

CITY OF SPICER, MINNESOTA  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021

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

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CITY OF SPICER, MINNESOTA

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CITY OF SPICER, MINNESOTA  
 ELECTED AND APPOINTED OFFICIALS  
 DECEMBER 31, 2021

<u>Elected Officials - City</u>	<u>Position</u>	<u>Term Expires</u>
Dennis Baker	Mayor	December 31, 2022
Troy Block	Council Member	December 31, 2022
Shelly Munyon	Council Member	December 31, 2022
Robin deCathlineau	Council Member	December 31, 2024
Jesse Gislason	Council Member	December 31, 2024

<u>Administration - City</u>		
Jacob Kolander	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, 2024
Todd Erickson	Treasurer	December 31, 2024
Eryn Hanning	Director	December 31, 2024
Dennis Baker	Director	December 31, 2022
Kerry Johnson	Director	December 31, 2024
Shelly Munyon	Director	December 31, 2022

<u>Administration - Economic Development Authority Board</u>		
Vacant	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 Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spicer, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and General Fund, Fire Protection Special Revenue Fund, and Tax Increment No. 14 Special Revenue Fund budgetary comparison schedules for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

## ***Responsibilities of Management for the Financial Statements*** (Cont'd)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***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 is the responsibility of management and, 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 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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.

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Elected and Appointed Officials section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022 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 17, 2022

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021

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, 2021. 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 \$15,320,122 (net position). Of this amount, \$4,533,503 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital assets, less depreciation, total \$13,487,813, 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 \$5,440,653. Approximately 19% (percent) of this total amount, \$1,033,912, 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 \$1,257,991 or 148% (percent) of total General Fund expenditures.
- The City of Spicer decreased the existing debt balance by \$800,000 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 2021 Statement provides for an increase in net position.

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, 2021

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-three 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, Fire Protection Special Revenue Fund, Tax Increment No. 14 Special Revenue Fund, and three Debt Service funds, all of which are considered to be major funds. Data from the other seventeen 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, Fire Protection Special Revenue Fund, and Tax Increment No. 14 Special Revenue Fund to demonstrate compliance with this budget adoption.

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

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

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

The proprietary fund financial statements can be found on pages 25-27 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, 2021

**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 29-57 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 66-77 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 \$15,320,122 at the close of the most recent fiscal year. This is a \$654,449 increase over the 2020 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, 2021, \$4,533,503, 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, 2021

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
	2021	2020	
Current and Other Assets	\$ 6,109,179	\$ 6,181,089	\$ (71,910)
Net Capital Assets	9,658,923	9,817,657	(158,734)
Total Assets	<u>15,768,102</u>	<u>15,998,746</u>	<u>(230,644)</u>
Deferred Outflows of Resources	<u>160,849</u>	<u>57,575</u>	<u>103,274</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,928,951</u>	<u>\$ 16,056,321</u>	<u>\$ (127,370)</u>
Current and Other Liabilities	\$ 111,094	\$ 138,509	\$ (27,415)
Long-Term Liabilities	4,411,408	5,253,248	(841,840)
Total Liabilities	<u>4,522,502</u>	<u>5,391,757</u>	<u>(869,255)</u>
Deferred Inflows of Resources	202,708	58,285	144,423
Net Position			
Net Investment in Capital Assets	5,400,044	4,774,519	625,525
Restricted for			
Debt Service	1,548,840	1,927,132	(378,292)
Economic Development	278,845	240,838	38,007
Unrestricted	<u>3,976,012</u>	<u>3,663,790</u>	<u>312,222</u>
Total Net Position	<u>11,203,741</u>	<u>10,606,279</u>	<u>597,462</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,928,951</u>	<u>\$ 16,056,321</u>	<u>\$ (127,370)</u>



CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021

	Business-Type Activities		Change
	2021	2020	
Current and Other Assets	\$ 722,524	\$ 776,716	\$ (54,192)
Net Capital Assets	3,828,890	3,793,916	34,974
Total Assets	<u>4,551,414</u>	<u>4,570,632</u>	<u>(19,218)</u>
Deferred Outflows of Resources	<u>46,521</u>	<u>10,590</u>	<u>35,931</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,597,935</u>	<u>\$ 4,581,222</u>	<u>\$ 16,713</u>
Current and Other Liabilities	\$ 73,447	\$ 115,792	\$ (42,345)
Long-Term Liabilities	344,310	400,003	(55,693)
Total Liabilities	<u>417,757</u>	<u>515,795</u>	<u>(98,038)</u>
Deferred Inflows of Resources	63,797	6,033	57,764
Net Position			
Net Investment in Capital Assets	3,558,890	3,508,916	49,974
Unrestricted	557,491	550,478	7,013
Total Net Position	<u>4,116,381</u>	<u>4,059,394</u>	<u>56,987</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,597,935</u>	<u>\$ 4,581,222</u>	<u>\$ 16,713</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021

**Governmental Activities**

Net position of the City's governmental activities increased by \$597,462. 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
	2021	2020	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 300,421	\$ 225,833	\$ 74,588
Operating Grants and Contributions	46,274	27,613	18,661
Capital Grants and Contributions	6,935	18,275	(11,340)
General Revenues			
Property Taxes and Tax Increment	1,452,210	1,377,066	75,144
Local Sales and Use Tax	219,744	204,614	15,130
Grants and Contributions Not Restricted to Specific Programs	151,710	166,358	(14,648)
Investment Income (Loss)	27,076	39,197	(12,121)
Other	72,870	46,233	26,637
Gain on Sale of Assets	5,150	14,725	(9,575)
Total Revenues	<u>2,282,390</u>	<u>2,119,914</u>	<u>162,476</u>
<b>EXPENSES</b>			
General Government	304,214	300,547	3,667
Public Safety	330,224	358,623	(28,399)
Public Works	544,598	525,783	18,815
Culture and Recreation	292,511	281,138	11,373
Cemetery Services	4,854	4,046	808
Economic Development	85,288	143,728	(58,440)
Interest on Long-Term Debt	106,837	125,052	(18,215)
Total Expenses	<u>1,668,526</u>	<u>1,738,917</u>	<u>(70,391)</u>
Change in Net Position Before Transfers	613,864	380,997	232,867
<b>TRANSFERS</b>			
Transfers	(16,402)	(16,270)	(132)
Change in Net Position	<u>597,462</u>	<u>364,727</u>	<u>232,735</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>10,606,279</u>	<u>10,241,552</u>	<u>364,727</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 11,203,741</u>	<u>\$ 10,606,279</u>	<u>\$ 597,462</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021

**Business-Type Activities**

The net position of our business-type activities increased by \$56,987. The increase is attributable to the following changes in net position: Sewer \$17,116 and Water \$39,871.

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

	<u>Business-Type Activities</u>		Change
	<u>2021</u>	<u>2020</u>	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 1,126,317	\$ 1,035,569	\$ 90,748
General Revenues			
Interest and Investment Earnings	5,529	6,258	(729)
Other	5,415	8,227	(2,812)
Total Revenues	<u>1,137,261</u>	<u>1,050,054</u>	<u>87,207</u>
<b>EXPENSES</b>			
Sewer	657,846	653,568	4,278
Water	438,830	440,404	(1,574)
Total Expenses	<u>1,096,676</u>	<u>1,093,972</u>	<u>2,704</u>
Change in Net Position Before Transfers	40,585	(43,918)	84,503
<b>TRANSFERS</b>			
Transfers	16,402	16,270	132
Change in Net Position	<u>56,987</u>	<u>(27,648)</u>	<u>84,635</u>
NET POSITION, BEGINNING OF YEAR	<u>4,059,394</u>	<u>4,087,042</u>	<u>(27,648)</u>
NET POSITION, END OF YEAR	<u>\$ 4,116,381</u>	<u>\$ 4,059,394</u>	<u>\$ 56,987</u>

**Financial Analysis of the Business-Type Activities**

**Sewer Fund.** The change in the City's Sewer Fund Net Position was \$17,116 for 2021. The increase in fund balance for 2021 is due to an increase in charges for services.

