, the City of Spicer's governmental funds reported combined ending fund balances of \$5,187,551. Approximately 13% (percent) of this total amount, \$664,803, is available for use within the City's designations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$664,803 or 89% (percent) of total General Fund expenditures.
- The City of Spicer decreased the existing debt balance by \$550,000 during the current fiscal year.

**Overview of the Financial Statements**

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

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

The Statement of Net Position presents information on all of the City of Spicer's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Spicer is improving or deteriorating. The 2019 Statement provides for an increase in net position, as the loans receivable of the City increased.

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

The government-wide financial statements distinguish functions of the City of Spicer 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 of the City of Spicer include general government, public safety, public works, culture and recreation, cemetery services and economic development. The business-type activities of the City of Spicer include the sewer and water operations.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

The government-wide financial statements can be found on pages 13-14 of this report.

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 City's near-term financial decisions. A reconciliation is provided to facilitate the comparison between governmental funds and governmental activities.

The City of Spicer maintains twenty-four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, two Special Revenue funds, and three Debt Service funds, all of which are considered to be major funds. Data from the other eighteen 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 of Spicer adopts an annual appropriated budget for its General and Special Revenue funds. Budgetary comparison statements have been provided for the General Fund, the Fire Protection Fund, and the EDA Business Revolving Loan Fund to demonstrate compliance with this budget adoption.

The governmental funds financial statements can be found on pages 15-24 of this report.

**Proprietary Funds.** The City of Spicer maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Spicer uses Enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise funds, all of which are considered to be major funds of the City of Spicer.

The proprietary fund financial statements can be found on pages 25-29 of this report.

**Fiduciary Fund.** The City of Spicer is the trustee, or fiduciary, for resources collected to improve the library and Dethlefs Center improvements. The resources held in a fiduciary capacity are reported in separate Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for its intended purpose.

The fiduciary fund financial statements can be found on page 30 of this report.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 31-58 of this report.

**Supplementary Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented herewith. Combining and individual fund statements and schedules can be found on pages 65-74 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spicer, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,328,594 at the close of the most recent fiscal year. This is a \$544,455 increase over the 2018 net position.

By far the largest portion of the City of Spicer's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Spicer uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Spicer's net 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.

A portion of the City of Spicer's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position at December 31, 2019, \$4,054,340, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Spicer 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.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

	Governmental Activities		Change
	2019	2018	
Current and Other Assets	\$ 6,177,851	\$ 5,902,503	\$ 275,348
Net Capital Assets	10,064,094	11,011,640	(947,546)
Total Assets	<u>16,241,945</u>	<u>16,914,143</u>	<u>(672,198)</u>
Deferred Outflows of Resources	<u>92,481</u>	<u>78,935</u>	<u>13,546</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,334,426</u>	<u>\$ 16,993,078</u>	<u>\$ (658,652)</u>
Current and Other Liabilities	\$ 216,479	\$ 251,769	\$ (35,290)
Long-Term Liabilities	5,793,456	6,618,233	(824,777)
Total Liabilities	<u>6,009,935</u>	<u>6,870,002</u>	<u>(860,067)</u>
Deferred Inflows of Resources	82,939	83,973	(1,034)
Net Position			
Net Investment in Capital Assets	4,491,698	4,589,985	(98,287)
Restricted for			
Debt Service	2,097,684	2,065,880	31,804
Unrestricted	<u>3,652,170</u>	<u>3,383,238</u>	<u>268,932</u>
Total Net Position	<u>10,241,552</u>	<u>10,039,103</u>	<u>202,449</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 16,334,426</u>	<u>\$ 16,993,078</u>	<u>\$ (658,652)</u>



CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

	Business-Type Activities		Change
	2019	2018	
Current and Other Assets	\$ 568,999	\$ 473,215	\$ 95,784
Net Capital Assets	3,984,872	3,431,944	552,928
Total Assets	<u>4,553,871</u>	<u>3,905,159</u>	648,712
Deferred Outflows of Resources	<u>8,891</u>	<u>23,433</u>	<u>(14,542)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,562,762</u>	<u>\$ 3,928,592</u>	<u>\$ 634,170</u>
Current and Other Liabilities	\$ 64,248	\$ 54,385	\$ 9,863
Long-Term Liabilities	393,754	105,884	287,870
Total Liabilities	<u>458,002</u>	<u>160,269</u>	<u>297,733</u>
Deferred Inflows of Resources	17,718	23,287	(5,569)
Net Position			
Net Investment in Capital Assets	3,684,872	3,431,944	252,928
Unrestricted	402,170	313,092	89,078
Total Net Position	<u>4,087,042</u>	<u>3,745,036</u>	<u>342,006</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,562,762</u>	<u>\$ 3,928,592</u>	<u>\$ 634,170</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

**Governmental Activities**

Net position of the City's governmental activities increased by \$202,449. Table 3 presents the key elements of the increase.

The following table indicates the change in net position for the City's governmental activities:

	Governmental Activities		Change
	2019	2018	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 255,358	\$ 315,091	\$ (59,733)
Operating Grants and Contributions	37,003	24,612	12,391
Capital Grants and Contributions	398,037	36,037	362,000
General Revenues			
Property Taxes and Tax Increment	1,346,651	1,291,312	55,339
Local Sales and Use Tax	170,946	172,936	(1,990)
Grants and Contributions Not Restricted to Specific Programs	46,993	56,727	(9,734)
Investment Income (Loss)	77,491	447	77,044
Other	157,976	47,954	110,022
Gain on Sale of Assets	43,402	120,910	(77,508)
Total Revenues	2,533,857	2,066,026	467,831
<b>EXPENSES</b>			
General Government	355,301	328,762	26,539
Public Safety	460,461	356,175	104,286
Public Works	460,712	461,499	(787)
Culture and Recreation	285,764	274,624	11,140
Cemetery Services	4,004	5,432	(1,428)
Economic Development	205,350	86,133	119,217
Interest on Long-Term Debt	132,643	156,772	(24,129)
Total Expenses	1,904,235	1,669,397	234,838
Change in Net Position Before Transfers	629,622	396,629	232,993
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>			
Transfers	(15,076)	13,507	(28,583)
Capital Contributions	(412,097)		(412,097)
Total Transfers and Capital Contributions	(427,173)	13,507	(440,680)
Change in Net Position	202,449	410,136	(207,687)
<b>NET POSITION, BEGINNING OF YEAR</b>	10,039,103	9,628,967	410,136
<b>NET POSITION, END OF YEAR</b>	\$ 10,241,552	\$ 10,039,103	\$ 202,449

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

**Business-Type Activities**

The net position of our business-type activities increased by \$342,006. The increase is attributable to the following increase in net position: Sewer \$260,806 and Water \$81,200.

The following table indicates the change in net position for the City's business-type activities:

	<u>Business-Type Activities</u>		Change
	<u>2019</u>	<u>2018</u>	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 949,362	\$ 903,603	\$ 45,759
General Revenues			
Interest and Investment Earnings	12,028	1,476	10,552
Other	5,673	12,335	(6,662)
Gain/(Loss) on Sale of Assets		2,000	(2,000)
Total Revenues	<u>967,063</u>	<u>919,414</u>	<u>47,649</u>
<b>EXPENSES</b>			
Sewer	652,808	600,836	51,972
Water	399,422	379,753	19,669
Total Expenses	<u>1,052,230</u>	<u>980,589</u>	<u>71,641</u>
Change in Net Position Before Transfers And Capital Contributions	(85,167)	(61,175)	(23,992)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>			
Transfers	15,076	(13,507)	28,583
Capital Contributions	412,097		412,097
Total Transfers and Capital Contributions	<u>427,173</u>	<u>(13,507)</u>	<u>440,680</u>
Change in Net Position	342,006	(74,682)	416,688
NET POSITION, BEGINNING OF YEAR	<u>3,745,036</u>	<u>3,819,718</u>	<u>(74,682)</u>
NET POSITION, END OF YEAR	<u>\$ 4,087,042</u>	<u>\$ 3,745,036</u>	<u>\$ 342,006</u>

**Financial Analysis of the Government's Funds**

**General Fund.** The change in the City's General Fund Balance was \$923,921 for 2019. The increase in fund balance for 2019 was \$942,584 more than the decrease in fund balance for 2018. The main reason for this change was due to an increase in transfers in from other governmental funds.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

**Financial Analysis of the Government's Funds (Cont'd)**

**Special Revenue Funds.** The change in the City's special revenue fund balances was \$130,268 for 2019. The Fire Protection Special Revenue Fund increased by \$41,744. This was due to an increase in intergovernmental revenues. The EDA Housing Loan Special Revenue Fund decreased by \$32,930. This was a result of an increase in economic development expenditures. There was also an increase of \$95,271 in Local Option Sales Tax Special Revenue Fund.

**Debt Service Funds.** The debt service fund balances increased by \$150,005 compared to an increase of \$93,173 in 2018. The main reason for this change was due to a transfer in to close out a fund in the current year. Debt service payments are continued to be paid out of available revenues and fund balances in the debt service funds.

**Capital Project Funds.** The capital project fund balances decreased by \$658,354. This is due to project costs and funds being closed.

**Budgetary Highlights**

**General Fund.** The City budgeted for an increase of \$34,160 in fund balance for 2019. The actual change in fund balance was an increase of \$923,921. The increase in fund balance was mainly due to an increase in transfers in from other governmental funds.

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Spicer's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$22,288,788. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

**Long-Term Liabilities.** At the end of the fiscal year, the City of Spicer had total long-term liabilities of \$5,898,059. This debt has been issued to finance the construction of the City's street and utility program, compensated absences, Tax Increment Districts and refunded existing debt. The City of Spicer is not rated on its general obligation debt.

Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

**Economic Factors and Next Year's Budgets and Rates**

The City of Spicer's appointed officials considered many factors when setting the fiscal year 2020 budget, rates, and fees that will be charged by the funds of the City. The major factor accounted for when adopting the General Fund Budget to hold all line items as much as possible to the 2019 final budget.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Spicer's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Spicer, 217 Hillcrest Ave, PO Box 656, Spicer, MN, 56288.

