

CITY OF SPICER, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

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CITY OF SPICER, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2020

	<u>PAGE</u>
ELECTED AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	5-12
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	20-22
Statement of Net Position - Proprietary Funds	23-24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26-27
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	28
Notes to the Financial Statements	29-56
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	57
Schedule of Employer Contributions	58
Schedule of Changes in the City's Net Pension Liability and Related Ratios	59
Notes to Required Supplementary Information	60-64

CITY OF SPICER, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2020

PAGE

SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS OF NONMAJOR FUNDS

Combining Balance Sheet - Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	66
Combining Balance Sheet - Nonmajor Special Revenue Funds	67-68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	69-70
Combining Balance Sheet - Nonmajor Debt Service Funds	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	72
Combining Balance Sheet - Nonmajor Capital Project Funds	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	74
Statement of Fiduciary Net Position	75
Statement of Changes in Fiduciary Net Position	76

COMPLIANCE SECTION

Independent Auditor's Report on Minnesota Legal Compliance	77
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78-79
Schedule of Findings	80-83
Summary Schedule of Prior Audit Findings	84

CITY OF SPICER, MINNESOTA
 ELECTED AND APPOINTED OFFICIALS
 DECEMBER 31, 2020

<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

<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, 2023
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, 2020, 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.

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, 2020, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 2019 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 19, 2020. Refer to Note 12 and Note 15 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, 2019 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, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and related notes 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 18, 2021, 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 18, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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, 2020. 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 \$14,665,673 (net position). Of this amount, \$4,214,268 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital assets, less depreciation, total \$13,611,573, 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 \$5,374,196. Approximately 15% (percent) of this total amount, \$781,771, 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 \$836,441 or 93% (percent) of total General Fund expenditures.
- The City of Spicer decreased the existing debt balance by \$545,000 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 2020 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, 2020

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, and three Debt Service funds, all of which are considered to be major funds. Data from the other twenty 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 to demonstrate compliance with this budget adoption.

The governmental funds financial statements can be found on pages 15-22 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 23-27 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 28 of this report.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 29-56 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 65-76 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 \$14,665,673 at the close of the most recent fiscal year. This is a \$337,079 increase over the 2019 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, 2020, \$4,214,268, 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, 2020

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
	2020	2019	
Current and Other Assets	\$ 6,181,089	\$ 6,177,851	\$ 3,238
Net Capital Assets	9,817,657	10,064,094	(246,437)
Total Assets	<u>15,998,746</u>	<u>16,241,945</u>	<u>(243,199)</u>
Deferred Outflows of Resources	<u>57,575</u>	<u>92,481</u>	<u>(34,906)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,056,321</u>	<u>\$ 16,334,426</u>	<u>\$ (278,105)</u>
Current and Other Liabilities	\$ 138,509	\$ 216,479	\$ (77,970)
Long-Term Liabilities	5,253,248	5,793,456	(540,208)
Total Liabilities	<u>5,391,757</u>	<u>6,009,935</u>	<u>(618,178)</u>
Deferred Inflows of Resources	58,285	82,939	(24,654)
Net Position			
Net Investment in Capital Assets	4,774,519	4,491,698	282,821
Restricted for			
Debt Service	1,927,132	2,097,684	(170,552)
Economic Development	240,838	199,326	41,512
Unrestricted	3,663,790	3,452,844	210,946
Total Net Position	<u>10,606,279</u>	<u>10,241,552</u>	<u>364,727</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 16,056,321</u>	<u>\$ 16,334,426</u>	<u>\$ (278,105)</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

	Business-Type Activities		Change
	2020	2019	
Current and Other Assets	\$ 776,716	\$ 568,999	\$ 207,717
Net Capital Assets	3,793,916	3,984,872	(190,956)
Total Assets	<u>4,570,632</u>	<u>4,553,871</u>	16,761
Deferred Outflows of Resources	<u>10,590</u>	<u>8,891</u>	1,699
Total Assets and Deferred Outflows of Resources	<u>\$ 4,581,222</u>	<u>\$ 4,562,762</u>	<u>\$ 18,460</u>
Current and Other Liabilities	\$ 115,792	\$ 64,248	\$ 51,544
Long-Term Liabilities	400,003	393,754	6,249
Total Liabilities	<u>515,795</u>	<u>458,002</u>	57,793
Deferred Inflows of Resources	6,033	17,718	(11,685)
Net Position			
Net Investment in Capital Assets	3,508,916	3,684,872	(175,956)
Unrestricted	550,478	402,170	148,308
Total Net Position	<u>4,059,394</u>	<u>4,087,042</u>	<u>(27,648)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,581,222</u>	<u>\$ 4,562,762</u>	<u>\$ 18,460</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Governmental Activities

Net position of the City's governmental activities increased by \$364,727. 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
	2020	2019	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 225,833	\$ 255,358	\$ (29,525)
Operating Grants and Contributions	27,613	37,003	(9,390)
Capital Grants and Contributions	18,275	398,037	(379,762)
General Revenues			
Property Taxes and Tax Increment	1,377,066	1,346,651	30,415
Local Sales and Use Tax	204,614	170,946	33,668
Grants and Contributions Not Restricted to Specific Programs	166,358	46,993	119,365
Investment Income (Loss)	39,197	77,491	(38,294)
Other	46,233	157,976	(111,743)
Gain on Sale of Assets	14,725	43,402	(28,677)
Total Revenues	2,119,914	2,533,857	(413,943)
EXPENSES			
General Government	300,547	355,301	(54,754)
Public Safety	358,623	460,461	(101,838)
Public Works	525,783	460,712	65,071
Culture and Recreation	281,138	285,764	(4,626)
Cemetery Services	4,046	4,004	42
Economic Development	143,728	205,350	(61,622)
Interest on Long-Term Debt	125,052	132,643	(7,591)
Total Expenses	1,738,917	1,904,235	(165,318)
Change in Net Position Before Transfers	380,997	629,622	(248,625)
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers	(16,270)	(15,076)	(1,194)
Capital Contributions	(412,097)	(412,097)	412,097
Total Transfers and Capital Contributions	(428,367)	(427,173)	410,903
Change in Net Position	364,727	202,449	162,278
NET POSITION, BEGINNING OF YEAR	10,241,552	10,039,103	202,449
NET POSITION, END OF YEAR	\$ 10,606,279	\$ 10,241,552	\$ 364,727

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

Business-Type Activities

The net position of our business-type activities decreased by \$27,648. The decrease is attributable to the following changes in net position: Sewer (\$29,566) and Water \$1,918.

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

	<u>Business-Type Activities</u>		Change
	<u>2020</u>	<u>2019</u>	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 1,035,569	\$ 949,362	\$ 86,207
General Revenues			
Interest and Investment Earnings	6,258	12,028	(5,770)
Other	8,227	5,673	2,554
Total Revenues	<u>1,050,054</u>	<u>967,063</u>	<u>82,991</u>
EXPENSES			
Sewer	653,568	652,808	760
Water	440,404	399,422	40,982
Total Expenses	<u>1,093,972</u>	<u>1,052,230</u>	<u>41,742</u>
Change in Net Position Before Transfers And Capital Contributions	(43,918)	(85,167)	41,249
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers	16,270	15,076	1,194
Capital Contributions		412,097	(412,097)
Total Transfers and Capital Contributions	<u>16,270</u>	<u>427,173</u>	<u>(410,903)</u>
Change in Net Position	(27,648)	342,006	(369,654)
NET POSITION, BEGINNING OF YEAR	<u>4,087,042</u>	<u>3,745,036</u>	<u>342,006</u>
NET POSITION, END OF YEAR	<u>\$ 4,059,394</u>	<u>\$ 4,087,042</u>	<u>\$ (27,648)</u>

Financial Analysis of the Business-Type Activities

Sewer Fund. The change in the City's Sewer Fund Net Position was \$(29,566) for 2020. The decrease in fund balance for 2020 is due to depreciation.

Water Fund. The change in the City's Water Fund Net Position was \$1,918 for 2020.