**Water Fund.** The change in the City's Water Fund Net Position was \$39,871 for 2021. The increase in fund balance for 2021 is due to an increase in charges for services.

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

**General Fund.** The change in the City's General Fund Balance was \$286,147 for 2021. The increase in fund balance for 2021 was \$191,010 more than the increase in fund balance for 2020. The main reason for this change was due to an increase in intergovernmental revenue and decrease in capital outlay expenditures.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021

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

**Special Revenue Funds.** The change in the City's special revenue fund balances was \$105,072 for 2021. The Fire Protection Special Revenue Fund decreased by \$45,483. This was due to an increase in capital outlay expenditures.

**Debt Service Funds.** The debt service fund balances decreased by \$266,621 compared to an decrease of \$50,953 in 2020. The main reason for this change was due to continued debt service payments and the payoff of the 2014A Bonds. 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 \$58,141. This is due to project costs and funds being closed.

**Budgetary Highlights**

**General Fund.** The City budgeted for a \$219 increase in fund balance for 2021. The actual change in fund balance was an increase of \$286,147. The increase in fund balance was mainly due to an increase in intergovernmental revenue that was not budgeted for and less than budgeted General Government expenditures.

**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, 2021, amounts to \$23,198,555. 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 \$4,546,466. 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 2022 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 2021 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, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2020

	Governmental	Business-Type	Totals	
	Activities	Activities	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Cash and Investments	\$ 5,130,134	\$ 620,775	\$ 5,750,909	\$ 5,444,377
Receivables				
Accounts	6,155	98,634	104,789	99,583
Interest	631	113	744	4,682
Taxes - Delinquent	8,362		8,362	12,718
Special Assessments	571,051		571,051	692,368
Loans	30,609		30,609	167,040
Due from Other Governments	63,354	120	63,474	96,315
Land Held for Resale	269,604		269,604	420,654
Prepaid Items	15,522	2,882	18,404	14,247
Capital Assets				
Assets Not Being Depreciated	2,409,673	230,066	2,639,739	2,340,498
Other Capital Assets, Net of Depreciation	7,249,250	3,598,824	10,848,074	11,271,075
Net Pension Asset	13,757		13,757	5,821
Total Assets	<u>15,768,102</u>	<u>4,551,414</u>	<u>20,319,516</u>	<u>20,569,378</u>
Deferred Outflows of Resources	<u>160,849</u>	<u>46,521</u>	<u>207,370</u>	<u>68,165</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,928,951</u>	<u>\$ 4,597,935</u>	<u>\$ 20,526,886</u>	<u>\$ 20,637,543</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 60,850	\$ 7,955	\$ 68,805	\$ 61,803