## BASIC FINANCIAL STATEMENTS

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CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION  
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash and Investments	\$ 4,472,188	\$ 481,598	\$ 4,953,786	\$ 4,842,392
Receivables				
Accounts	30,339	84,644	114,983	82,694
Interest	8,067	1,112	9,179	5,145
Taxes - Delinquent	6,725		6,725	18,659
Special Assessments	814,408		814,408	939,551
Loans	365,212		365,212	25,824
Due from Other Governments	47,724		47,724	72,091
Land Held for Resale	420,654		420,654	270,540
Prepaid Items	12,534	1,645	14,179	10,625
Capital Assets				
Assets Not Being Depreciated	2,335,962	4,536	2,340,498	4,908,293
Other Capital Assets, Net of Depreciation	7,728,132	3,980,336	11,708,468	9,535,291
Net Pension Asset				108,197
Total Assets	<u>16,241,945</u>	<u>4,553,871</u>	<u>20,795,816</u>	<u>20,819,302</u>
Deferred Outflows of Resources	<u>92,481</u>	<u>8,891</u>	<u>101,372</u>	<u>102,368</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,334,426</u>	<u>\$ 4,562,762</u>	<u>\$ 20,897,188</u>	<u>\$ 20,921,670</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 156,232	\$ 5,733	\$ 161,965	\$ 59,790
Contracts Payable				107,244
Accrued Salaries	2,100	916	3,016	1,312
Accrued Interest Payable	47,312	5,203	52,515	57,384
Due to Other Governments	4,565	52,396	56,961	79,154
Unearned Revenue	6,270		6,270	1,270
Long-Term Liabilities				
Net Pension Liability	208,607	80,544	289,151	277,380
Due Within One Year	530,000	15,000	545,000	550,000
Due in More than One Year	5,054,849	298,210	5,353,059	5,896,737
Total Liabilities	<u>6,009,935</u>	<u>458,002</u>	<u>6,467,937</u>	<u>7,030,271</u>
Deferred Inflows of Resources	82,939	17,718	100,657	107,260
<b>Net Position</b>				
Net Investment in Capital Assets	4,491,698	3,684,872	8,176,570	8,021,929
Restricted for				
Debt Service	2,097,684		2,097,684	2,065,880
Unrestricted	3,652,170	402,170	4,054,340	3,696,330
Total Net Position	<u>10,241,552</u>	<u>4,087,042</u>	<u>14,328,594</u>	<u>13,784,139</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 16,334,426</u>	<u>\$ 4,562,762</u>	<u>\$ 20,897,188</u>	<u>\$ 20,921,670</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF ACTIVITIES  
 DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2019	2018
<b>GOVERNMENTAL ACTIVITIES</b>								
General Government	\$ 355,301	\$ 16,497	\$	\$	\$ (338,804)	\$	\$ (338,804)	\$ (314,800)
Public Safety	460,461	177,015	37,003	139,681	(106,762)		(106,762)	(121,462)
Public Works	460,712	1,700		174,600	(284,412)		(284,412)	(430,844)
Culture and Recreation	285,764	12,642		8,756	(264,366)		(264,366)	(230,993)
Cemetery Services	4,004	1,715			(2,289)		(2,289)	(3,457)
Economic Development	205,350			75,000	(130,350)		(130,350)	(86,133)
Interest on Long-Term Debt	132,643	45,789			(86,854)		(86,854)	(92,599)
Total Governmental Activities	1,904,235	255,358	37,003	398,037	(1,213,837)	0	(1,213,837)	(1,280,288)
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	652,808	565,038				(87,770)	(87,770)	(66,458)
Water	399,422	384,324				(15,098)	(15,098)	(10,528)
Total Business-Type Activities	1,052,230	949,362	0	0	0	(102,868)	(102,868)	(76,986)
Total	\$ 2,956,465	\$ 1,204,720	\$ 37,003	\$ 398,037	(1,213,837)	(102,868)	(1,316,705)	(1,357,274)
<b>GENERAL REVENUES</b>								
Taxes								
Property Taxes					1,214,883		1,214,883	1,186,415
Tax Increment					131,768		131,768	91,528
Local Sales and Use Tax					170,946		170,946	172,936
Grants and Contributions Not Restricted to Specific Programs					46,993		46,993	56,727
Investment Income (Loss)					77,491	12,028	89,519	1,923
Other					157,976	5,673	163,649	60,289
Gain on Sale of Assets					43,402		43,402	122,910
TRANSFERS					(15,076)	15,076		
CAPITAL CONTRIBUTIONS					(412,097)	412,097		
Total General Revenues, Transfers, and Capital Contributions					1,416,286	444,874	1,861,160	1,692,728
Change in Net Position					202,449	342,006	544,455	335,454
NET POSITION, BEGINNING OF YEAR					10,039,103	3,745,036	13,784,139	13,448,685
NET POSITION, END OF YEAR					\$ 10,241,552	\$ 4,087,042	\$ 14,328,594	\$ 13,784,139

See Accompanying Notes to the Financial Statements



CITY OF SPICER, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	General	Fire Protection	EDA Business Revolving Loan	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
								2019	2018
<b>ASSETS</b>									
Cash and Investments	\$ 1,808,133	\$ 365,180	\$	\$ 179,526	\$ 443,036	\$ 332,885	\$ 1,343,428	\$ 4,472,188	\$ 4,477,452
Receivables									
Accounts	27,102	2,637					600	30,339	8,219
Interest	3,008	922		465	1,157	498	2,017	8,067	4,810
Taxes - Delinquent	4,358			209	82	373	1,703	6,725	18,659
Special Assessments	6,464			153,051	162,965	445,074	46,854	814,408	939,551
Loans			365,212					365,212	25,824
Due from Other Governments	5,262	11,856		314	115	439	29,738	47,724	40,342
Due from Other Funds	1,125						164,391	165,516	187
Land Held for Resale	402,637						18,017	420,654	270,540
Prepaid Items	9,985	2,083					466	12,534	8,909
<b>Total Assets</b>	<b>\$ 2,268,074</b>	<b>\$ 382,678</b>	<b>\$ 365,212</b>	<b>\$ 333,565</b>	<b>\$ 607,355</b>	<b>\$ 779,269</b>	<b>\$ 1,607,214</b>	<b>\$ 6,343,367</b>	<b>\$ 5,794,493</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 130,265	\$ 1,286	\$	\$	\$	\$	\$ 24,681	\$ 156,232	\$ 53,532
Contracts Payable									107,244
Due to Other Funds	176		164,215				1,125	165,516	187
Accrued Salaries	1,905						195	2,100	876
Due to Other Governments	3,594						971	4,565	31,463
Unearned Revenue	6,270							6,270	1,270
<b>Total Liabilities</b>	<b>142,210</b>	<b>1,286</b>	<b>164,215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,972</b>	<b>334,683</b>	<b>194,572</b>
<b>Deferred Inflows of Resources</b>									
Unavailable Revenue									
Taxes - Delinquent	4,358			209	82	373	1,703	6,725	18,659
Special Assessments	6,464			153,051	162,965	445,074	46,854	814,408	939,551
<b>Total Deferred Inflows of Resources</b>	<b>10,822</b>	<b>0</b>	<b>0</b>	<b>153,260</b>	<b>163,047</b>	<b>445,447</b>	<b>48,557</b>	<b>821,133</b>	<b>958,210</b>
<b>Fund Balance</b>									
Nonspendable	412,622	2,083					466	415,171	159,958
Restricted				180,305	444,308	333,822	413,021	1,371,456	1,221,451
Committed		218,866						218,866	30,000
Assigned	1,037,617	160,443	200,997				1,118,198	2,517,255	2,448,356
Unassigned	664,803							664,803	781,946
<b>Total Fund Balance</b>	<b>2,115,042</b>	<b>381,392</b>	<b>200,997</b>	<b>180,305</b>	<b>444,308</b>	<b>333,822</b>	<b>1,531,685</b>	<b>5,187,551</b>	<b>4,641,711</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,268,074</b>	<b>\$ 382,678</b>	<b>\$ 365,212</b>	<b>\$ 333,565</b>	<b>\$ 607,355</b>	<b>\$ 779,269</b>	<b>\$ 1,607,214</b>	<b>\$ 6,343,367</b>	<b>\$ 5,794,493</b>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balances - Governmental Funds	\$ 5,187,551	\$ 4,641,711
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 the governmental funds.		
Governmental Capital Assets	15,858,442	16,370,276
Less: Accumulated Depreciation	(5,794,348)	(5,358,636)
Net Pension Asset		108,197
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Taxes - Delinquent	6,725	18,659
Special Assessments	814,408	939,551
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not recorded in the funds:		
Deferred Outflows of Resources Related to Pensions	92,481	78,935
Deferred Inflows of Resources Related to Pensions	(82,939)	(83,973)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds and Notes Payable	(5,585,000)	(6,435,000)
Bond Discount	12,604	13,345
Compensated Absences	(12,453)	(12,426)
Net Pension Liability	(208,607)	(184,152)
Accrued Interest Payable	(47,312)	(57,384)
	<u>                    </u>	<u>                    </u>
Total Net Position - Governmental Activities	<u>\$ 10,241,552</u>	<u>\$ 10,039,103</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Fire Protection	EDA Business Revolving Loan	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
								2019	2018
<b>REVENUES</b>									
Taxes	\$ 821,270			\$ 52,913	\$ 12,796	\$ 75,765	\$ 395,841	\$ 1,358,585	\$ 1,282,414
Special Assessments				31,692	39,473	56,458	43,309	170,932	229,475
Licenses and Permits	29,768							29,768	35,991
Intergovernmental	38,601	176,997					174,600	390,198	93,285
Charges for Services	16,994	155,810						172,804	220,728
Sales and Use Tax							170,946	170,946	172,936
Fines and Forfeits	4,012							4,012	6,743
Investment Income (Loss)	19,106	9,854	1,375	4,907	12,307	5,363	24,579	77,491	447
Miscellaneous	140,649	5,438			4	3	119,219	265,313	146,154
Total Revenues	1,070,400	348,099	1,375	89,512	64,580	137,589	928,494	2,640,049	2,188,173
<b>EXPENDITURES</b>									
<b>Current</b>									
General Government	283,416							283,416	264,757
Public Safety	111,045	122,497						233,542	221,355
Public Works	202,116							202,116	222,724
Culture and Recreation	137,251						64,690	201,941	197,740
Cemetery							3,772	3,772	5,403
Economic Development			200				104,976	105,176	55,022
<b>Debt Service</b>									
Principal				70,000	50,000	55,000	360,000	535,000	415,000
Interest and Other Charges				16,024	9,725	70,519	45,706	141,974	164,095
<b>Capital Outlay</b>									
General Government	4,082							4,082	8,582
Public Safety		183,858						183,858	132,529
Public Works	3,734						14,543	18,277	446,612
Culture and Recreation	2,601						63,704	66,305	243,964
Economic Development							99,674	99,674	28,611
Total Expenditures	744,245	306,355	200	86,024	59,725	125,519	757,065	2,079,133	2,406,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	326,155	41,744	1,175	3,488	4,855	12,070	171,429	560,916	(218,221)