Financial Analysis of the Government's Funds

General Fund. The change in the City's General Fund Balance was \$95,137 for 2020. The increase in fund balance for 2020 was \$828,784 less than the increase in fund balance for 2019. The main reason for this change was due to a decrease in transfers in from other governmental funds.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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

Special Revenue Funds. The change in the City's special revenue fund balances was \$191,015 for 2020. The Fire Protection Special Revenue Fund increased by \$29,161. This was due to an increase in contributions and donations revenues. The EDA Housing Loan Special Revenue Fund decreased by \$163,494. This was a result of an increase in transfers out. There was also an increase of \$160,877 in Local Option Sales Tax Special Revenue Fund.

Debt Service Funds. The debt service fund balances decreased by \$50,953 compared to an increase of \$150,005 in 2019. The main reason for this change was due to continued debt service payments. 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 \$48,554. This is due to project costs and funds being closed.

Budgetary Highlights

General Fund. The City budgeted for no change in fund balance for 2020. The actual change in fund balance was an increase of \$95,137. The increase in fund balance was mainly due to an increase in investment income and sale of assets.

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, 2020, amounts to \$22,581,946. 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 \$5,353,478. 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 2021 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 2020 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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and Investments	\$ 4,751,503	\$ 692,874	\$ 5,444,377	\$ 4,953,786
Receivables				
Accounts	18,163	81,420	99,583	114,983
Interest	4,079	603	4,682	9,179
Taxes - Delinquent	12,718		12,718	6,725
Special Assessments	692,368		692,368	814,408
Loans	167,040		167,040	365,212
Due from Other Governments	96,315		96,315	47,724
Land Held for Resale	420,654		420,654	420,654
Prepaid Items	12,428	1,819	14,247	14,179
Capital Assets				
Assets Not Being Depreciated	2,234,572	4,536	2,239,108	2,340,498
Other Capital Assets, Net of Depreciation	7,583,085	3,789,380	11,372,465	11,708,468
Net Pension Asset	5,821		5,821	
Total Assets	<u>15,998,746</u>	<u>4,570,632</u>	<u>20,569,378</u>	<u>20,795,816</u>
Deferred Outflows of Resources	57,575	10,590	68,165	101,372
Total Assets and Deferred Outflows of Resources	<u>\$ 16,056,321</u>	<u>\$ 4,581,222</u>	<u>\$ 20,637,543</u>	<u>\$ 20,897,188</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 56,004	\$ 5,799	\$ 61,803	\$ 161,965
Accrued Salaries	3,100	1,860	4,960	3,016
Accrued Interest Payable	42,523	5,078	47,601	52,515
Due to Other Governments	30,659	103,055	133,714	56,961
Unearned Revenue	6,223		6,223	6,270
Long-Term Liabilities				
Net Pension Liability	197,452	102,321	299,773	289,151
Due Within One Year	505,000	15,000	520,000	545,000
Due in More than One Year	4,550,796	282,682	4,833,478	5,353,059
Total Liabilities	<u>5,391,757</u>	<u>515,795</u>	<u>5,907,552</u>	<u>6,467,937</u>
Deferred Inflows of Resources	58,285	6,033	64,318	100,657
Net Position				
Net Investment in Capital Assets	4,774,519	3,508,916	8,283,435	8,176,570
Restricted for				
Debt Service	1,927,132		1,927,132	2,097,684
Economic Development	240,838		240,838	199,326
Unrestricted	3,663,790	550,478	4,214,268	3,855,014
Total Net Position	<u>10,606,279</u>	<u>4,059,394</u>	<u>14,665,673</u>	<u>14,328,594</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 16,056,321</u>	<u>\$ 4,581,222</u>	<u>\$ 20,637,543</u>	<u>\$ 20,897,188</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF ACTIVITIES
 DECEMBER 31, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	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	
							2020	2019
GOVERNMENTAL ACTIVITIES								
General Government	\$ 300,547	\$ 15,380	\$	\$	\$ (285,167)	\$	\$ (285,167)	\$ (338,804)
Public Safety	358,623	162,036	27,613	13,815	(155,159)		(155,159)	(118,369)
Public Works	525,783	720			(525,063)		(525,063)	(284,412)
Culture and Recreation	281,138	7,556		4,460	(269,122)		(269,122)	(264,366)
Cemetery Services	4,046	2,400			(1,646)		(1,646)	(2,289)
Economic Development	143,728				(143,728)		(143,728)	(130,350)
Interest on Long-Term Debt	125,052	37,741			(87,311)		(87,311)	(86,854)
Total Governmental Activities	1,738,917	225,833	27,613	18,275	(1,467,196)	0	(1,467,196)	(1,225,444)
BUSINESS-TYPE ACTIVITIES								
Sewer	653,568	615,899				(37,669)	(37,669)	(87,770)
Water	440,404	419,670				(20,734)	(20,734)	(15,098)
Total Business-Type Activities	1,093,972	1,035,569	0	0	0	(58,403)	(58,403)	(102,868)
Total	\$ 2,832,889	\$ 1,261,402	\$ 27,613	\$ 18,275	(1,467,196)	(58,403)	(1,525,599)	(1,328,312)
GENERAL REVENUES								
Taxes								
Property Taxes					1,217,711		1,217,711	1,214,883
Tax Increment					159,355		159,355	131,768
Local Sales and Use Tax					204,614		204,614	170,946
Grants and Contributions Not Restricted to Specific Programs					166,358		166,358	58,600
Investment Income (Loss)					39,197	6,258	45,455	89,519
Other					46,233	8,227	54,460	163,649
Gain on Sale of Assets					14,725		14,725	43,402
TRANSFERS					(16,270)	16,270		
Total General Revenues, Transfers, and Capital Contributions					1,831,923	30,755	1,862,678	1,872,767
Change in Net Position					364,727	(27,648)	337,079	544,455
NET POSITION, BEGINNING OF YEAR					10,241,552	4,087,042	14,328,594	13,784,139
NET POSITION, END OF YEAR					\$ 10,606,279	\$ 4,059,394	\$ 14,665,673	\$ 14,328,594

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	General	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
						2020	2019
ASSETS							
Cash and Investments	\$ 1,773,967	\$ 183,245	\$ 432,859	\$ 407,225	\$ 1,954,207	\$ 4,751,503	\$ 4,472,188
Receivables							
Accounts	15,363				2,800	18,163	30,339
Interest	1,887	186	449	380	1,177	4,079	8,067
Taxes - Delinquent	8,975	512	35	1,305	1,891	12,718	6,725
Special Assessments	10,188	126,143	126,205	409,793	20,039	692,368	814,408
Loans					167,040	167,040	365,212
Due from Other Governments	12,300	949	1,996	5,941	75,129	96,315	47,724
Due from Other Funds	51,355				30,811	82,166	165,516
Land Held for Resale	402,637				18,017	420,654	420,654
Prepaid Items	9,732				2,696	12,428	12,534
Total Assets	\$ 2,286,404	\$ 311,035	\$ 561,544	\$ 824,644	\$ 2,273,807	\$ 6,257,434	\$ 6,343,367
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 14,101	\$	\$	\$	\$ 41,903	\$ 56,004	\$ 156,232
Due to Other Funds	30,811				51,355	82,166	165,516
Accrued Salaries	2,901				199	3,100	2,100
Due to Other Governments	3,026				27,633	30,659	4,565
Unearned Revenue	6,223					6,223	6,270
Total Liabilities	57,062	0	0	0	121,090	178,152	334,683
Deferred Inflows of Resources							
Unavailable Revenue							
Taxes - Delinquent	8,975	512	35	1,305	1,891	12,718	6,725
Special Assessments	10,188	126,143	126,205	409,793	20,039	692,368	814,408
Total Deferred Inflows of Resources	19,163	126,655	126,240	411,098	21,930	705,086	821,133
Fund Balance							
Nonspendable	412,369				2,696	415,065	415,171
Restricted		184,380	435,304	413,546	527,788	1,561,018	1,570,459
Committed					254,889	254,889	218,866
Assigned	961,369				1,400,084	2,361,453	2,318,252
Unassigned	836,441				(54,670)	781,771	664,803
Total Fund Balance	2,210,179	184,380	435,304	413,546	2,130,787	5,374,196	5,187,551
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,286,404	\$ 311,035	\$ 561,544	\$ 824,644	\$ 2,273,807	\$ 6,257,434	\$ 6,343,367