Accrued Salaries	8,625	1,530	10,155	4,960
Accrued Interest Payable	35,738	4,891	40,629	47,601
Due to Other Governments	4,136	59,071	63,207	133,714
Unearned Revenue	1,745		1,745	6,223
Long-Term Liabilities				
Net Pension Liability	142,260	66,992	209,252	299,773
Due Within One Year	460,000	15,000	475,000	520,000
Due in More than One Year	3,809,148	262,318	4,071,466	4,833,478
Total Liabilities	<u>4,522,502</u>	<u>417,757</u>	<u>4,940,259</u>	<u>5,907,552</u>
Deferred Inflows of Resources	202,708	63,797	266,505	64,318
<b>Net Position</b>				
Net Investment in Capital Assets	5,400,044	3,558,890	8,958,934	8,283,435
Restricted for				
Debt Service	1,548,840		1,548,840	1,927,132
Economic Development	278,845		278,845	240,838
Unrestricted	3,976,012	557,491	4,533,503	4,214,268
Total Net Position	<u>11,203,741</u>	<u>4,116,381</u>	<u>15,320,122</u>	<u>14,665,673</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,928,951</u>	<u>\$ 4,597,935</u>	<u>\$ 20,526,886</u>	<u>\$ 20,637,543</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF ACTIVITIES  
 DECEMBER 31, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2021	2020
<b>GOVERNMENTAL ACTIVITIES</b>								
General Government	\$ 304,214	\$ 51,709	\$	\$	\$ (252,505)	\$	\$ (252,505)	\$ (279,344)
Public Safety	330,224	192,744	46,274		(91,206)		(91,206)	(111,319)
Public Works	544,598	294			(544,304)		(544,304)	(525,063)
Culture and Recreation	292,511	17,062		6,935	(268,514)		(268,514)	(234,510)
Cemetery Services	4,854	5,550			696		696	(1,646)
Economic Development	85,288				(85,288)		(85,288)	(143,728)
Interest on Long-Term Debt	106,837	33,062			(73,775)		(73,775)	(87,311)
Total Governmental Activities	1,668,526	300,421	46,274	6,935	(1,314,896)	0	(1,314,896)	(1,382,921)
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	657,846	668,838				10,992	10,992	(37,669)
Water	438,830	457,479				18,649	18,649	(20,734)
Total Business-Type Activities	1,096,676	1,126,317	0	0	0	29,641	29,641	(58,403)
<b>Total</b>	<b>\$ 2,765,202</b>	<b>\$ 1,426,738</b>	<b>\$ 46,274</b>	<b>\$ 6,935</b>	<b>(1,314,896)</b>	<b>29,641</b>	<b>(1,285,255)</b>	<b>(1,441,324)</b>
<b>GENERAL REVENUES</b>								
<b>Taxes</b>								
Property Taxes					1,283,340		1,283,340	1,217,711
Tax Increment					168,870		168,870	159,355
Local Sales and Use Tax					219,744		219,744	204,614
Grants and Contributions Not Restricted to Specific Programs					151,710		151,710	82,083
Investment Income (Loss)					27,076	5,529	32,605	45,455
Other					72,870	5,415	78,285	54,460
Gain on Sale of Assets					5,150		5,150	14,725
<b>TRANSFERS</b>					<b>(16,402)</b>	<b>16,402</b>		
Total General Revenues and Transfers					1,912,358	27,346	1,939,704	1,778,403
Change in Net Position					597,462	56,987	654,449	337,079
<b>NET POSITION, BEGINNING OF YEAR</b>					<b>10,606,279</b>	<b>4,059,394</b>	<b>14,665,673</b>	<b>14,328,594</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 11,203,741</b>	<b>\$ 4,116,381</b>	<b>\$ 15,320,122</b>	<b>\$ 14,665,673</b>