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Fire Protection	EDA Business Revolving Loan	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
								2019	2018
OTHER FINANCING SOURCES (USES)									
Sale of Assets	\$	\$	\$	\$	\$	\$	\$	\$	\$ 11,500
Transfers In	685,000					137,787	152,124	974,911	190,622
Transfers Out	(87,234)						(902,753)	(989,987)	(177,115)
Total Other Financing Sources (Uses)	597,766	0	0	0	0	137,787	(750,629)	(15,076)	25,007
Net Change in Fund Balances	923,921	41,744	1,175	3,488	4,855	149,857	(579,200)	545,840	(193,214)
FUND BALANCE, BEGINNING OF YEAR	1,191,121	339,648	199,822	176,817	439,453	183,965	2,110,885	4,641,711	4,834,925
FUND BALANCE, END OF YEAR	\$ 2,115,042	\$ 381,392	\$ 200,997	\$ 180,305	\$ 444,308	\$ 333,822	\$ 1,531,685	\$ 5,187,551	\$ 4,641,711

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 545,840	\$ (193,214)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	2,372,866	868,556
Depreciation Expense	(464,010)	(409,081)
Capital Asset Disposals	(2,884,700)	(395,238)
Accumulated Depreciation Related to Capital Asset Disposals	28,298	284,049
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Taxes - Delinquent	(11,934)	(4,471)
Special Assessments	(125,143)	(166,482)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(27)	22
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal Retirement of Long-term Debt	850,000	415,000
Bond Discount Amortization	(741)	(742)
Change in Accrued Interest	10,072	8,065
In the Statement of Activities, pension expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>(118,072)</u>	<u>3,672</u>
Change in Net Position - Governmental Activities	<u>\$ 202,449</u>	<u>\$ 410,136</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			Over (Under) Final Budget	2018 Actual
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 853,324	\$ 853,324	\$ 821,270	\$ (32,054)	\$ 829,104
Licenses and Permits	17,130	17,130	29,768	12,638	35,991
Intergovernmental	47,739	47,739	38,601	(9,138)	68,202
Charges for Services	13,000	13,000	16,994	3,994	41,006
Fines and Forfeits	1,500	1,500	4,012	2,512	6,743
Investment Income (Loss)	2,100	2,100	19,106	17,006	(17,278)
Miscellaneous					
Rent	11,000	11,000	11,460	460	11,803
Contributions and Donations			55	55	4,980
Insurance Reimbursements			116,029	116,029	3,547
Other	15,500	15,500	13,105	(2,395)	10,654
Total Revenues	<u>961,293</u>	<u>961,293</u>	<u>1,070,400</u>	<u>109,107</u>	<u>994,752</u>
<b>EXPENDITURES</b>					
Current					
General Government					
Council and Other					
Mayor and Council	14,000	14,000	12,000	(2,000)	11,655
Benefits	1,100	1,100	1,020	(80)	2,259
Insurance	8,600	8,600	5,244	(3,356)	4,887
Legal and Professional	43,400	43,400	36,183	(7,217)	31,262
Engineering Fees	17,500	17,500	5,530	(11,970)	10,125
Publishing and Dues	3,000	3,000	2,358	(642)	2,285
Planning and Zoning	14,193	14,193	15,144	951	9,089
Building Inspector	23,400	23,400	20,298	(3,102)	31,962
Election Costs	950	950	2,739	1,789	2,204
Reimbursed Expenditures	7,600	7,600	3,100	(4,500)	5,100
Other	5,200	5,200	4,970	(230)	5,140
Total Council and Other	<u>138,943</u>	<u>138,943</u>	<u>108,586</u>	<u>(30,357)</u>	<u>115,968</u>
City Hall and Clerk/Treasurer					
Salaries	109,300	109,300	95,673	(13,627)	78,690
Benefits	17,080	17,080	19,708	2,628	15,799
Insurance	16,310	16,310	15,455	(855)	11,404
Office Supplies and Other	16,400	16,400	12,602	(3,798)	11,531
Other	22,850	22,850	19,929	(2,921)	21,477
Total City Hall and Clerk/Treasurer	<u>181,940</u>	<u>181,940</u>	<u>163,367</u>	<u>(18,573)</u>	<u>138,901</u>
Assessor	12,000	12,000	11,463	(537)	9,888
Total General Government	<u>332,883</u>	<u>332,883</u>	<u>283,416</u>	<u>(49,467)</u>	<u>264,757</u>

See Accompanying Notes to the Financial Statements

## CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			Over (Under) Final Budget	2018 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Safety					
Police Protection	\$ 47,400	\$ 47,400	\$ 43,351	\$ (4,049)	\$ 43,351
First Responders and Fire Protection					
Salaries	9,450	9,450	4,167	(5,283)	5,318
Benefits	900	900	319	(581)	407
Repairs and Maintenance	1,200	1,200	1,017	(183)	4,367
Operating Supplies	2,600	2,600	1,838	(762)	1,619
Fuel	500	500	107	(393)	112
Insurance	3,300	3,300	2,223	(1,077)	2,512
Other	2,900	2,900	2,006	(894)	2,472
Fire Contract	55,955	55,955	55,955		60,459
Total First Responders and Fire Protection	76,805	76,805	67,632	(9,173)	77,266
Animal Control	550	550	62	(488)	61
Total Public Safety	124,755	124,755	111,045	(13,710)	120,678
Public Works					
Streets and Highways					
Salaries	56,160	56,160	49,785	(6,375)	52,408
Benefits	9,500	9,500	7,875	(1,625)	8,421
Insurance	12,800	12,800	10,101	(2,699)	11,134
Repairs and Maintenance	5,500	5,500	4,312	(1,188)	19,586
Street Maintenance	20,500	20,500	21,108	608	15,046
Telephone and Utilities	8,975	8,975	7,484	(1,491)	7,213
Fuel	2,800	2,800	3,121	321	2,828
Snow Removal	28,240	28,240	56,190	27,950	28,082
Street Lighting	35,000	35,000	37,680	2,680	39,864
Other	4,450	4,450	4,460	10	3,153
Total Public Works	183,925	183,925	202,116	18,191	187,735

See Accompanying Notes to the Financial Statements

## CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			Over (Under) Final Budget	2018 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Culture and Recreation					
Parks					
Salaries	\$ 40,750	\$ 40,750	\$ 34,228	\$ (6,522)	\$ 38,292
Benefits	6,680	6,680	4,380	(2,300)	5,753
Insurance	19,450	19,450	20,198	748	19,377
Community Education	10,500	10,500	10,500		10,500
Supplies and Other	2,635	2,635	1,837	(798)	2,306
Telephone and Utilities	17,650	17,650	17,003	(647)	13,109
Restrooms	1,750	1,750	3,171	1,421	2,435
Legal Fees	1,500	1,500	1,500		1,155
Repairs and Maintenance	16,700	16,700	16,919	219	15,793
Total Parks	<u>117,615</u>	<u>117,615</u>	<u>109,736</u>	<u>(7,879)</u>	<u>108,720</u>
Library					
Other	24,955	24,955	23,694	(1,261)	22,443
Telephone and Utilities	4,000	4,000	3,821	(179)	3,676
Total Library	<u>28,955</u>	<u>28,955</u>	<u>27,515</u>	<u>(1,440)</u>	<u>26,119</u>
Total Culture and Recreation	<u>146,570</u>	<u>146,570</u>	<u>137,251</u>	<u>(9,319)</u>	<u>134,839</u>
Capital Outlay					
General Government	4,000	4,000	4,082	82	5,500
Public Safety	5,000	5,000		(5,000)	15,350
Public Works	20,000	20,000	3,734	(16,266)	61,611
Culture and Recreation	13,800	13,800	2,601	(11,199)	122,430
Total Capital Outlay	<u>42,800</u>	<u>42,800</u>	<u>10,417</u>	<u>(32,383)</u>	<u>204,891</u>
Total Expenditures	<u>830,933</u>	<u>830,933</u>	<u>744,245</u>	<u>(86,688)</u>	<u>912,900</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	130,360	130,360	326,155	195,795	81,852
OTHER FINANCING SOURCES (USES)					
Transfers In			685,000	685,000	
Transfers Out	(96,200)	(96,200)	(87,234)	8,966	(106,515)
Sale of Assets					6,000
Total Other Financing Sources (Uses)	<u>(96,200)</u>	<u>(96,200)</u>	<u>597,766</u>	<u>693,966</u>	<u>(100,515)</u>
Net Change in Fund Balances	<u>\$ 34,160</u>	<u>\$ 34,160</u>	923,921	<u>\$ 889,761</u>	(18,663)
FUND BALANCE, BEGINNING OF YEAR			<u>1,191,121</u>		<u>1,209,784</u>
FUND BALANCE, END OF YEAR			<u>\$ 2,115,042</u>		<u>\$ 1,191,121</u>