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, 2020
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	<u>2020</u>	<u>2019</u>
Total Fund Balances - Governmental Funds	\$ 5,374,196	\$ 5,187,551
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	16,151,600	15,858,442
Less: Accumulated Depreciation	(6,333,943)	(5,794,348)
Net Pension Asset	5,821	
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	12,718	6,725
Special Assessments	692,368	814,408
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	57,575	92,481
Deferred Inflows of Resources Related to Pensions	(58,285)	(82,939)
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	(5,055,000)	(5,585,000)
Bond Discount	11,862	12,604
Compensated Absences	(12,658)	(12,453)
Net Pension Liability	(197,452)	(208,607)
Accrued Interest Payable	(42,523)	(47,312)
	<u> </u>	<u> </u>
Total Net Position - Governmental Activities	<u>\$ 10,606,279</u>	<u>\$ 10,241,552</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	General	2012A	2014A	2016A	Nonmajor	Totals	
		Improvement Bond	G.O. Refunding	Improvement Bond	Governmental Funds	2020	2019
REVENUES							
Taxes	\$ 849,151	\$ 52,407	\$ 47	\$ 146,651	\$ 322,817	\$ 1,371,073	\$ 1,358,585
Special Assessments		34,573	45,532	53,648	26,028	159,781	170,932
Licenses and Permits	22,059					22,059	29,768
Intergovernmental	82,013				90,595	172,608	390,198
Charges for Services	13,316				144,307	157,623	172,804
Sales and Use Tax					204,614	204,614	170,946
Fines and Forfeits	5,740					5,740	4,012
Investment Income (Loss)	15,913	1,811	4,338	4,146	12,989	39,197	77,491
Miscellaneous	51,357			43	38,358	89,758	265,313
Total Revenues	1,039,549	88,791	49,917	204,488	839,708	2,222,453	2,640,049
EXPENDITURES							
Current							
General Government	271,868					271,868	283,416
Public Safety	115,646				138,038	253,684	233,542
Public Works	171,305					171,305	204,511
Culture and Recreation	136,858				95,061	231,919	201,941
Cemetery					4,143	4,143	3,772
Economic Development	15,000				87,978	102,978	182,164
Debt Service							
Principal		70,000	50,000	55,000	355,000	530,000	535,000
Interest and Other Charges		14,716	8,921	69,764	35,698	129,099	141,974
Capital Outlay							
General Government	994					994	4,082
Public Safety					54,449	54,449	183,858
Public Works	68,584				20,883	89,467	15,882
Culture and Recreation	118,765				29,231	147,996	66,305
Economic Development					76,636	76,636	22,686
Total Expenditures	899,020	84,716	58,921	124,764	897,117	2,064,538	2,079,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	140,529	4,075	(9,004)	79,724	(57,409)	157,915	560,916

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, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	General	2012A	2014A	2016A	Nonmajor	Totals	
		Improvement Bond	G.O. Refunding	Improvement Bond	Governmental Funds	2020	2019
OTHER FINANCING SOURCES (USES)							
Sale of Assets	\$ 45,000	\$	\$	\$	\$	\$ 45,000	\$
Transfers In	3,592				337,896	341,488	974,911
Transfers Out	(93,984)				(263,774)	(357,758)	(989,987)
Total Other Financing Sources (Uses)	(45,392)	0	0	0	74,122	28,730	(15,076)
Net Change in Fund Balances	95,137	4,075	(9,004)	79,724	16,713	186,645	545,840
FUND BALANCE, BEGINNING OF YEAR	2,115,042	180,305	444,308	333,822	2,114,074	5,187,551	4,641,711
FUND BALANCE, END OF YEAR	\$ 2,210,179	\$ 184,380	\$ 435,304	\$ 413,546	\$ 2,130,787	\$ 5,374,196	\$ 5,187,551

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, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2020</u>	<u>2019</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 186,645	\$ 545,840
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	492,716	2,372,866
Depreciation Expense	(568,070)	(464,010)
Capital Asset Disposals	(199,558)	(2,884,700)
Accumulated Depreciation Related to Capital Asset Disposals	28,475	28,298
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Taxes - Delinquent	5,993	(11,934)
Special Assessments	(122,040)	(125,143)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	(205)	(27)
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	530,000	850,000
Bond Discount Amortization	(742)	(741)
Change in Accrued Interest	4,789	10,072
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>6,724</u>	<u>(118,072)</u>
Change in Net Position - Governmental Activities	<u>\$ 364,727</u>	<u>\$ 202,449</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020			Over (Under) Final Budget	2019 Actual
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Taxes	\$ 853,324	\$ 853,324	\$ 849,151	\$ (4,173)	\$ 821,270
Licenses and Permits	17,130	17,130	22,059	4,929	29,768
Intergovernmental	47,739	47,739	82,013	34,274	38,601
Charges for Services	13,000	13,000	13,316	316	16,994
Fines and Forfeits	1,500	1,500	5,740	4,240	4,012
Investment Income (Loss)	2,100	2,100	15,913	13,813	19,106
Miscellaneous					
Rent	11,000	11,000	10,610	(390)	11,460
Contributions and Donations			13,873	13,873	55
Insurance Reimbursements			12,675	12,675	116,029
Other	15,500	15,500	14,199	(1,301)	13,105
Total Revenues	961,293	961,293	1,039,549	78,256	1,070,400
EXPENDITURES					
Current					
General Government					
Council and Other					
Mayor and Council	13,500	13,500	12,295	(1,205)	12,000
Benefits	1,150	1,150	1,414	264	1,020
Insurance	6,100	6,100	5,602	(498)	5,244
Legal and Professional	44,400	44,400	31,238	(13,162)	36,183
Engineering Fees	17,500	17,500	4,234	(13,266)	5,530
Publishing and Dues	2,500	2,500	1,927	(573)	2,358
Planning and Zoning	13,175	13,175	12,677	(498)	15,144
Building Inspector	24,850	24,850	19,129	(5,721)	20,298
Election Costs	3,500	3,500	5,562	2,062	2,739
Reimbursed Expenditures	7,600	7,600	2,895	(4,705)	3,100
Other	5,500	5,500	1,993	(3,507)	4,970
Total Council and Other	139,775	139,775	98,966	(40,809)	108,586
City Hall and Clerk/Treasurer					
Salaries	113,000	113,000	94,206	(18,794)	95,673
Benefits	23,300	23,300	17,062	(6,238)	19,708
Insurance	17,010	17,010	15,470	(1,540)	15,455
Office Supplies and Other	15,900	15,900	12,832	(3,068)	12,602
Other	24,850	24,850	21,509	(3,341)	19,929
Total City Hall and Clerk/Treasurer	194,060	194,060	161,079	(32,981)	163,367
Assessor	12,500	12,500	11,823	(677)	11,463
Total General Government	346,335	346,335	271,868	(74,467)	283,416

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, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020			Over (Under) Final Budget	2019 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Safety					
Police Protection	\$ 47,400	\$ 47,400	\$ 40,523	\$ (6,877)	\$ 43,351
First Responders and Fire Protection					
Salaries	8,450	8,450	4,649	(3,801)	4,167
Benefits	500	500	356	(144)	319
Repairs and Maintenance	1,200	1,200	643	(557)	1,017
Operating Supplies	2,600	2,600	17,583	14,983	1,838
Fuel	500	500	87	(413)	107
Insurance	3,300	3,300	1,652	(1,648)	2,223
Other	2,900	2,900	2,382	(518)	2,006
Fire Contract	47,702	47,702	47,702		55,955
Total First Responders and Fire Protection	67,152	67,152	75,054	7,902	67,632
Animal Control	350	350	69	(281)	62
Total Public Safety	114,902	114,902	115,646	744	111,045
Public Works					
Streets and Highways					
Salaries	56,160	56,160	48,098	(8,062)	49,785
Benefits	11,300	11,300	8,478	(2,822)	7,875
Insurance	12,800	12,800	11,169	(1,631)	10,101
Repairs and Maintenance	5,500	5,500	3,365	(2,135)	4,312
Street Maintenance	18,200	18,200	14,847	(3,353)	21,108
Telephone and Utilities	8,975	8,975	6,068	(2,907)	7,484
Fuel	3,000	3,000	1,769	(1,231)	3,121
Snow Removal	38,020	38,020	32,852	(5,168)	56,190
Street Lighting	35,000	35,000	39,646	4,646	37,680
Other	4,200	4,200	5,013	813	4,460
Total Public Works	193,155	193,155	171,305	(21,850)	202,116