See Accompanying Notes to the Financial Statements



CITY OF SPICER, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2020

	General	Fire Protection	Tax Increment No. 14	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
								2021	2020
<b>ASSETS</b>									
Cash and Investments	\$ 2,039,184	\$ 342,138	\$	\$ 180,546	\$ 140,733	\$ 434,270	\$ 1,993,263	\$ 5,130,134	\$ 4,751,503
Receivables									
Accounts	6,055	100						6,155	18,163
Interest	307	50		27	42	60	145	631	4,079
Taxes - Delinquent	5,805			340		1,126	1,091	8,362	12,718
Special Assessments	6,464			106,119	90,547	364,321	3,600	571,051	692,368
Loans							30,609	30,609	167,040
Due from Other Governments	14,472	21,740		998		3,782	22,362	63,354	96,315
Due from Other Funds	205,203						512	205,715	82,166
Land Held for Resale	251,587						18,017	269,604	420,654
Prepaid Items	11,379	3,505					638	15,522	12,428
<b>Total Assets</b>	<b>\$ 2,540,456</b>	<b>\$ 367,533</b>	<b>\$ 0</b>	<b>\$ 288,030</b>	<b>\$ 231,322</b>	<b>\$ 803,559</b>	<b>\$ 2,070,237</b>	<b>\$ 6,301,137</b>	<b>\$ 6,257,434</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 17,281	\$ 2,463	\$	\$	\$	\$	\$ 41,106	\$ 60,850	\$ 56,004
Due to Other Funds	512		172,025				33,178	205,715	82,166
Accrued Salaries	8,187						438	8,625	3,100
Due to Other Governments	4,136							4,136	30,659
Unearned Revenue	1,745							1,745	6,223
<b>Total Liabilities</b>	<b>31,861</b>	<b>2,463</b>	<b>172,025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,722</b>	<b>281,071</b>	<b>178,152</b>
<b>Deferred Inflows of Resources</b>									
Unavailable Revenue									
Taxes - Delinquent	5,805			340		1,126	1,091	8,362	12,718
Special Assessments	6,464			106,119	90,547	364,321	3,600	571,051	692,368
<b>Total Deferred Inflows of Resources</b>	<b>12,269</b>	<b>0</b>	<b>0</b>	<b>106,459</b>	<b>90,547</b>	<b>365,447</b>	<b>4,691</b>	<b>579,413</b>	<b>705,086</b>
<b>Fund Balance</b>									
Nonspendable	262,966	3,505					638	267,109	415,065
Restricted				181,571	140,775	438,112	572,269	1,332,727	1,561,018
Committed		238,488						238,488	254,889
Assigned	975,369	123,077					1,469,971	2,568,417	2,361,453
Unassigned	1,257,991		(172,025)				(52,054)	1,033,912	781,771
<b>Total Fund Balance</b>	<b>2,496,326</b>	<b>365,070</b>	<b>(172,025)</b>	<b>181,571</b>	<b>140,775</b>	<b>438,112</b>	<b>1,990,824</b>	<b>5,440,653</b>	<b>5,374,196</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,540,456</b>	<b>\$ 367,533</b>	<b>\$ 0</b>	<b>\$ 288,030</b>	<b>\$ 231,322</b>	<b>\$ 803,559</b>	<b>\$ 2,070,237</b>	<b>\$ 6,301,137</b>	<b>\$ 6,257,434</b>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
Total Fund Balances - Governmental Funds	\$ 5,440,653	\$ 5,374,196
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	16,542,679	16,151,600
Less: Accumulated Depreciation	(6,883,756)	(6,333,943)
Net Pension Asset	13,757	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	8,362	12,718
Special Assessments	571,051	692,368
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	160,849	57,575
Deferred Inflows of Resources Related to Pensions	(202,708)	(58,285)
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	(4,270,000)	(5,055,000)
Bond Discount	11,121	11,862
Compensated Absences	(10,269)	(12,658)
Net Pension Liability	(142,260)	(197,452)
Accrued Interest Payable	(35,738)	(42,523)
	<u>\$ 11,203,741</u>	<u>\$ 10,606,279</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Fire Protection	Tax Increment No. 14	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
								2021	2020
<b>REVENUES</b>									
Taxes	\$ 889,685	\$	\$	\$ 52,778	\$ 35	\$ 175,406	\$ 338,662	\$ 1,456,566	\$ 1,371,073
Special Assessments	3,944			26,494	42,696	63,734	17,511	154,379	159,781
Licenses and Permits	25,793							25,793	22,059
Intergovernmental	146,710	36,005					4,000	186,715	172,608
Charges for Services	21,850	175,348						197,198	157,623
Sales and Use Tax							219,744	219,744	204,614
Fines and Forfeits	7,002							7,002	5,740
Investment Income (Loss)	10,428	2,430		1,304	2,055	2,940	7,919	27,076	39,197
Miscellaneous	64,492	9,831					22,334	96,657	89,758
Total Revenues	1,169,904	223,614	0	80,576	44,786	242,080	610,170	2,371,130	2,222,453
<b>EXPENDITURES</b>									
<b>Current</b>									
General Government	266,111						7,120	273,231	271,868
Public Safety	121,714	125,164						246,878	253,684
Public Works	184,704							184,704	171,305
Culture and Recreation	143,766						55,185	198,951	231,919
Cemetery							6,931	6,931	4,143
Economic Development	9,529		117,875				26,818	154,222	151,532
<b>Debt Service</b>									
Principal				70,000	335,000	150,000	230,000	785,000	530,000
Interest and Other Charges				13,385	4,315	67,514	27,667	112,881	129,099
<b>Capital Outlay</b>									
General Government	1,200							1,200	994
Public Safety		143,933						143,933	54,449
Public Works	94,652						51,670	146,322	89,467
Culture and Recreation	28,743						11,542	40,285	147,996
Economic Development							28,997	28,997	28,082
Total Expenditures	850,419	269,097	117,875	83,385	339,315	217,514	445,930	2,323,535	2,064,538
Excess (Deficiency) of Revenues Over (Under) Expenditures	319,485	(45,483)	(117,875)	(2,809)	(294,529)	24,566	164,240	47,595	157,915