See Accompanying Notes to the Financial Statements



CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FIRE PROTECTION SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019				2018 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Intergovernmental	\$ 22,000	\$ 22,000	\$ 176,997	\$ 154,997	\$ 25,083
Charges for Services					
Fire Contract/Calls	129,692	129,692	155,810	26,118	179,722
Investment Income (Loss)	250	250	9,854	9,604	1,747
Miscellaneous			5,438	5,438	11,269
Total Revenues	<u>151,942</u>	<u>151,942</u>	<u>348,099</u>	<u>196,157</u>	<u>217,821</u>
EXPENDITURES					
Current					
Public Safety	109,030	109,030	122,497	13,467	100,677
Capital Outlay					
Public Safety	2,000	2,000	183,858	181,858	117,179
Total Expenditures	<u>111,030</u>	<u>111,030</u>	<u>306,355</u>	<u>195,325</u>	<u>217,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,912	40,912	41,744	832	(35)
OTHER FINANCING SOURCES (USES)					
Transfers In					22,500
Transfers Out	(50,000)	(50,000)		50,000	
Sale of Assets					5,500
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>	<u>28,000</u>
Net Change in Fund Balances	<u>\$ (9,088)</u>	<u>\$ (9,088)</u>	41,744	<u>\$ 50,832</u>	27,965
FUND BALANCE, BEGINNING OF YEAR			<u>339,648</u>		<u>311,683</u>
FUND BALANCE, END OF YEAR			<u>\$ 381,392</u>		<u>\$ 339,648</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 EDA BUSINESS REVOLVING LOAN SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019				2018 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Investment Income (Loss)	\$ 800	\$ 800	\$ 1,375	\$ 575	\$ 1,357
EXPENDITURES					
Current					
Economic Development	118,800	118,800	200	(118,600)	1,834
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,000)	(118,000)	1,175	119,175	(477)
TRANSFERS					
Transfers In					15,000
Net Change in Fund Balances	<u>\$ (118,000)</u>	<u>\$ (118,000)</u>	1,175	<u>\$ 119,175</u>	14,523
FUND BALANCE, BEGINNING OF YEAR			199,822		185,299
FUND BALANCE, END OF YEAR			<u>\$ 200,997</u>		<u>\$ 199,822</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 107,781	\$ 373,817	\$ 481,598	\$ 364,940
Receivables				
Accounts	51,306	33,338	84,644	74,475
Interest	263	849	1,112	335
Due from Other Governments				31,749
Prepaid Items	887	758	1,645	1,716
<b>Total Current Assets</b>	<u>160,237</u>	<u>408,762</u>	<u>568,999</u>	<u>473,215</u>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Assets Not Being Depreciated		4,536	4,536	4,536
Other Capital Assets, Net of Depreciation	2,262,961	1,717,375	3,980,336	3,427,408
<b>Total Noncurrent Assets</b>	<u>2,262,961</u>	<u>1,721,911</u>	<u>3,984,872</u>	<u>3,431,944</u>
<b>Total Assets</b>	<u>2,423,198</u>	<u>2,130,673</u>	<u>4,553,871</u>	<u>3,905,159</u>
<b>Deferred Outflows of Resources</b>				
Related to Pensions	4,415	4,476	8,891	23,433
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,427,613</u>	<u>\$ 2,135,149</u>	<u>\$ 4,562,762</u>	<u>\$ 3,928,592</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2019	2018
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	\$ 477	\$ 5,256	\$ 5,733	\$ 6,258
Accrued Salaries	458	458	916	436
Accrued Interest Payable		5,203	5,203	
Due to Other Governments	33,797	18,599	52,396	47,691
Total Current Liabilities	<u>34,732</u>	<u>29,516</u>	<u>64,248</u>	<u>54,385</u>
Long-Term Liabilities				
Net Pension Liability	39,998	40,546	80,544	93,228
Due Within One Year		15,000	15,000	
Due in More than One Year	6,605	291,605	298,210	12,656
Total Long-Term Liabilities	<u>46,603</u>	<u>347,151</u>	<u>393,754</u>	<u>105,884</u>
Total Liabilities	<u>81,335</u>	<u>376,667</u>	<u>458,002</u>	<u>160,269</u>
Deferred Inflows of Resources				
Related to Pensions	8,799	8,919	17,718	23,287
Net Position				
Net Investment in Capital Assets	2,262,961	1,421,911	3,684,872	3,431,944
Unrestricted	74,518	327,652	402,170	313,092
Total Net Position	<u>2,337,479</u>	<u>1,749,563</u>	<u>4,087,042</u>	<u>3,745,036</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,427,613</u>	<u>\$ 2,135,149</u>	<u>\$ 4,562,762</u>	<u>\$ 3,928,592</u>

## CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2019  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2019	2018
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 565,038	\$ 381,073	\$ 946,111	\$ 896,302
Other		3,251	3,251	7,301
Total Operating Revenues	<u>565,038</u>	<u>384,324</u>	<u>949,362</u>	<u>903,603</u>
<b>OPERATING EXPENSES</b>				
Salaries	51,640	52,330	103,970	111,846
Benefits	6,931	7,616	14,547	32,453
Supplies	897	3,535	4,432	4,171
Other Services and Charges	427,658	221,781	649,439	591,635
Production	31,472	5,812	37,284	18,879
Administrative and General	18,223	9,425	27,648	27,312
Miscellaneous	10,655	13,121	23,776	18,646
Depreciation	105,332	74,205	179,537	175,647
Total Operating Expenses	<u>652,808</u>	<u>387,825</u>	<u>1,040,633</u>	<u>980,589</u>
Operating Income (Loss)	(87,770)	(3,501)	(91,271)	(76,986)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income (Loss)	2,925	9,103	12,028	1,476
Miscellaneous	4,284	1,389	5,673	12,335
Interest (Expense)		(11,597)	(11,597)	
Gain/(Loss) on Disposal of Assets				2,000
Total Nonoperating Revenues (Expenses)	<u>7,209</u>	<u>(1,105)</u>	<u>6,104</u>	<u>15,811</u>
Income (Loss) Before Other Items	(80,561)	(4,606)	(85,167)	(61,175)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>				
Transfers In		15,988	15,988	16,105
Transfers Out		(912)	(912)	(29,612)
Capital Contributions	341,367	70,730	412,097	
Total Transfers and Capital Contributions	<u>341,367</u>	<u>85,806</u>	<u>427,173</u>	<u>(13,507)</u>
Change in Net Position	260,806	81,200	342,006	(74,682)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,076,673</u>	<u>1,668,363</u>	<u>3,745,036</u>	<u>3,819,718</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,337,479</u>	<u>\$ 1,749,563</u>	<u>\$ 4,087,042</u>	<u>\$ 3,745,036</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 559,105	\$ 411,837	\$ 970,942	\$ 865,312
Payments to Suppliers	(485,214)	(253,114)	(738,328)	(670,051)
Payments to Employees	(60,199)	(60,995)	(121,194)	(138,178)
Net Cash Provided (Used) by Operating Activities	13,692	97,728	111,420	57,083
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous Income	4,284	1,389	5,673	12,335
Transfers		15,076	15,076	(13,507)
Net Cash Provided (Used) by Noncapital Financing Activities	4,284	16,465	20,749	(1,172)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(5,368)		(5,368)	
Disposal of Capital Assets				2,000
Principal Reduction on Long-Term Debt		(15,000)	(15,000)	
Interest and Fiscal Agent Fees Paid on Bonds		(6,394)	(6,394)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,368)	(21,394)	(26,762)	2,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income (Loss)	2,662	8,589	11,251	1,306
Net Increase (Decrease) in Cash and Cash Equivalents	15,270	101,388	116,658	59,217
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>				
	92,511	272,429	364,940	305,723
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>				
	\$ 107,781	\$ 373,817	\$ 481,598	\$ 364,940

CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (87,770)	\$ (3,501)	\$ (91,271)	\$ (76,986)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	105,332	74,205	179,537	175,647
Pension Related Adjustments	(2,145)	(1,566)	(3,711)	11,490
(Increase) Decrease in				
Accounts Receivable	(6,659)	(3,510)	(10,169)	(6,542)
Prepaid Items	14	57	71	1,259
Due from Other Governments	726	31,023	31,749	(31,749)
Increase (Decrease) in				
Accounts Payable	(37)	(488)	(525)	(820)
Accrued Salaries	240	240	480	(5,650)
Compensated Absences	277	277	554	281
Due to Other Governments	3,714	991	4,705	(9,847)
Net Cash Provided (Used) by Operating Activities	<u>\$ 13,692</u>	<u>\$ 97,728</u>	<u>\$ 111,420</u>	<u>\$ 57,083</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital Contributions	<u>\$ 341,367</u>	<u>\$ 70,730</u>	<u>\$ 412,097</u>	<u>\$ 0</u>

CITY OF SPICER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2019

	Private Purpose Trust Funds
<b>ASSETS</b>	
Cash and Investments	\$ 370,493
Interest Receivable	541
	\$ 371,034
<b>Total Assets</b>	<b>\$ 371,034</b>
<b>NET POSITION</b>	
Held in Trust for Culture and Recreation Improvements	<b>\$ 371,034</b>

CITY OF SPICER, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2019

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Investment Income (Loss)	\$ 22,408
<b>DEDUCTIONS</b>	
Books	6,000
Miscellaneous	1,582
Total Deductions	7,582
Change in Net Position	14,826
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>356,208</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 371,034</b>



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Spicer, Minnesota, is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the City misleading.

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, a certain organization has been defined and is presented in this report as follows:

Blended Component Unit - Reported as if they were part of the City.

The specific entity from the category above is identified as follows.

Blended Component Unit

The City of Spicer Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the City of Spicer EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the City of Spicer EDA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on 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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

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

The Fire Protection Special Revenue Fund is used to account for revenues and expenditures related to fire protection; financing is provided by intergovernmental revenues and charges for fire contracts/calls.

The EDA Business Revolving Loan Special Revenue Fund is used to account for all activity related to EDA business loans.

The 2012A Improvement Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The 2014A G.O. Refunding Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The 2016A G.O. Improvement Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(Cont'd)

The City reports the following major enterprise funds:

The Sewer Fund accounts for the operations of the City's sewer utility.

The Water Fund accounts for the operations of the City's water utility.

Additionally, the City reports the following fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent. The City is the trustee, or fiduciary, for the following two funds:

The Erickson Memorial Trust - The City is a trustee, or fiduciary, for resources collected to improve the Library.

The Edward Dethlefs Trust - The City is a trustee, or fiduciary, for resources collected to improve the Dethlefs Senior Center.

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

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

It is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The City may invest in the following types of investments as authorized by Minn. Stat. §118A.04 and §118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of deposits, nonnegotiable certificates of deposits and investments held in an annuity.

**Custodial Credit Risk - Deposits:** For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy states the collateralization level will be 110% of the market value of principal and accrued interest for balances above the FDIC insured amount.

**Interest Rate Risk:** This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City does not have an investment policy that addresses interest rate risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City does not have an investment policy that further limits its investment choices.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The City does not have an investment policy that addresses concentration of credit risk.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy that addresses custodial credit risk for investments.

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. Level 3 inputs are significant unobservable inputs.

E. RECEIVABLES AND PAYABLES

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

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of property.