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, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020			Over (Under) Final Budget	2019 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Culture and Recreation					
Parks					
Salaries	\$ 44,500	\$ 44,500	\$ 32,453	\$ (12,047)	\$ 34,228
Benefits	6,930	6,930	4,304	(2,626)	4,380
Insurance	21,150	21,150	22,483	1,333	20,198
Community Education	10,500	10,500	10,500		10,500
Supplies and Other	2,635	2,635	1,487	(1,148)	1,837
Telephone and Utilities	17,930	17,930	14,405	(3,525)	17,003
Restrooms	2,150	2,150	1,800	(350)	3,171
Legal Fees	1,500	1,500	2,250	750	1,500
Repairs and Maintenance	14,000	14,000	15,685	1,685	16,919
Total Parks	<u>121,295</u>	<u>121,295</u>	<u>105,367</u>	<u>(15,928)</u>	<u>109,736</u>
Library					
Other	24,508	24,508	28,008	3,500	23,694
Telephone and Utilities	3,750	3,750	3,483	(267)	3,821
Total Library	<u>28,258</u>	<u>28,258</u>	<u>31,491</u>	<u>3,233</u>	<u>27,515</u>
Total Culture and Recreation	<u>149,553</u>	<u>149,553</u>	<u>136,858</u>	<u>(12,695)</u>	<u>137,251</u>
Economic Development			15,000	15,000	
Capital Outlay					
General Government	4,000	4,000	994	(3,006)	4,082
Public Safety	2,000	2,000		(2,000)	
Public Works	40,000	40,000	68,584	28,584	3,734
Culture and Recreation	13,800	13,800	118,765	104,965	2,601
Total Capital Outlay	<u>59,800</u>	<u>59,800</u>	<u>188,343</u>	<u>128,543</u>	<u>10,417</u>
Total Expenditures	<u>863,745</u>	<u>863,745</u>	<u>899,020</u>	<u>35,275</u>	<u>744,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	97,548	97,548	140,529	42,981	326,155
OTHER FINANCING SOURCES (USES)					
Sale of Assets			45,000	45,000	
Transfers In			3,592	3,592	685,000
Transfers Out	(97,548)	(97,548)	(93,984)	3,564	(87,234)
Total Other Financing Sources (Uses)	<u>(97,548)</u>	<u>(97,548)</u>	<u>(45,392)</u>	<u>52,156</u>	<u>597,766</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	95,137	<u>\$ 95,137</u>	923,921
FUND BALANCE, BEGINNING OF YEAR			<u>2,115,042</u>		<u>1,191,121</u>
FUND BALANCE, END OF YEAR			<u>\$ 2,210,179</u>		<u>\$ 2,115,042</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and Investments	\$ 227,129	\$ 465,745	\$ 692,874	\$ 481,598
Receivables				
Accounts	48,582	32,838	81,420	84,644
Interest	172	431	603	1,112
Prepaid Items	982	837	1,819	1,645
Total Current Assets	<u>276,865</u>	<u>499,851</u>	<u>776,716</u>	<u>568,999</u>
Noncurrent Assets				
Capital Assets				
Assets Not Being Depreciated		4,536	4,536	4,536
Other Capital Assets, Net of Depreciation	2,151,997	1,637,383	3,789,380	3,980,336
Total Noncurrent Assets	<u>2,151,997</u>	<u>1,641,919</u>	<u>3,793,916</u>	<u>3,984,872</u>
Total Assets	<u>2,428,862</u>	<u>2,141,770</u>	<u>4,570,632</u>	<u>4,553,871</u>
Deferred Outflows of Resources				
Related to Pensions	<u>5,220</u>	<u>5,370</u>	<u>10,590</u>	<u>8,891</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,434,082</u>	<u>\$ 2,147,140</u>	<u>\$ 4,581,222</u>	<u>\$ 4,562,762</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 546	\$ 5,253	\$ 5,799	\$ 5,733
Accrued Salaries	930	930	1,860	916
Accrued Interest Payable		5,078	5,078	5,203
Due to Other Governments	64,940	38,115	103,055	52,396
Total Current Liabilities	<u>66,416</u>	<u>49,376</u>	<u>115,792</u>	<u>64,248</u>
Long-Term Liabilities				
Net Pension Liability	50,438	51,883	102,321	80,544
Due Within One Year		15,000	15,000	15,000
Due in More than One Year	6,341	276,341	282,682	298,210
Total Long-Term Liabilities	<u>56,779</u>	<u>343,224</u>	<u>400,003</u>	<u>393,754</u>
Total Liabilities	123,195	392,600	515,795	458,002
Deferred Inflows of Resources				
Related to Pensions	2,974	3,059	6,033	17,718
Net Position				
Net Investment in Capital Assets	2,151,997	1,356,919	3,508,916	3,684,872
Unrestricted	155,916	394,562	550,478	402,170
Total Net Position	<u>2,307,913</u>	<u>1,751,481</u>	<u>4,059,394</u>	<u>4,087,042</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,434,082</u>	<u>\$ 2,147,140</u>	<u>\$ 4,581,222</u>	<u>\$ 4,562,762</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2020	2019
OPERATING REVENUES				
Charges for Services	\$ 612,509	\$ 414,028	\$ 1,026,537	\$ 946,111
Other	3,390	5,642	9,032	3,251
Total Operating Revenues	<u>615,899</u>	<u>419,670</u>	<u>1,035,569</u>	<u>949,362</u>
OPERATING EXPENSES				
Salaries	48,808	50,498	99,306	103,970
Benefits	13,336	14,363	27,699	14,547
Supplies	596	4,409	5,005	4,432
Other Services and Charges	426,717	249,098	675,815	649,439
Production	23,027	15,123	38,150	37,284
Administrative and General	19,958	10,051	30,009	27,648
Miscellaneous	10,162	10,826	20,988	23,776
Depreciation	110,964	79,992	190,956	179,537
Total Operating Expenses	<u>653,568</u>	<u>434,360</u>	<u>1,087,928</u>	<u>1,040,633</u>
Operating Income (Loss)	<u>(37,669)</u>	<u>(14,690)</u>	<u>(52,359)</u>	<u>(91,271)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income (Loss)	1,839	4,419	6,258	12,028
Miscellaneous	6,264	1,963	8,227	5,673
Interest (Expense)		(6,044)	(6,044)	(11,597)
Total Nonoperating Revenues (Expenses)	<u>8,103</u>	<u>338</u>	<u>8,441</u>	<u>6,104</u>
Income (Loss) Before Other Items	<u>(29,566)</u>	<u>(14,352)</u>	<u>(43,918)</u>	<u>(85,167)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers In		16,270	16,270	15,988
Transfers Out				(912)
Capital Contributions				412,097
Total Transfers and Capital Contributions	<u>0</u>	<u>16,270</u>	<u>16,270</u>	<u>427,173</u>
Change in Net Position	<u>(29,566)</u>	<u>1,918</u>	<u>(27,648)</u>	<u>342,006</u>
NET POSITION, BEGINNING OF YEAR	<u>2,337,479</u>	<u>1,749,563</u>	<u>4,087,042</u>	<u>3,745,036</u>
NET POSITION, END OF YEAR	<u>\$ 2,307,913</u>	<u>\$ 1,751,481</u>	<u>\$ 4,059,394</u>	<u>\$ 4,087,042</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 618,623	\$ 420,170	\$ 1,038,793	\$ 970,942
Payments to Suppliers	(449,343)	(270,073)	(719,416)	(738,328)
Payments to Employees	(58,126)	(60,070)	(118,196)	(121,194)
Net Cash Provided (Used) by Operating Activities	111,154	90,027	201,181	111,420
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous Income	6,264	1,963	8,227	5,673
Transfers		16,270	16,270	15,076
Net Cash Provided (Used) by Noncapital Financing Activities	6,264	18,233	24,497	20,749
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets				(5,368)
Principal Reduction on Long-Term Debt		(15,000)	(15,000)	(15,000)
Interest and Fiscal Agent Fees Paid on Bonds		(6,169)	(6,169)	(6,394)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(21,169)	(21,169)	(26,762)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income (Loss)	1,930	4,837	6,767	11,251
Net Increase (Decrease) in Cash and Cash Equivalents	119,348	91,928	211,276	116,658
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR				
	107,781	373,817	481,598	364,940
CASH AND CASH EQUIVALENTS, END OF YEAR				
	\$ 227,129	\$ 465,745	\$ 692,874	\$ 481,598