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, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Fire Protection	Tax Increment No. 14	2012A Improvement Bond	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Totals	
								2021	2020
OTHER FINANCING SOURCES (USES)									
Sale of Assets	\$ 35,264	\$		\$	\$	\$	\$	\$ 35,264	\$ 45,000
Transfers In							127,238	127,238	341,488
Transfers Out	(68,602)						(75,038)	(143,640)	(357,758)
Total Other Financing Sources (Uses)	(33,338)	0	0	0	0	0	52,200	18,862	28,730
Net Change in Fund Balances	286,147	(45,483)	(117,875)	(2,809)	(294,529)	24,566	216,440	66,457	186,645
FUND BALANCE, BEGINNING OF YEAR	2,210,179	410,553	(54,150)	184,380	435,304	413,546	1,774,384	5,374,196	5,187,551
FUND BALANCE, END OF YEAR	\$ 2,496,326	\$ 365,070	\$ (172,025)	\$ 181,571	\$ 140,775	\$ 438,112	\$ 1,990,824	\$ 5,440,653	\$ 5,374,196

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, 2021  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 66,457	\$ 186,645
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	417,562	492,716
Depreciation Expense	(576,296)	(568,070)
Capital Asset Disposals	(26,483)	(199,558)
Accumulated Depreciation Related to Capital Asset Disposals	26,483	28,475
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Taxes - Delinquent	(4,356)	5,993
Special Assessments	(121,317)	(122,040)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	2,389	(205)
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	785,000	530,000
Bond Discount Amortization	(741)	(742)
Change in Accrued Interest	6,785	4,789
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>21,979</u>	<u>6,724</u>
Change in Net Position - Governmental Activities	<u>\$ 597,462</u>	<u>\$ 364,727</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021				2020 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 883,514	\$ 883,514	\$ 889,685	\$ 6,171	\$ 849,151
Special Assessments			3,944	3,944	
Licenses and Permits	17,130	17,130	25,793	8,663	22,059
Intergovernmental	53,468	53,468	146,710	93,242	82,013
Charges for Services	13,000	13,000	21,850	8,850	13,316
Fines and Forfeits	1,500	1,500	7,002	5,502	5,740
Investment Income (Loss)	2,100	2,100	10,428	8,328	15,913
Miscellaneous					
Rent	11,000	11,000	13,203	2,203	10,610
Contributions and Donations			2,000	2,000	13,873
Insurance Reimbursements			17,765	17,765	12,675
Other	15,500	15,500	31,524	16,024	14,199
Total Revenues	997,212	997,212	1,169,904	172,692	1,039,549
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>General Government</b>					
<b>Council and Other</b>					
Mayor and Council	13,500	13,500	13,450	(50)	12,295
Benefits	1,150	1,150	1,145	(5)	1,414
Insurance	6,100	6,100	5,692	(408)	5,602
Legal and Professional	44,900	44,900	37,594	(7,306)	31,238
Engineering Fees	17,500	17,500	2,990	(14,510)	4,234
Publishing and Dues	2,500	2,500	1,947	(553)	1,927
Planning and Zoning	14,975	14,975	5,262	(9,713)	12,677
Building Inspector	24,700	24,700	8,432	(16,268)	19,129
Election Costs	1,500	1,500	125	(1,375)	5,562
Reimbursed Expenditures	7,600	7,600		(7,600)	2,895
Other	5,700	5,700	4,624	(1,076)	1,993
Total Council and Other	140,125	140,125	81,261	(58,864)	98,966
<b>City Hall and Clerk/Treasurer</b>					
Salaries	113,000	113,000	107,716	(5,284)	94,206
Benefits	23,300	23,300	18,396	(4,904)	17,062
Insurance	17,050	17,050	15,584	(1,466)	15,470
Office Supplies and Other	16,200	16,200	10,210	(5,990)	12,832
Other	25,650	25,650	20,488	(5,162)	21,509
Total City Hall and Clerk/Treasurer	195,200	195,200	172,394	(22,806)	161,079
Assessor	12,500	12,500	12,456	(44)	11,823
Total General Government	347,825	347,825	266,111	(81,714)	271,868