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Kandiyohi County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

F. PREPAID ITEMS

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

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$2,500.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded as capital assets at their estimated acquisition value at the date of the donation.

Based on the age of the majority of the City's infrastructure and an exception for small governments in GASB Statement No. 34, the City has determined it is not practical to capitalize infrastructure retroactively. The current value of the infrastructure includes projects completed during the year ended December 31, 1985 and prospectively from that date.

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

Tangible and intangible assets of the City are depreciated using the straight-line, full month convention method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings and Land Improvements	20-50
Equipment	5-15

The City does not possess any material amounts of intangible assets.

H. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The City has one item that qualifies for reporting in this category on the government-wide and proprietary fund Statement of Net Position which is related to pensions.

I. UNEARNED REVENUE

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

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary funds Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Full-time, permanent City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Employees are entitled to paid sick leave at the rate of one day per month up to a total of one hundred days. Employees are compensated for twenty-five percent of accrued sick leave up to twenty-five days.

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the City pay premiums based on amounts determined by the City Council. Since the insurance rates are not aged based, the City has an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. City management has estimated the potential liability based on prior experience and determined the need to accrue a postemployment benefits liability is immaterial to users of the financial statements. The City's personnel policy does not provide for any contributions upon employee retirement.

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the City of Spicer Fire Relief Association and additions to/deductions from PERA's and the City of Spicer Fire Relief Association's fiduciary net position have been determined on the same basis as they are reported by PERA and the City of Spicer Fire Relief Association. 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 City participates in various pension plans; total pension expense for the year ended December 31, 2019, was \$164,867. The components of pension expense are noted in the plan summaries.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

M. LONG-TERM OBLIGATIONS (Cont'd)

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

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The City has items that qualify for reporting in this category on both the government-wide and proprietary fund Statement of Net Position and the governmental fund financial statements related to property taxes, special assessments and pensions.

O. FUND BALANCE

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

*Nonspendable* - consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventories and prepaid items.

*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 amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the City Council.

*Assigned* - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the City Administrator is authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

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



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

Q. USE OF ESTIMATES

The preparation of the 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 amount of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 15, the City Council submits a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

A. BUDGETARY INFORMATION (Cont'd)

5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfers of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting is not used for the General or Special Revenue Funds.

B. FUND DEFICITS

The following funds had a deficit balance:

None

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditure</u>	<u>Appropriations</u>
Fire Fund	\$ 306,355	\$ 111,030

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council.

Governmental Activities	
Pooled Cash in Bank	\$ 1,981,427
Non-Negotiable Certificates of Deposit	<u>878,145</u>
Total Governmental Activities	<u>\$ 2,859,572</u>
Business-Type Activities	
Pooled Cash in Bank	<u>\$ 481,598</u>
Fiduciary Fund	
Pooled Cash in Bank	\$ 270,493
Non-Negotiable Certificates of Deposit	<u>100,000</u>
Total Fiduciary Fund	<u>\$ 370,493</u>
Total Deposits	<u>\$ 3,711,663</u>

B. INVESTMENTS

The City had the following investments:

	Fair Value	Fair Value Measured Using		
		Level 1	Level 2	Level 3
Investments at fair value				
Brokered Certificates of Deposit	\$ 900,301	\$	\$ 900,301	\$
Annuities	<u>712,315</u>	<u>712,315</u>		
Total Investments	<u>\$ 1,612,616</u>	<u>\$ 712,315</u>	<u>\$ 900,301</u>	<u>\$ 0</u>

Concentration of Credit Risk: The City was exposed to concentration of credit risk due to the fact that the City's brokered certificates of deposit exceeded 5% of the total City's Investments portfolio.

The Weighted Average Maturity of investments are as follows:

	Weighted Average Maturity (Years)	Credit Ratings
Brokered Certificates of Deposit	N/A	N/A
Annuities	7.28	AA+

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 3,711,663
Investments	<u>1,612,616</u>
Total Deposits and Investments	<u>\$ 5,324,279</u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position Cash and Investments	<u>\$ 4,953,786</u>
Statement of Fiduciary Net Position Cash and Investments	<u>\$ 370,493</u>

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 30,339	\$
Interest	8,067	
Taxes - Delinquent	6,725	
Current and Deferred Special Assessments	814,408	732,749
Loans	<u>365,212</u>	<u>358,877</u>
Total Governmental Activities	<u>\$ 1,224,751</u>	<u>\$ 1,091,626</u>

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	\$ 84,644	\$
Interest	<u>1,112</u>	
Total Business-Type Activities	<u>\$ 85,756</u>	<u>\$ 0</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 2,038,963	\$ 157,941	\$	\$ 2,196,904
Construction in Progress	2,864,794	1,023	(2,726,759)	139,058
Total Capital Assets, Not Being Depreciated	4,903,757	158,964	(2,726,759)	2,335,962
Capital Assets, Being Depreciated				
Buildings and Improvements	9,427,015	2,078,399	(157,941)	11,347,473
Machinery and Equipment	2,039,504	135,503		2,175,007
Total Capital Assets, Being Depreciated	11,466,519	2,213,902	(157,941)	13,522,480
Less Accumulated Depreciation for				
Buildings and Improvements	3,984,575	357,504	(28,298)	4,313,781
Machinery and Equipment	1,374,061	106,506		1,480,567
Total Accumulated Depreciation	5,358,636	464,010	(28,298)	5,794,348
Total Capital Assets, Being Depreciated, Net	6,107,883	1,749,892	(129,643)	7,728,132
Governmental Activities Net Capital Assets	<u>\$11,011,640</u>	<u>\$ 1,908,856</u>	<u>\$ (2,856,402)</u>	<u>\$ 10,064,094</u>
Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 4,536	\$	\$	\$ 4,536
Capital Assets, Being Depreciated				
Buildings and Improvements	5,009,331	727,097		5,736,428
Machinery and Equipment	684,014	5,368		689,382
Total Capital Assets, Being Depreciated	5,693,345	732,465	0	6,425,810
Less Accumulated Depreciation for				
Buildings and Improvements	2,005,466	164,549		2,170,015
Machinery and Equipment	260,471	14,988		275,459
Total Accumulated Depreciation	2,265,937	179,537	0	2,445,474
Total Capital Assets, Being Depreciated, Net	3,427,408	552,928	0	3,980,336
Business-Type Activities Net Capital Assets	<u>\$ 3,431,944</u>	<u>\$ 552,928</u>	<u>\$ 0</u>	<u>\$ 3,984,872</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government		\$ 45,006
Public Safety		85,367
Public Works		251,358
Culture and Recreation		<u>82,279</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 464,010</u>
Business-Type Activities		
Sewer		\$ 105,332
Water		<u>74,205</u>
Total Depreciation Expense - Business-Type Activities		<u>\$ 179,537</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 1,125
Nonmajor Governmental Funds	General	176
Nonmajor Governmental Funds	EDA Business Revolving Loan	164,215

The purpose of the above interfund loans was to record property taxes owed to the Economic Development Fund and negative cash.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	Transfer In				Total
	General	2016A Improvement	Nonmajor Governmental Funds	Water	
Transfer Out					
General	\$	\$	\$ 71,246	\$ 15,988	\$ 87,234
Nonmajor Governmental Funds	685,000	136,875	80,878		902,753
Water		912			<u>912</u>
Total	<u>\$ 685,000</u>	<u>\$ 137,787</u>	<u>\$ 152,124</u>	<u>\$ 15,988</u>	<u>\$ 990,899</u>

The purpose of the above transfers were to provide funding for operating purposes, capital improvement projects and capital outlay.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

G.O. Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year Serial Bonds with equal debt service payments each year.

The City advance refunded the 2014A Series bonds to reduce its total debt service payments over the next 12 years by \$49,708 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$34,465.

B. COMPONENTS OF LONG-TERM LIABILITIES

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>			
G.O. Bonds			
2009A G.O. Refunding Bonds	2.25-3.35%	02/01/2020	\$ 155,000
2010A G.O. Crossover Refunding	1.00-3.15%	02/01/2022	485,000
2012A G.O. Improvement Bonds	1.00-2.85%	12/01/2027	595,000
2014A G.O. Refunding Bonds	1.00-2.75%	02/01/2026	385,000
2016A G.O. Improvement Bonds	1.00-2.875%	02/01/2037	3,200,000
2017A G.O. Bonds	1.60-3.13%	02/01/2031	765,000
Unamortized Bond Discount			(12,604)
Compensated Absences			<u>12,453</u>
Total Governmental Activities			<u>\$ 5,584,849</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
2016A G.O. Utility Revenue Bonds	1.00-2.875%	02/01/2037	\$ 300,000
Compensated Absences			<u>13,210</u>
Total Business-Type Activities			<u>\$ 313,210</u>

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness, certificates and notes payable. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences. The Water and Sewer Funds are used to liquidate the outstanding business-type activities compensated absences.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for all bonded debt and notes outstanding are as follows:

Year Ending December 31	Governmental Activities G.O. Bonds		Business-Type Activities G.O. Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 530,000	\$ 125,708	\$ 15,000	\$ 6,244
2021	505,000	113,946	15,000	6,094
2022	515,000	102,587	15,000	5,869
2023	350,000	93,455	15,000	5,644
2024	350,000	86,625	15,000	5,419
2025-2029	1,490,000	315,655	75,000	22,970
2030-2034	1,085,000	167,541	90,000	14,938
2035-2037	760,000	31,596	60,000	3,350
	<u>\$ 5,585,000</u>	<u>\$ 1,037,113</u>	<u>\$ 300,000</u>	<u>\$ 70,528</u>

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 6,435,000	\$	\$ 850,000	\$ 5,585,000	\$ 530,000
Unamortized Bond Discount	(13,345)	741		(12,604)	
Compensated Absences	12,426	11,304	11,277	12,453	
Total Governmental Activities	<u>\$ 6,434,081</u>	<u>\$ 12,045</u>	<u>\$ 861,277</u>	<u>\$ 5,584,849</u>	<u>\$ 530,000</u>
<u>Business-Type Activities</u>					
G.O. Utility Revenue Bonds	\$	\$ 315,000	\$ 15,000	\$ 300,000	\$ 15,000
Compensated Absences	12,656	14,174	13,620	13,210	
Total Business-Type Activities	<u>\$ 12,656</u>	<u>\$ 329,174</u>	<u>\$ 28,620</u>	<u>\$ 313,210</u>	<u>\$ 15,000</u>



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

E. PLEGGED REVENUES

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

<u>Bond Issue/ Use of Proceeds/ Type</u>	<u>Percent of Total Debt Service</u>	<u>Term of Pledge</u>	<u>Remaining Principal and Interest</u>	<u>Principal and Interest Paid</u>	<u>Pledged Revenue Received</u>
G.O. Utility Revenue Bonds, Series 2016A Site Improvements Utility Charges	100%	2016-2037	\$ 370,528	\$ 21,394	\$ 381,073

NOTE 8. RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program, with other cities in the state. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

There are no other claims liabilities reported in the funds based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION

A PLAN DESCRIPTION

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2018, the plan covered 27 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION (Cont'd)

B BENEFITS PROVIDED

The plan provides lump-sum retirement, death and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The plan includes a \$1,800 service pension benefit for each year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. Members are eligible for a lump-sum retirement benefit at 50 years of age or after completion of ten years of service, but not 20 years of service.