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (37,669)	\$ (14,690)	\$ (52,359)	\$ (91,271)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	110,964	79,992	190,956	179,537
Pension Related Adjustments	3,810	4,583	8,393	(3,711)
(Increase) Decrease in				
Accounts Receivable	2,724	500	3,224	(10,169)
Prepaid Items	(95)	(79)	(174)	71
Due from Other Governments				31,749
Increase (Decrease) in				
Accounts Payable	69	(3)	66	(525)
Accrued Salaries	472	472	944	480
Compensated Absences	(264)	(264)	(528)	554
Due to Other Governments	31,143	19,516	50,659	4,705
Net Cash Provided (Used) by Operating Activities	<u>\$ 111,154</u>	<u>\$ 90,027</u>	<u>\$ 201,181</u>	<u>\$ 111,420</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital Contributions	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 412,097</u>

CITY OF SPICER, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	Private Purpose Trust Funds
ASSETS	
Cash and Investments	\$ 371,421
	371,421
NET POSITION	
Held in Trust for Culture and Recreation Improvements	\$ 371,421
	371,421

CITY OF SPICER, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020

	Private Purpose Trust Funds
ADDITIONS	
Investment Income (Loss)	\$ 6,388
DEDUCTIONS	
Books	6,001
Change in Net Position	387
NET POSITION, BEGINNING OF YEAR	371,034
NET POSITION, END OF YEAR	\$ 371,421

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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 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, 2020

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, 2020

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, brokered 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.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse purchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City treasurer or in a financial institution other than that furnishing the collateral.

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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.

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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.

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, 2020

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, 2020, was \$54,409. 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, 2020

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, 2020

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, 2019, 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, 2020

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:

Tax Increment No. 14 Special Revenue Fund	\$ (54,150)
---	-------------

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following fund had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 899,020	\$ 863,745

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 3,205,912
Non-Negotiable Certificates of Deposit	<u>624,055</u>
Total Governmental Activities	<u>\$ 3,829,967</u>
Business-Type Activities	
Pooled Cash in Bank	<u>\$ 692,874</u>
Fiduciary Fund	
Pooled Cash in Bank	<u>\$ 165,803</u>
Total Deposits	<u>\$ 4,688,644</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	\$ 395,838	\$	\$ 395,838	\$
Annuities	<u>731,316</u>	<u>731,316</u>		
Total Investments	<u>\$ 1,127,154</u>	<u>\$ 731,316</u>	<u>\$ 395,838</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
Investments at fair value:		
Brokered Certificates of Deposit	0.22	N/A
Annuities	5.67	N/A

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.)	\$ 4,688,644
Investments	<u>1,127,154</u>
Total Deposits and Investments	<u><u>\$ 5,815,798</u></u>

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

Statement of Net Position	
Cash and Investments	<u>\$ 5,444,377</u>
Statement of Fiduciary Net Position	
Cash and Investments	<u>\$ 371,421</u>

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 18,163	\$
Interest	4,079	
Taxes - Delinquent	12,718	
Current and Deferred Special Assessments	692,368	611,560
Loans	<u>167,040</u>	<u>165,981</u>
Total Governmental Activities	<u>\$ 894,368</u>	<u>\$ 777,541</u>

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	\$ 81,420	\$
Interest	<u>603</u>	
Total Business-Type Activities	<u>\$ 82,023</u>	<u>\$ 0</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 2,196,904	\$	\$	\$ 2,196,904
Construction in Progress	139,058	37,668	(139,058)	37,668
Total Capital Assets, Not Being Depreciated	2,335,962	37,668	(139,058)	2,234,572
Capital Assets, Being Depreciated				
Buildings and Improvements	11,347,473	308,823		11,656,296
Machinery and Equipment	2,175,007	146,225	(60,500)	2,260,732
Total Capital Assets, Being Depreciated	13,522,480	455,048	(60,500)	13,917,028
Less Accumulated Depreciation for				
Buildings and Improvements	4,313,781	452,540		4,766,321
Machinery and Equipment	1,480,567	115,530	(28,475)	1,567,622
Total Accumulated Depreciation	5,794,348	568,070	(28,475)	6,333,943
Total Capital Assets, Being Depreciated, Net	7,728,132	(113,022)	(32,025)	7,583,085
Governmental Activities Net Capital Assets	\$10,064,094	\$ (75,354)	\$ (171,083)	\$ 9,817,657
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	5,736,428			5,736,428
Machinery and Equipment	689,382			689,382
Total Capital Assets, Being Depreciated	6,425,810	0	0	6,425,810
Less Accumulated Depreciation for				
Buildings and Improvements	2,170,015	175,456		2,345,471
Machinery and Equipment	275,459	15,500		290,959
Total Accumulated Depreciation	2,445,474	190,956	0	2,636,430
Total Capital Assets, Being Depreciated, Net	3,980,336	(190,956)	0	3,789,380
Business-Type Activities Net Capital Assets	\$ 3,984,872	\$ (190,956)	\$ 0	\$ 3,793,916

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government		\$ 36,551
Public Safety		90,390
Public Works		350,794
Culture and Recreation		<u>90,335</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 568,070</u>
Business-Type Activities		
Sewer		\$ 110,964
Water		<u>79,992</u>
Total Depreciation Expense - Business-Type Activities		<u>\$ 190,956</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 51,355
Nonmajor Governmental Funds	General	30,811

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

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	<u>Transfer In</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Water</u>	
Transfer Out				
General	\$	\$ 77,714	\$ 16,270	\$ 93,984
Nonmajor Governmental Funds	<u>3,592</u>	<u>260,182</u>		<u>263,774</u>
Total	<u>\$ 3,592</u>	<u>\$ 337,896</u>	<u>\$ 16,270</u>	<u>\$ 357,758</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, 2020

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			
2010A G.O. Crossover Refunding	1.00-3.15%	02/01/2022	\$ 345,000
2012A G.O. Improvement Bonds	1.00-2.85%	12/01/2027	525,000
2014A G.O. Refunding Bonds	1.00-2.75%	02/01/2026	335,000
2016A G.O. Improvement Bonds	1.00-2.875%	02/01/2037	3,145,000
2017A G.O. Bonds	1.60-3.13%	02/01/2031	705,000
Unamortized Bond Discount			(11,862)
Compensated Absences			<u>12,658</u>
Total Governmental Activities			<u>\$ 5,055,796</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
2016A G.O. Utility Revenue Bonds	1.00-2.875%	02/01/2037	\$ 285,000
Compensated Absences			<u>12,682</u>
Total Business-Type Activities			<u>\$ 297,682</u>

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. 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, 2020

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
2021	\$ 505,000	\$ 113,946	\$ 15,000	\$ 6,094
2022	515,000	102,587	15,000	5,869
2023	350,000	96,212	15,000	5,644
2024	350,000	86,625	15,000	5,419
2025	355,000	78,879	15,000	5,194
2026-2030	1,370,000	278,954	75,000	21,470
2031-2035	1,095,000	141,228	95,000	12,894
2036-2037	515,000	14,156	40,000	1,700
	<u>\$ 5,055,000</u>	<u>\$ 912,587</u>	<u>\$ 285,000</u>	<u>\$ 64,284</u>

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 5,585,000	\$	\$ 530,000	\$ 5,055,000	\$ 505,000
Unamortized Bond Discount	(12,604)		(742)	(11,862)	
Compensated Absences	12,453	12,446	12,241	12,658	
Total Governmental Activities	<u>\$ 5,584,849</u>	<u>\$ 12,446</u>	<u>\$ 541,499</u>	<u>\$ 5,055,796</u>	<u>\$ 505,000</u>
<u>Business-Type Activities</u>					
G.O. Utility Revenue Bonds	\$ 300,000	\$	\$ 15,000	\$ 285,000	\$ 15,000
Compensated Absences	13,210	15,493	16,021	12,682	
Total Business-Type Activities	<u>\$ 313,210</u>	<u>\$ 15,493</u>	<u>\$ 31,021</u>	<u>\$ 297,682</u>	<u>\$ 15,000</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

E. PLEDGED REVENUES

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

Bond Issue/ Use of Proceeds/ Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
G.O. Utility Revenue Bonds, Series 2016A Site Improvements Utility Charges	100%	2016-2037	\$ 350,109	\$ 21,244	\$ 414,028

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 2020 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, 2019, 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, 2020

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, 2019, the State of Minnesota contributed \$26,396 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 \$(5,821). The City's net pension liability (asset) was measured as of December 31, 2019, 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)
	<u> </u>	<u> </u>	<u> </u>
Beginning Balance 12/31/2019	\$ 437,917	\$ 414,147	\$ 23,770
Changes for the Year:			
Service Cost	24,284		24,284
Interest	22,403		22,403
Contributions - State		26,396	(26,396)
Net Investment Income		53,682	(53,682)
Benefit Payments	(28,300)	(28,300)	
Administrative Expense		(3,800)	3,800
Net Change	<u>18,387</u>	<u>47,978</u>	<u>(29,591)</u>
Balance End of Year 12/31/2020	<u>\$ 456,304</u>	<u>\$ 462,125</u>	<u>\$ (5,821)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2020, the City recognized pension expense of \$8,497.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

D. PENSION COSTS (Cont'd)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$	\$ 13,180
Changes in Actuarial Assumptions	9,525	1,293
Net Differences Between Projected and Actual Investment Earnings		4,557
Contributions Paid to Plan Subsequent to Measurement Date	27,613	
State Aid Received for the Plan Subsequent to Measurement Date		27,613
	<hr/>	<hr/>
Totals	<u>\$ 37,138</u>	<u>\$ 46,643</u>

\$27,613 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, 2021. \$27,613 reported as deferred inflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2021. 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>
2021	\$ (328)
2022	(2,392)
2023	1,677
2024	(7,747)
2025	(735)
Thereafter	20

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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 5.0%. 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)	\$ 8,438	\$ (5,821)	\$ (19,775)

H PLAN INVESTMENTS/INVESTMENT POLICY:

The City of Spicer's Fireman Relief Association does not have a formal investment policy.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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 2020; 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, 2020, were \$26,344. 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, 2020

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

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2020, the City reported a liability of \$299,773 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. 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 \$9,147. The net pension liability was measured as of June 30, 2020, 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 proportionate share 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.0050 percent at the end of the measurement period and 0.0048 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 299,773
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the City	<u>9,147</u>
Total	<u><u>\$ 308,920</u></u>

The following changes in plan provisions occurred during 2020:

Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

For the year ended December 31, 2020, the City recognized pension expense of \$26,621 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$796 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, 2020, 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	\$ 2,628	\$ 1,134
Changes in Actuarial Assumptions		10,993
Net Collective Difference Between Projected and Actual Investment Earnings	5,396	
Changes in Proportion	9,890	5,548
Contributions Paid to GERP Subsequent to Measurement Date	<u>13,113</u>	
Totals	<u><u>\$ 31,027</u></u>	<u><u>\$ 17,675</u></u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

The \$13,113 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, 2021. 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>
2021	\$ (15,150)
2022	(300)
2023	8,446
2024	7,243

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2020, 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

GERP

Changes in Actuarial Assumptions:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2020, 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.

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%	\$ 480,432
Current Discount Rate	7.50%	299,773
1% Higher	8.50%	150,744

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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.

NOTE 11. FUND BALANCE

The following is a summary of fund balance components:

	General	2012A Improvement Bond	2014A G.O. Refunding
Nonspendable			
Prepaid Items	\$ 9,732	\$	\$
Land Held for Resale	402,637		
Total Nonspendable	<u>412,369</u>	<u>0</u>	<u>0</u>
Restricted for			
Debt Service		184,380	435,304
Committed			
Fire Department			
Truck Replacement			
Building Fund			
Capital Equipment			
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>
Assigned			
Public Works	854,112		
Parks	17,432		
Downtown Park	27,700		
Westside Park	6,100		
First Responder	10,000		
Fire Department			
Library	10,000		
Equipment	36,025		
Fund Operations			
Total Assigned	<u>961,369</u>	<u>0</u>	<u>0</u>
Unassigned			
	<u>836,441</u>		
Totals	<u>\$ 2,210,179</u>	<u>\$ 184,380</u>	<u>\$ 435,304</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11. FUND BALANCE (Cont'd)

	2016A Improvement Bond	Nonmajor Governmental Funds	Total
Nonspendable			
Prepaid Items	\$	\$ 2,696	\$ 12,428
Land Held for Resale			402,637
Total Nonspendable	0	2,696	415,065
Restricted for			
Debt Service	413,546	250,825	1,284,055
Economic Development		240,515	240,515
Lawful Purposes		36,448	36,448
Total Restricted	413,546	527,788	1,561,018
Committed			
Fire Department			
Truck Replacement		166,666	166,666
Building Fund		67,776	67,776
Capital Equipment		20,447	20,447
Total Committed	0	254,889	254,889
Assigned			
Public Works			854,112
Parks			17,432
Downtown Park			27,700
Westside Park			6,100
First Responder			10,000
Fire Department		153,492	153,492
Library			10,000
Equipment			36,025
Fund Operations		1,246,592	1,246,592
Total Assigned	0	1,400,084	2,361,453
Unassigned		(54,670)	781,771
Totals	\$ 413,546	\$ 2,130,787	\$ 5,374,196

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, 2020

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%	\$ 28,082

NOTE 14. COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

NOTE 15. PRIOR PERIOD ADJUSTMENT

The 2019 balances of fund balance of the governmental funds and net position of the governmental activities have been adjusted to reflect a correction of an error. The adjustment corrects the classification of amounts related to TIF Funds. The 2019 balance for restricted fund balance has been restated from \$1,371,456 to \$1,570,459 (an increase of \$199,003) and the assigned fund balance has been restated from \$2,517,255 to \$2,318,252 (a decrease of \$199,003). The 2019 balance for restricted net position for economic development has been restated from \$0 to \$199,326 (an increase of \$199,326) and unassigned net position has been restated from \$4,054,340 to \$3,855,014 (a decrease of \$199,326).

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2020

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, 2020	0.0050%	\$ 299,773	\$ 9,147	\$ 308,920	\$ 344,851	89.58%	79.06%
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, 2020

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>					
12/31/2020	\$ 26,344	\$ 26,344	\$	\$ 351,253	7.50%
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, 2020

	Measurement Date					
	December 31,					
	2019	2018	2017	2016	2015	2014
Service Cost	\$ 24,284	\$ 15,535	\$ 15,119	\$ 14,096	\$ 13,339	\$ 12,982
Interest	22,403	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	(28,300)	(1,962)		(36,880)	(40,000)	
Net Change in Total Pension Liability	18,387	123,899	32,193	(15,895)	(12,183)	29,833
Total Pension Liability - Beginning of Year	437,917	314,018	281,825	297,720	309,903	280,070
Total Pension Liability - End of Year	\$ 456,304	\$ 437,917	\$ 314,018	\$ 281,825	\$ 297,720	\$ 309,903
Contributions - State	\$ 26,396	\$ 25,083	\$ 24,612	\$ 27,772	\$ 26,931	\$ 33,877
Contributions - Member		90				
Net Investment Income	53,682	(23,276)	40,921	10,165	(8,416)	5,261
Benefit Payments	(28,300)	(1,962)		(36,880)	(40,000)	
Administrative Expense	(3,800)	(8,003)	(1,303)	(3,792)	(3,570)	(2,480)
Net Change in Plan Fiduciary Net Position	47,978	(8,068)	64,230	(2,735)	(25,055)	36,658
Total Plan Fiduciary Net Position - Beginning of Year	414,147	422,215	357,985	360,720	385,775	349,117
Total Plan Fiduciary Net Position - End of Year	\$ 462,125	\$ 414,147	\$ 422,215	\$ 357,985	\$ 360,720	\$ 385,775
City's Net Pension Liability (Asset) - End of Year	\$ (5,821)	\$ 23,770	\$ (108,197)	\$ (76,160)	\$ (63,000)	\$ (75,872)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	101%	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, 2020

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2020 Changes:

Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

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

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.

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

2020 Changes:

There have been no changes since the prior valuation.