C CONTRIBUTIONS

The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. As of December 31, 2018, the State of Minnesota contributed \$25,083 in fire state aid to the plan on behalf of the Fire Department. Required employer contributions are calculated annually based on statutory provisions.

D PENSION COSTS

The City reported a net pension liability (asset) of \$23,770. The City's net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an independent actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning Balance 12/31/2018	\$ 314,018	\$ 422,215	\$ (108,197)
Changes for the Year:			
Service Cost	15,535		15,535
Interest	18,893		18,893
Changes in Benefit Terms	88,032		88,032
Differences Between Expected and Actual Experience	(6,400)		(6,400)
Changes in Assumptions	9,801		9,801
Contributions - Member		90	(90)
Contributions - State		25,083	(25,083)
Net Investment Income		(23,276)	23,276
Benefit Payments	(1,962)	(1,962)	
Administrative Expense		(8,003)	8,003
Net Change	<u>123,899</u>	<u>(8,068)</u>	<u>131,967</u>
Balance End of Year 12/31/2019	<u>\$ 437,917</u>	<u>\$ 414,147</u>	<u>\$ 23,770</u>

There was an increase in benefit payments increasing from a \$1,300 lump sum per year to \$1,800.

For the year ended December 31, 2019, the City recognized pension expense of \$96,527.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION (Cont'd)

D. PENSION COSTS (Cont'd)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$	\$ 15,256
Changes in Actuarial Assumptions	10,866	1,626
Net Differences Between Projected and Actual Investment Earnings	35,816	
Contributions Paid to Plan Subsequent to Measurement Date	25,396	
State Aid Received for the Plan Subsequent to Measurement Date		25,396
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 72,078</u>	<u>\$ 42,278</u>

\$25,396 reported as deferred outflows of resources related to pensions resulting from City contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 12,439
2021	6,388
2022	4,324
2023	8,393
2024	(1,029)
Thereafter	(715)

E ACTUARIAL ASSUMPTIONS

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age
Amortization Method:	Straight-Line - Closed
Remaining Amortization Period:	5 Years
Asset Valuation Method:	Market value of assets
Inflation Rate:	2.50 percent
Investment Rate of Return:	5.00 percent, net of administrative expenses

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 to December 31, 2018.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION (Cont'd)

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 (ASSET) SENSITIVITY

The following presents the City's net pension liability (asset) for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
City's Net Pension Liability (Asset)	\$ 38,662	\$ 23,770	\$ 9,185

H PLAN INVESTMENTS/INVESTMENT POLICY:

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION (Cont'd)

I. ASSET ALLOCATION

The long-term expected rate of return on pension plan investments as determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	35.00%	4.76%	7.26%
International equity	15.00%	5.41%	7.91%
Fixed income	15.00%	2.01%	4.51%
Real estate and alternatives	0.00%	4.53%	7.03%
Cash and equivalents	35.00%	0.74%	3.24%
Total weighted average			5.93%
Reduced for assumed investment expense			-1.00%
Net assumed investment return (weighted avg, rounded to 1/4%)			5.00%

J. PENSION PLAN FIDUCIARY NET POSITION:

Detailed information about the pension plan's fiduciary net position is available in a separately-issued financial report that may be obtained through the Office of the City Administrator, City of Spicer, 217 Hillcrest Ave, PO Box 656, Spicer, MN, 56288.

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

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

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED

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

GERP Benefits:

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

GERP 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 General Employees Fund for the year ended December 31, 2019, were \$25,423. The City's contributions were equal to the required contributions as set by state statute.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2019, the City reported a liability of \$265,381 for its proportionate share of the General Employees Fund's net pension liability. 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 non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$8,166. 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 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 PERA's participating employers. At June 30, 2019, the City's proportion share was 0.0048% which was a decrease of 0.0002% from its proportion measured as of June 30, 2018.

The following changes in plan provisions occurred during 2019:

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.

For the year ended December 31, 2019, the City recognized pension expense of \$23,443 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional (\$612) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 7,434	\$
Changes in Actuarial Assumptions		21,335
Differences Between Projected and Actual Investment Earnings		28,723
Changes in Proportion	9,282	8,321
Contributions Paid to GERP Subsequent to Measurement Date	<u>12,578</u>	
Totals	<u>\$ 29,294</u>	<u>\$ 58,379</u>

The \$12,578 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 ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

<u>Year ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (10,604)
2021	(23,169)
2022	(8,318)
2023	428

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:

Actuarial Assumptions

Inflation	2.50% per year
Salary Growth	3.25% after 26 years of service
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 or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

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 in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

GERP:

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

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 General Employees Fund 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.



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

G. PENSION LIABILITY SENSITIVITY

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

		<u>GERP</u>
1% Lower	6.50%	\$ 436,272
Current Discount Rate	7.50%	265,381
1% Higher	8.50%	124,277

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 11. FUND BALANCE

The following is a summary of fund balance components:

	General	Fire Protection	EDA Business Revolving Loan	2012A Improvement Bond
Nonspendable				
Prepaid Items	\$ 9,985	\$ 2,083	\$	\$
Land Held for Resale	402,637			
Total Nonspendable	<u>412,622</u>	<u>2,083</u>	<u>0</u>	<u>0</u>
Restricted for				
Debt Service				180,305
Committed				
Fire Department				
Truck Replacement		136,439		
Building Fund		59,579		
Capital Equipment		22,848		
Total Committed	<u>0</u>	<u>218,866</u>	<u>0</u>	<u>0</u>
Assigned				
Public Works	854,112			
Parks	107,680			
Downtown Park	27,700			
Westside Park	6,100			
First Responder	5,000			
Fire Department		160,443		
Library	5,000			
Equipment	32,025			
Fund Operations			200,997	
Total Assigned	<u>1,037,617</u>	<u>160,443</u>	<u>200,997</u>	<u>0</u>
Unassigned				
	<u>664,803</u>			
Totals	<u>\$ 2,115,042</u>	<u>\$ 381,392</u>	<u>\$ 200,997</u>	<u>\$ 180,305</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 11. FUND BALANCE (Cont'd)

	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid Items	\$	\$	\$ 466	\$ 12,534
Land Held for Resale				402,637
Total Nonspendable	<u>0</u>	<u>0</u>	<u>466</u>	<u>415,171</u>
Restricted for				
Debt Service	444,308	333,822	376,573	1,335,008
Lawful Purposes			<u>36,448</u>	<u>36,448</u>
Total Restricted	<u>444,308</u>	<u>333,822</u>	<u>413,021</u>	<u>1,371,456</u>
Committed				
Fire Department				
Truck Replacement				136,439
Building Fund				59,579
Capital Equipment				<u>22,848</u>
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>218,866</u>
Assigned				
Public Works				854,112
Parks				107,680
Downtown Park				27,700
Westside Park				6,100
First Responder				5,000
Fire Department				160,443
Library				5,000
Equipment				32,025
Fund Operations			<u>1,118,198</u>	<u>1,319,195</u>
Total Assigned	<u>0</u>	<u>0</u>	<u>1,118,198</u>	<u>2,517,255</u>
Unassigned				<u>664,803</u>
Totals	<u>\$ 444,308</u>	<u>\$ 333,822</u>	<u>\$ 1,531,685</u>	<u>\$ 5,187,551</u>

NOTE 12. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total net position or fund balance.

CITY OF SPICER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 13. TAX ABATEMENTS

The City is authorized by Minnesota Statute §469.174 through 469.179 to enter into tax increment financing plans. Tax increment financing may be granted on a case-by-case basis and may be subject to certain stipulations determined by the City at the time it is entered.

Business	Purpose	Percent Abated	Amount Abated
Green Lake Hospitality	Redevelopment Project	73%	\$ 22,686

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DECEMBER 31, 2019

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>GERP</u>							
June 30, 2019	0.0048%	\$ 265,381	\$ 8,166	\$ 273,547	\$ 350,576	78.03%	80.23%
June 30, 2018	0.0050%	277,380	8,986	286,366	335,501	85.35%	79.53%
June 30, 2017	0.0049%	312,813	3,951	316,764	318,974	99.31%	75.90%
June 30, 2016	0.0046%	373,497	4,920	378,417	288,876	131.00%	68.91%
June 30, 2015	0.0040%	207,301		207,301	247,432	83.78%	78.19%

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF SPICER, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>GERP</u>					
12/31/2019	\$ 25,423	\$ 25,423	\$	\$ 338,973	7.50%
12/31/2018	26,158	26,158		348,773	7.50%
12/31/2017	24,586	24,586		327,813	7.50%
12/31/2016	22,876	22,876		305,013	7.50%
12/31/2015	19,507	19,507		260,093	7.50%

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.