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)

2020 Changes:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

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

2020 Changes: (Cont'd)

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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, 2020

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

2020 Changes:

There have been no changes since the prior valuation.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

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

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, 2020

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and Investments	\$ 1,699,691	\$ 248,045	\$ 6,471	\$ 1,954,207
Receivables				
Accounts	2,800			2,800
Interest	936	241		1,177
Taxes - Delinquent	323	1,568		1,891
Special Assessments		20,039		20,039
Loans	167,040			167,040
Due from Other Governments	72,590	2,539		75,129
Due from Other Funds	30,811			30,811
Land Held for Resale	18,017			18,017
Prepaid Items	2,696			2,696
	<u>\$ 1,994,904</u>	<u>\$ 272,432</u>	<u>\$ 6,471</u>	<u>\$ 2,273,807</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 41,903	\$	\$	\$ 41,903
Due to Other Funds	51,355			51,355
Accrued Salaries	199			199
Due to Other Governments	27,633			27,633
Total Liabilities	<u>121,090</u>	<u>0</u>	<u>0</u>	<u>121,090</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Taxes - Delinquent	323	1,568		1,891
Special Assessments		20,039		20,039
Total Deferred Inflows of Resources	<u>323</u>	<u>21,607</u>	<u>0</u>	<u>21,930</u>
Fund Balance				
Nonspendable	2,696			2,696
Restricted	276,963	250,825		527,788
Committed	254,889			254,889
Assigned	1,393,613		6,471	1,400,084
Unassigned	(54,670)			(54,670)
Total Fund Balance	<u>1,873,491</u>	<u>250,825</u>	<u>6,471</u>	<u>2,130,787</u>
	<u>\$ 1,994,904</u>	<u>\$ 272,432</u>	<u>\$ 6,471</u>	<u>\$ 2,273,807</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance				
	<u>\$ 1,994,904</u>	<u>\$ 272,432</u>	<u>\$ 6,471</u>	<u>\$ 2,273,807</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Taxes	\$ 159,355	\$ 163,462	\$	\$ 322,817
Special Assessments		26,028		26,028
Intergovernmental Revenue	90,595			90,595
Charges for Services	144,307			144,307
Sales and Use Tax	204,614			204,614
Investment Income (Loss)	10,585	2,404		12,989
Miscellaneous				
Rent	7,400			7,400
Contributions and Donations	26,982			26,982
Sale of Lots	600			600
Burial Fees	1,800			1,800
Other	1,576			1,576
Total Revenues	<u>647,814</u>	<u>191,894</u>	<u>0</u>	<u>839,708</u>
EXPENDITURES				
Current				
Public Safety	138,038			138,038
Culture and Recreation	95,061			95,061
Cemetery	4,143			4,143
Economic Development	87,978			87,978
Debt Service				
Principal		355,000		355,000
Interest and Other Charges		35,698		35,698
Capital Outlay				
Public Safety	54,449			54,449
Public Works			20,883	20,883
Culture and Recreation	29,231			29,231
Economic Development	28,082		48,554	76,636
Total Expenditures	<u>436,982</u>	<u>390,698</u>	<u>69,437</u>	<u>897,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	210,832	(198,804)	(69,437)	(57,409)
OTHER FINANCING SOURCES (USES)				
Transfers In	240,365	73,056	24,475	337,896
Transfers Out	(260,182)		(3,592)	(263,774)
Total Other Financing Sources (Uses)	<u>(19,817)</u>	<u>73,056</u>	<u>20,883</u>	<u>74,122</u>
Net Change in Fund Balances	<u>191,015</u>	<u>(125,748)</u>	<u>(48,554)</u>	<u>16,713</u>
FUND BALANCE, BEGINNING OF YEAR	<u>1,682,476</u>	<u>376,573</u>	<u>55,025</u>	<u>2,114,074</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,873,491</u>	<u>\$ 250,825</u>	<u>\$ 6,471</u>	<u>\$ 2,130,787</u>

CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020

	Cemetery	Dethlefs	Local Option	Fire Protection	Business Revolving	Beautification	Gambling	EDA Business Revolving Loan
ASSETS								
Cash and Investments	\$ 58,295	\$ 27	\$ 307,804	\$ 401,236	\$ 162,980	\$ 26,841	\$ 36,448	\$ 198,415
Receivables								
Accounts				2,800				
Interest			235	394	167			
Taxes - Delinquent								
Loans								167,040
Due from Other Governments			28,598	37,242				
Due from Other Funds								
Land Held for Resale								
Prepaid Items		524		2,172				
Total Assets	\$ 58,295	\$ 551	\$ 336,637	\$ 443,844	\$ 163,147	\$ 26,841	\$ 36,448	\$ 365,455
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts Payable	\$	\$ 348	\$	\$ 6,678	\$	\$	\$	\$
Due to Other Funds								
Accrued Salaries		199						
Due to Other Governments			1,020	26,613				
Total Liabilities	0	547	1,020	33,291	0	0	0	0
Deferred Inflows of Resources								
Unavailable Revenue								
Taxes - Delinquent								
Fund Balance								
Nonspendable		524		2,172				
Restricted							36,448	
Committed				254,889				
Assigned	58,295		335,617	153,492	163,147	26,841		365,455
Unassigned		(520)						
Total Fund Balance	58,295	4	335,617	410,553	163,147	26,841	36,448	365,455
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 58,295	\$ 551	\$ 336,637	\$ 443,844	\$ 163,147	\$ 26,841	\$ 36,448	\$ 365,455

CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020

	Economic Development	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Tax Increment No. 14	Total
ASSETS								
Cash and Investments	\$ 39,163	\$ 221,792	\$	\$ 51,299	\$ 168,836	\$ 26,555	\$	\$ 1,699,691
Receivables								
Accounts								2,800
Interest					140			936
Taxes - Delinquent					323			323
Loans								167,040
Due from Other Governments				6,522	197	31		72,590
Due from Other Funds	30,811							30,811
Land Held for Resale			18,017					18,017
Prepaid Items								2,696
Total Assets	\$ 69,974	\$ 221,792	\$ 18,017	\$ 57,821	\$ 169,496	\$ 26,586	\$ 0	\$ 1,994,904
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts Payable	\$	\$	\$	\$ 29,082	\$ 1,000	\$ 1,000	\$ 3,795	\$ 41,903
Due to Other Funds	1,000						50,355	51,355
Accrued Salaries								199
Due to Other Governments								27,633
Total Liabilities	1,000	0	0	29,082	1,000	1,000	54,150	121,090
Deferred Inflows of Resources								
Unavailable Revenue								
Taxes - Delinquent					323			323
Fund Balance								
Nonspendable								2,696
Restricted			18,017	28,739	168,173	25,586		276,963
Committed								254,889
Assigned	68,974	221,792						1,393,613
Unassigned							(54,150)	(54,670)
Total Fund Balance	68,974	221,792	18,017	28,739	168,173	25,586	(54,150)	1,873,491
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 69,974	\$ 221,792	\$ 18,017	\$ 57,821	\$ 169,496	\$ 26,586	\$ 0	\$ 1,994,904

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020

	Cemetery	Dethlefs	Local Option	Fire Protection	Business Revolving	Beautification	Gambling	EDA Business Revolving Loan
REVENUES								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental		39,117		51,478				
Charges for Services				144,307				
Sales and Use Tax			204,614					
Investment Income (Loss)			2,604	3,888	1,616			243
Miscellaneous								
Rent		7,400						
Contributions and Donations		1,318		21,404		4,260		
Sale of Lots	600							
Burial Fees	1,800							
Other		585		571				
Total Revenues	2,400	48,420	207,218	221,648	1,616	4,260	0	243
EXPENDITURES								
Current								
Public Safety				138,038				
Culture and Recreation		78,947	5,823			10,291		
Cemetery	4,143							
Economic Development								
Capital Outlay								
Public Safety				54,449				
Culture and Recreation		21,239				7,992		
Economic Development								
Total Expenditures	4,143	100,186	5,823	192,487	0	18,283	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,743)	(51,766)	201,395	29,161	1,616	(14,023)	0	243
OTHER FINANCING SOURCES (USES)								
Transfer In	5,000	51,150				20,000		164,215
Transfers Out			(40,518)					
Total Other Financing Sources (Uses)	5,000	51,150	(40,518)	0	0	20,000	0	164,215
Net Change in Fund Balances	3,257	(616)	160,877	29,161	1,616	5,977	0	164,458
FUND BALANCE, BEGINNING OF YEAR	55,038	620	174,740	381,392	161,531	20,864	36,448	200,997
FUND BALANCE, END OF YEAR	\$ 58,295	\$ 4	\$ 335,617	\$ 410,553	\$ 163,147	\$ 26,841	\$ 36,448	\$ 365,455

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020

	Economic Development	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Tax Increment No. 14	Total
REVENUES								
Taxes	\$ 30,811	\$	\$	\$ 38,244	\$ 31,411	\$ 58,889	\$	\$ 159,355
Intergovernmental								90,595
Charges for Services								144,307
Sales and Use Tax								204,614
Investment Income (Loss)	152	721			1,361			10,585
Miscellaneous								
Rent								7,400
Contributions and Donations								26,982
Sale of Lots								600
Burial Fees								1,800
Other	420							1,576
Total Revenues	<u>31,383</u>	<u>721</u>	<u>0</u>	<u>38,244</u>	<u>32,772</u>	<u>58,889</u>	<u>0</u>	<u>647,814</u>
EXPENDITURES								
Current								
Public Safety								138,038
Culture and Recreation								95,061
Cemetery								4,143
Economic Development	28,966			1,554	2,266	1,042	54,150	87,978
Capital Outlay								
Public Safety								54,449
Culture and Recreation								29,231
Economic Development				28,082				28,082
Total Expenditures	<u>28,966</u>	<u>0</u>	<u>0</u>	<u>29,636</u>	<u>2,266</u>	<u>1,042</u>	<u>54,150</u>	<u>436,982</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,417	721	0	8,608	30,506	57,847	(54,150)	210,832
OTHER FINANCING SOURCES (USES)								
Transfer In								240,365
Transfers Out		(164,215)				(55,449)		(260,182)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(164,215)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(55,449)</u>	<u>0</u>	<u>(19,817)</u>
Net Change in Fund Balances	2,417	(163,494)	0	8,608	30,506	2,398	(54,150)	191,015
FUND BALANCE, BEGINNING OF YEAR	<u>66,557</u>	<u>385,286</u>	<u>18,017</u>	<u>20,131</u>	<u>137,667</u>	<u>23,188</u>		<u>1,682,476</u>
FUND BALANCE, END OF YEAR	<u>\$ 68,974</u>	<u>\$ 221,792</u>	<u>\$ 18,017</u>	<u>\$ 28,739</u>	<u>\$ 168,173</u>	<u>\$ 25,586</u>	<u>\$ (54,150)</u>	<u>\$ 1,873,491</u>

CITY OF SPICER, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2020

	2017A G.O. Bond	2010 Refunding Bond	Total
ASSETS			
Cash and Investments	\$	\$ 248,045	\$ 248,045
Receivables			
Interest		241	241
Taxes - Delinquent	31	1,537	1,568
Special Assessments		20,039	20,039
Due from Other Governments	52	2,487	2,539
Total Assets	\$ 83	\$ 272,349	\$ 272,432
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources			
Unavailable Revenue			
Taxes - Delinquent	\$ 31	\$ 1,537	\$ 1,568
Special Assessments		20,039	20,039
Total Deferred Inflows of Resources	31	21,576	21,607
Fund Balance			
Restricted	52	250,773	250,825
Total Deferred Inflows of Resources and Fund Balance	\$ 83	\$ 272,349	\$ 272,432

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2020

	2017A G.O. Bond	2010 Refunding Bond	2009 Refunding Bond	Total
REVENUES				
Taxes	\$ 3,913	\$ 159,142	\$ 407	\$ 163,462
Special Assessments		19,710	6,318	26,028
Investment Income (Loss)		2,404		2,404
Total Revenues	<u>3,913</u>	<u>181,256</u>	<u>6,725</u>	<u>191,894</u>
EXPENDITURES				
Debt Service				
Principal	60,000	140,000	155,000	355,000
Interest and Other Charges	19,950	13,152	2,596	35,698
Total Expenditures	<u>79,950</u>	<u>153,152</u>	<u>157,596</u>	<u>390,698</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,037)	28,104	(150,871)	(198,804)
OTHER FINANCING SOURCES (USES)				
Transfers In	71,492		1,564	73,056
Net Change in Fund Balance	<u>(4,545)</u>	<u>28,104</u>	<u>(149,307)</u>	<u>(125,748)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>4,597</u>	<u>222,669</u>	<u>149,307</u>	<u>376,573</u>
FUND BALANCE, END OF YEAR	<u>\$ 52</u>	<u>\$ 250,773</u>	<u>\$ 0</u>	<u>\$ 250,825</u>

CITY OF SPICER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2020

	<u>SCDP Rehabilitation Project</u>
ASSETS	
Cash and Investments	<u>\$ 6,471</u>
 FUND BALANCE	
Assigned	<u>\$ 6,471</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2020

	Pedestrian Crosswalk Project	SCDP Rehabilitation Project	Total
EXPENDITURES			
Capital Outlay			
Public Works	\$ 20,883	\$	\$ 20,883
Economic Development		48,554	48,554
Total Expenditures	<u>20,883</u>	<u>48,554</u>	<u>69,437</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,883)	(48,554)	(69,437)
OTHER FINANCING SOURCES (USES)			
Transfers In	24,475		24,475
Transfers Out	<u>(3,592)</u>		<u>(3,592)</u>
Total Other Financing Sources (Uses)	<u>20,883</u>	<u>0</u>	<u>20,883</u>
Net Change in Fund Balances	0	(48,554)	(48,554)
FUND BALANCE, BEGINNING OF YEAR		<u>55,025</u>	<u>55,025</u>
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 6,471</u>	<u>\$ 6,471</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2020

	<u>Erickson Memorial Trust</u>	<u>Edward H. Dethlefs Trust</u>	<u>Total</u>
ASSETS			
Cash and Investments	<u>\$ 108,766</u>	<u>\$ 262,655</u>	<u>\$ 371,421</u>
NET POSITION			
Held in Trust for Culture and Recreation Improvements	<u>\$ 108,766</u>	<u>\$ 262,655</u>	<u>\$ 371,421</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
YEAR ENDED DECEMBER 31, 2020

	Erickson Memorial Trust	Edward H. Dethlefs Trust	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Investment Income (Loss)	\$ 1,169	\$ 5,219	\$ 6,388
DEDUCTIONS			
Books	6,001		6,001
Change in Net Position	<u>(4,832)</u>	<u>5,219</u>	<u>387</u>
NET POSITION, BEGINNING OF YEAR	<u>113,598</u>	<u>257,436</u>	<u>371,034</u>
NET POSITION, END OF YEAR	<u>\$ 108,766</u>	<u>\$ 262,655</u>	<u>\$ 371,421</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, 2020, 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 18, 2021.

In connection with our audit, we noted that the City failed to comply with provisions of the deposits and investments of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the accompanying Schedule of Findings as 2020-003 and 2020-004. Also, 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, 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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 18, 2021

Willmar Office 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (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 (320) 252-7565 (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, 2020, 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 18, 2021.

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 2020-001 and 2020-002 that we consider to be significant deficiencies.

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Litchfield Office

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Sartell Office

Ste 110
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(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 18, 2021

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2020

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

FINDING: 2020-001 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, 2021

Plan to Monitor Completion of CAP:
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2020

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

FINDING: 2020-002 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, 2021

Plan to Monitor Completion of CAP:
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2020

II. MINNESOTA LEGAL COMPLIANCE

FINDING: 2020-003 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, 2021

Plan to Monitor Completion of CAP:
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2020

II. MINNESOTA LEGAL COMPLIANCE (Cont'd)

FINDING: 2020-004 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, 2021

Plan to Monitor Completion of CAP:
City Council

CITY OF SPICER, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020

Comment Reference	Comment Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2019-001	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2020-001
2019-002	Auditor Prepared Financial Statements	Not Corrected	2006	See current year finding 2020-002
Minnesota Legal Compliance Findings:				
2019-003	Authorized Investments	Not Corrected	2013	See current year finding 2020-003
2019-004	Broker Certification	Not Corrected	2013	See current year finding 2020-004