CITY OF SPICER, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2019

	Measurement Date				
	December 31,				
	2018	2017	2016	2015	2014
Service Cost	\$ 15,535	\$ 15,119	\$ 14,096	\$ 13,339	\$ 12,982
Interest	18,893	17,074	17,603	17,436	16,851
Changes in Benefit Terms	88,032				
Differences Between Expected and Actual Experience	(6,400)		(13,736)		
Change in Assumptions	9,801		3,022	(2,958)	
Benefit Payments	(1,962)		(36,880)	(40,000)	
Net Change in Total Pension Liability	123,899	32,193	(15,895)	(12,183)	29,833
Total Pension Liability - Beginning of Year	314,018	281,825	297,720	309,903	280,070
Total Pension Liability - End of Year	\$ 437,917	\$ 314,018	\$ 281,825	\$ 297,720	\$ 309,903
Contributions - State	\$ 25,083	\$ 24,612	\$ 27,772	\$ 26,931	\$ 33,877
Contributions - Member	90				
Net Investment Income	(23,276)	40,921	10,165	(8,416)	5,261
Benefit Payments	(1,962)		(36,880)	(40,000)	
Administrative Expense	(8,003)	(1,303)	(3,792)	(3,570)	(2,480)
Net Change in Plan Fiduciary Net Position	(8,068)	64,230	(2,735)	(25,055)	36,658
Total Plan Fiduciary Net Position - Beginning of Year	422,215	357,985	360,720	385,775	349,117
Total Plan Fiduciary Net Position - End of Year	\$ 414,147	\$ 422,215	\$ 357,985	\$ 360,720	\$ 385,775
City's Net Pension Liability (Asset) - End of Year	\$ 23,770	\$ (108,197)	\$ (76,160)	\$ (63,000)	\$ (75,872)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	95%	134%	127%	121%	124%

The City implemented GASB Statement No. 68 for the year ended December 31, 2015. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2019 Changes:

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:

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 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement 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.

2017 Changes:

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

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 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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION

2019 Changes:

There was an increase in benefit payments increasing from a \$1,300 lump sum per year to \$1,800.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

There have been no changes since the prior valuation.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2019 Changes:

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

2018 Changes:

The mortality projection 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.

2017 Changes:

The combined service annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2016 Changes:

The assumed post-retirement benefit increase rate was changed for 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all years.

The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.

Other assumptions were changed pursuant to the experience study dated 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:

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

B. CITY OF SPICER'S FIREMAN'S RELIEF ASSOCIATION

2019 Changes:

The expected investment return and discount rate decreased from 5.75% to 5.00% to reflect updated capital market assumptions.

The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation.

The inflation assumption decreased from 2.75% to 2.50%.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

The expected investment return and discount rate decreased from 6.00% to 5.75% to reflect updated capital market assumptions.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019

	Special Revenue	Debt Service	Capital Projects	Total
<b>ASSETS</b>				
Cash and Investments	\$ 916,357	\$ 372,046	\$ 55,025	\$ 1,343,428
Receivables				
Accounts	600			600
Interest	1,033	984		2,017
Taxes - Delinquent	323	1,380		1,703
Special Assessments		46,854		46,854
Due from Other Governments	26,195	3,543		29,738
Due from Other Funds	164,391			164,391
Land Held for Resale	18,017			18,017
Prepaid Items	466			466
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,127,382</u>	<u>\$ 424,807</u>	<u>\$ 55,025</u>	<u>\$ 1,607,214</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 24,681	\$	\$	\$ 24,681
Due to Other Funds	1,125			1,125
Accrued Salaries	195			195
Due to Other Governments	971			971
Total Liabilities	<u>26,972</u>	<u>0</u>	<u>0</u>	<u>26,972</u>
<b>Deferred Inflows of Resources</b>				
<b>Unavailable Revenue</b>				
Taxes - Delinquent	323	1,380		1,703
Special Assessments		46,854		46,854
Total Deferred Inflows of Resources	<u>323</u>	<u>48,234</u>	<u>0</u>	<u>48,557</u>
<b>Fund Balance</b>				
Nonspendable	466			466
Restricted	36,448	376,573		413,021
Assigned	1,063,173		55,025	1,118,198
Total Fund Balance	<u>1,100,087</u>	<u>376,573</u>	<u>55,025</u>	<u>1,531,685</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,127,382</u>	<u>\$ 424,807</u>	<u>\$ 55,025</u>	<u>\$ 1,607,214</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019

	Special Revenue	Debt Service	Capital Projects	Total
<b>REVENUES</b>				
Taxes	\$ 132,670	\$ 263,171	\$	\$ 395,841
Special Assessments		43,309		43,309
Intergovernmental Revenue			174,600	174,600
Sales and Use Tax	170,946			170,946
Investment Income (Loss)	14,114	10,465		24,579
Miscellaneous				
Rent	9,010			9,010
Contributions and Donations	9,163			9,163
Sale of Lots	15,619			15,619
Burial Fees	1,200			1,200
Other	9,087	140	75,000	84,227
Total Revenues	<u>361,809</u>	<u>317,085</u>	<u>249,600</u>	<u>928,494</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Culture and Recreation	64,690			64,690
Cemetery	3,772			3,772
Economic Development	104,976			104,976
<b>Debt Service</b>				
Principal		360,000		360,000
Interest and Other Charges		45,706		45,706
<b>Capital Outlay</b>				
Public Works			14,543	14,543
Culture and Recreation	63,704			63,704
Economic Development	22,686		76,988	99,674
Total Expenditures	<u>259,828</u>	<u>405,706</u>	<u>91,531</u>	<u>757,065</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	101,981	(88,621)	158,069	171,429
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	71,246	80,426	452	152,124
Transfers Out	(85,878)		(816,875)	(902,753)
Total Other Financing Sources (Uses)	<u>(14,632)</u>	<u>80,426</u>	<u>(816,423)</u>	<u>(750,629)</u>
Net Change in Fund Balances	87,349	(8,195)	(658,354)	(579,200)
FUND BALANCE, BEGINNING OF YEAR	<u>1,012,738</u>	<u>384,768</u>	<u>713,379</u>	<u>2,110,885</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,100,087</u>	<u>\$ 376,573</u>	<u>\$ 55,025</u>	<u>\$ 1,531,685</u>



CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2019

	Cemetery	Dethlefs	Local Option	Business Revolving	Beautification	Gambling	Economic Development	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Total
<b>ASSETS</b>													
Cash and Investments	\$ 55,038	\$	\$ 149,383	\$ 161,113	\$ 20,864	\$ 36,448	\$ 67,506	\$ 221,071	\$	\$ 42,817	\$ 138,929	\$ 23,188	\$ 916,357
Receivables													
Accounts		600											600
Interest			265	418							350		1,033
Taxes - Delinquent											323		323
Due from Other Governments			26,063								132		26,195
Due from Other Funds							176	164,215					164,391
Land Held for Resale									18,017				18,017
Prepaid Items		466											466
<b>Total Assets</b>	<b>\$ 55,038</b>	<b>\$ 1,066</b>	<b>\$ 175,711</b>	<b>\$ 161,531</b>	<b>\$ 20,864</b>	<b>\$ 36,448</b>	<b>\$ 67,682</b>	<b>\$ 385,286</b>	<b>\$ 18,017</b>	<b>\$ 42,817</b>	<b>\$ 139,734</b>	<b>\$ 23,188</b>	<b>\$ 1,127,382</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>													
<b>Liabilities</b>													
Accounts Payable	\$	\$ 251	\$	\$	\$	\$	\$	\$	\$	\$ 22,686	\$ 1,744	\$	\$ 24,681
Due to Other Funds							1,125						1,125
Accrued Salaries		195											195
Due to Other Governments			971										971
<b>Total Liabilities</b>	<b>0</b>	<b>446</b>	<b>971</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,125</b>	<b>0</b>	<b>0</b>	<b>22,686</b>	<b>1,744</b>	<b>0</b>	<b>26,972</b>
<b>Deferred Inflows of Resources</b>													
Unavailable Revenue													
Taxes - Delinquent											323		323
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>323</b>	<b>0</b>	<b>323</b>
<b>Fund Balance</b>													
Nonspendable		466											466
Restricted						36,448							36,448
Assigned	55,038	154	174,740	161,531	20,864		66,557	385,286	18,017	20,131	137,667	23,188	1,063,173
<b>Total Fund Balance</b>	<b>55,038</b>	<b>620</b>	<b>174,740</b>	<b>161,531</b>	<b>20,864</b>	<b>36,448</b>	<b>66,557</b>	<b>385,286</b>	<b>18,017</b>	<b>20,131</b>	<b>137,667</b>	<b>23,188</b>	<b>1,100,087</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 55,038</b>	<b>\$ 1,066</b>	<b>\$ 175,711</b>	<b>\$ 161,531</b>	<b>\$ 20,864</b>	<b>\$ 36,448</b>	<b>\$ 67,682</b>	<b>\$ 385,286</b>	<b>\$ 18,017</b>	<b>\$ 42,817</b>	<b>\$ 139,734</b>	<b>\$ 23,188</b>	<b>\$ 1,127,382</b>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2019

	Cemetery	Dethiefs	Local Option	Business Revolving	Beautification	Gambling	Economic Development	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Total
<b>REVENUES</b>													
Taxes	\$	\$	\$	\$	\$	\$	\$ 28,976	\$	\$	\$ 30,895	\$ 14,354	\$ 58,445	\$ 132,670
Sales and Use Tax			170,946										170,946
Investment Income (Loss)			2,946	4,441			439	2,556			3,732		14,114
Miscellaneous													
Rent		9,010											9,010
Contributions and Donations		457			8,706								9,163
Sale of Lots	515							15,104					15,619
Burial Fees	1,200												1,200
Other		442					3,645	5,000					9,087
Total Revenues	1,715	9,909	173,892	4,441	8,706	0	33,060	22,660	0	30,895	18,086	58,445	361,809
<b>EXPENDITURES</b>													
<b>Current</b>													
Culture and Recreation		42,671	11,312		10,707								64,690
Cemetery	3,772												3,772
Economic Development							33,771	55,590	5,989	799	8,028	799	104,976
<b>Capital Outlay</b>													
Culture and Recreation		2,705	54,242		6,757								63,704
Economic Development										22,686			22,686
Total Expenditures	3,772	45,376	65,554	0	17,464	0	33,771	55,590	5,989	23,485	8,028	799	259,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,057)	(35,467)	108,338	4,441	(8,758)	0	(711)	(32,930)	(5,989)	7,410	10,058	57,646	101,981
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfer In	5,000	50,246			16,000								71,246
Transfers Out			(13,067)						(5,000)			(67,811)	(85,878)
Total Other Financing Sources (Uses)	5,000	50,246	(13,067)	0	16,000	0	0	0	(5,000)	0	0	(67,811)	(14,632)
Net Change in Fund Balances	2,943	14,779	95,271	4,441	7,242	0	(711)	(32,930)	(10,989)	7,410	10,058	(10,165)	87,349
<b>FUND BALANCE, BEGINNING OF YEAR</b>													
	52,095	(14,159)	79,469	157,090	13,622	36,448	67,268	418,216	29,006	12,721	127,609	33,353	1,012,738
<b>FUND BALANCE, END OF YEAR</b>													
	\$ 55,038	\$ 620	\$ 174,740	\$ 161,531	\$ 20,864	\$ 36,448	\$ 66,557	\$ 385,286	\$ 18,017	\$ 20,131	\$ 137,667	\$ 23,188	\$ 1,100,087

CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2019

	2017A G.O. Bond	2010 Refunding Bond	2009 Refunding Bond	Total
<b>ASSETS</b>				
Cash and Investments	\$ 4,597	\$ 221,350	\$ 146,099	\$ 372,046
Receivables				
Interest		541	443	984
Taxes - Delinquent		662	718	1,380
Special Assessments		37,664	9,190	46,854
Due from Other Governments		778	2,765	3,543
	<u>\$ 4,597</u>	<u>\$ 260,995</u>	<u>\$ 159,215</u>	<u>\$ 424,807</u>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
Deferred Inflows of Resources				
Unavailable Revenue				
Taxes - Delinquent	\$	\$ 662	\$ 718	\$ 1,380
Special Assessments		37,664	9,190	46,854
Total Deferred Inflows of Resources	<u>0</u>	<u>38,326</u>	<u>9,908</u>	<u>48,234</u>
Fund Balance				
Restricted	<u>4,597</u>	<u>222,669</u>	<u>149,307</u>	<u>376,573</u>
	<u>\$ 4,597</u>	<u>\$ 260,995</u>	<u>\$ 159,215</u>	<u>\$ 424,807</u>
Total Deferred Inflows of Resources and Fund Balance				
	<u>\$ 4,597</u>	<u>\$ 260,995</u>	<u>\$ 159,215</u>	<u>\$ 424,807</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 YEAR ENDED DECEMBER 31, 2019

	2017A G.O. Bond	2010 Refunding Bond	2009 Refunding Bond	Total
<b>REVENUES</b>				
Taxes	\$	\$ 131,163	\$ 132,008	\$ 263,171
Special Assessments		25,183	18,126	43,309
Investment Income (Loss)		5,791	4,674	10,465
Miscellaneous Revenue			140	140
Total Revenues	<u>0</u>	<u>162,137</u>	<u>154,948</u>	<u>317,085</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	55,000	115,000	190,000	360,000
Interest and Other Charges	20,850	16,523	8,333	45,706
Total Expenditures	<u>75,850</u>	<u>131,523</u>	<u>198,333</u>	<u>405,706</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,850)	30,614	(43,385)	(88,621)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	80,426			80,426
Net Change in Fund Balance	<u>4,576</u>	<u>30,614</u>	<u>(43,385)</u>	<u>(8,195)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>21</u>	<u>192,055</u>	<u>192,692</u>	<u>384,768</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,597</u>	<u>\$ 222,669</u>	<u>\$ 149,307</u>	<u>\$ 376,573</u>

CITY OF SPICER, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2019

	<u>SCDP Rehabilitation Project</u>
ASSETS	
Cash and Investments	<u>\$ 55,025</u>
FUND BALANCE	
Assigned	<u>\$ 55,025</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 YEAR ENDED DECEMBER 31, 2019

	Pedestrian Crosswalk Project	Lake Ave. N. Improvement Project	SCDP Rehabilitation Project	Total
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$ 174,600	\$	\$ 174,600
Miscellaneous			75,000	75,000
Total Revenues	<u>0</u>	<u>174,600</u>	<u>75,000</u>	<u>249,600</u>
<b>EXPENDITURES</b>				
Capital Outlay				
Public Works	1,023	13,520		14,543
Economic Development			76,988	76,988
Total Expenditures	<u>1,023</u>	<u>13,520</u>	<u>76,988</u>	<u>91,531</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,023)	161,080	(1,988)	158,069
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	452			452
Transfers Out		(816,875)		(816,875)
Total Other Financing Sources (Uses)	<u>452</u>	<u>(816,875)</u>	<u>0</u>	<u>(816,423)</u>
Net Change in Fund Balances	(571)	(655,795)	(1,988)	(658,354)
FUND BALANCE, BEGINNING OF YEAR	<u>571</u>	<u>655,795</u>	<u>57,013</u>	<u>713,379</u>
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,025</u>	<u>\$ 55,025</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
DECEMBER 31, 2019

	Erickson Memorial Trust	Edward H. Dethlefs Trust	Total
	<u>          </u>	<u>          </u>	<u>          </u>
ASSETS			
Cash and Investments	\$ 113,057	\$ 257,436	\$ 370,493
Interest Receivable	541		541
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 113,598</u>	<u>\$ 257,436</u>	<u>\$ 371,034</u>
Net Position			
Held in Trust for Culture and Recreation Improvements	<u>\$ 113,598</u>	<u>\$ 257,436</u>	<u>\$ 371,034</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
YEAR ENDED DECEMBER 31, 2019

	Erickson Memorial Trust	Edward H. Dethlefs Trust	Total
	<u>          </u>	<u>          </u>	<u>          </u>
ADDITIONS			
Investment Income (Loss)	\$ 2,537	\$ 19,871	\$ 22,408
DEDUCTIONS			
Books	6,000		6,000
Miscellaneous		1,582	1,582
Total Deductions	<u>6,000</u>	<u>1,582</u>	<u>7,582</u>
Change in Net Position	(3,463)	18,289	14,826
NET POSITION, BEGINNING OF YEAR	<u>117,061</u>	<u>239,147</u>	<u>356,208</u>
NET POSITION, END OF YEAR	<u>\$ 113,598</u>	<u>\$ 257,436</u>	<u>\$ 371,034</u>



COMPLIANCE SECTION

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City Council  
City of Spicer  
Spicer, 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, business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Spicer's basic financial statements and have issued our report thereon dated May 19, 2020.

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 Minn. Stat. § 6.65, except as described in the accompanying Schedule of Findings as 2019-003 and 2019-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

May 19, 2020

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**Willmar Office**

331 Third St SW, Ste 2  
PO Box 570  
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(888) 388-1040

**Benson Office**

1209 Pacific Ave, Ste 3  
Benson, MN 56215  
(320) 843-2302

**Morris Office**

401 Atlantic Ave  
Morris, MN 56267  
(320) 589-2602

**Litchfield Office**

820 Sibley Ave N  
Litchfield, MN 55355  
(320) 693-7975

**Sartell Office**

Ste 110  
2351 Connecticut Ave  
Sartell, MN 56377  
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(800) 862-1337

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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

Honorable Mayor and Members of the City Council  
City of Spicer  
Spicer, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spicer, Minnesota, 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 May 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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**Sartell Office**

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Sartell, MN 56377  
(320) 252-7565  
(800) 862-1337

## **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 Findings**

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

## **Purpose of this Report**

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

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
LITCHFIELD, MINNESOTA

May 19, 2020

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

FINDING: 2019-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.

Effect: The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:  
None

Actions Planned in Response to Findings:

Management is aware of the lack of segregation of duties situation and have implemented supplemental measures as we feel necessary. We believe the cost of correcting the situation would exceed the benefits from doing so.

Official Responsible for Ensuring CAP:  
Leslie Valiant, City Administrator

Planned Completion Date for CAP:  
December 31, 2020

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS (Cont'd)

FINDING: 2019-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements by the City.

Effect: This could result in a material misstatement to the financial statements that would not be prevented or detected as a result of the City's current internal control.

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:  
None

Actions Planned in Response to Findings:  
The City relies, and will continue to rely, on the audit firm to prepare the annual financial statements and related footnote disclosures. We believe the cost of preparing the financial statements internally would exceed the benefits from doing so.

Official Responsible for Ensuring CAP:  
Leslie Valiant, City Administrator

Planned Completion Date for CAP:  
December 31, 2020

Plan to Monitor Completion of CAP:  
City Council



CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019

II. MINNESOTA LEGAL COMPLIANCE

FINDING: 2019-003 AUTHORIZED INVESTMENTS

Condition: The City's investments are not in compliance with the types of investments allowed under Minnesota Statutes.

Criteria: The City should invest their public funds as authorized by Minn. Stat. §118A.04 and 118A.05, as indicated in Note 1 of the financial statements.

Cause: The City's controls do not currently address this.

Effect: The City was not in compliance with Minnesota Statutes.

Recommendation: We recommend the City determine the appropriate course of action in complying with Minnesota Statutes §118A. We further recommend the City create an investment policy that follows the requirements of the Minnesota Statutes to ensure investments are in compliance before initiation of the investment.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:  
None

Actions Planned in Response to Findings:  
The City will work to ensure all investments comply with Minnesota Statutes.

Official Responsible for Ensuring CAP:  
Leslie Valiant, City Administrator

Planned Completion Date for CAP:  
December 31, 2020

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019

II. MINNESOTA LEGAL COMPLIANCE (Cont'd)

FINDING: 2019-004      BROKER CERTIFICATION

Condition:                The City did not provide the broker a written statement of investment restrictions nor did the broker acknowledge receipt of the investment restrictions and agree to handle the government entity's account in accordance with the restrictions.

Criteria:                 The City should comply with the requirements as stated in Minn. Stat. §118A.04, subd. 9 prior to completing an initial investment with each broker and retain documentation of those items.

Cause:                    The City's controls do not currently address this.

Effect:                    The City was not in compliance with Minnesota Statutes.

Recommendation:      We recommend the City create an investment policy that includes these requirements to ensure the broker certification form is completed prior to the initiation of the investment.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:  
None

Actions Planned in Response to Findings:  
The City will work to ensure a broker certification form is completed prior to the initiation of investments.

Official Responsible for Ensuring CAP:  
Leslie Valiant, City Administrator

Planned Completion Date for CAP:  
December 31, 2020

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2019

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2018-001	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2019-001
2018-002	Auditor Prepared Financial Statements	Not Corrected	2006	See current year finding 2019-002
Minnesota Legal Compliance Findings:				
2018-003	Authorized Investments	Not Corrected	2013	See current year finding 2019-003
2018-004	Broker Certification	Not Corrected	2013	See current year finding 2019-004
2018-005	Pledged Collateral	Corrected	2017	N/A