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, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			Over (Under) Final Budget	2020 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Safety					
Police Protection	\$ 48,000	\$ 48,000	\$ 43,996	\$ (4,004)	\$ 40,523
First Responders and Fire Protection					
Salaries	8,450	8,450	5,721	(2,729)	4,649
Benefits	500	500	438	(62)	356
Insurance	3,300	3,300	1,992	(1,308)	1,652
Repairs and Maintenance	1,200	1,200		(1,200)	643
Operating Supplies	2,600	2,600	2,719	119	17,583
Fuel	500	500	64	(436)	87
Other	2,900	2,900	2,145	(755)	2,382
Fire Contract	64,639	64,639	64,639		47,702
Total First Responders and Fire Protection	84,089	84,089	77,718	(6,371)	75,054
Animal Control	350	350		(350)	69
Total Public Safety	132,439	132,439	121,714	(10,725)	115,646
Public Works					
Streets and Highways					
Salaries	56,160	56,160	52,082	(4,078)	48,098
Benefits	11,300	11,300	8,760	(2,540)	8,478
Insurance	13,400	13,400	13,727	327	11,169
Repairs and Maintenance	5,500	5,500	3,868	(1,632)	3,365
Street Maintenance	19,000	19,000	19,385	385	14,847
Telephone and Utilities	9,775	9,775	5,523	(4,252)	6,068
Fuel	3,500	3,500	2,204	(1,296)	1,769
Snow Removal	43,320	43,320	28,319	(15,001)	32,852
Street Lighting	38,000	38,000	46,659	8,659	39,646
Other	5,400	5,400	4,177	(1,223)	5,013
Total Public Works	205,355	205,355	184,704	(20,651)	171,305

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, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021		Actual	Over (Under) Final Budget	2020 Actual
	Budgeted Amounts				
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Culture and Recreation					
Parks					
Salaries	\$ 44,500	\$ 44,500	\$ 39,484	\$ (5,016)	\$ 32,453
Benefits	6,930	6,930	9,225	2,295	4,304
Insurance	23,525	23,525	24,009	484	22,483
Repairs and Maintenance	14,800	14,800	17,973	3,173	15,685
Community Education	10,500	10,500	10,500		10,500
Supplies and Other	2,635	2,635	1,442	(1,193)	1,487
Telephone and Utilities	15,680	15,680	7,350	(8,330)	14,405
Restrooms	2,900	2,900	2,375	(525)	1,800
Legal Fees	2,200	2,200	1,500	(700)	2,250
Total Parks	<u>123,670</u>	<u>123,670</u>	<u>113,858</u>	<u>(9,812)</u>	<u>105,367</u>
Library					
Telephone and Utilities	3,875	3,875	3,843	(32)	3,483
Other	25,281	25,281	26,065	784	28,008
Total Library	<u>29,156</u>	<u>29,156</u>	<u>29,908</u>	<u>752</u>	<u>31,491</u>
Total Culture and Recreation	<u>152,826</u>	<u>152,826</u>	<u>143,766</u>	<u>(9,060)</u>	<u>136,858</u>
Economic Development			9,529	9,529	15,000
Capital Outlay					
General Government	4,000	4,000	1,200	(2,800)	994
Public Safety	2,000	2,000		(2,000)	
Public Works	40,000	40,000	94,652	54,652	68,584
Culture and Recreation	15,000	15,000	28,743	13,743	118,765
Total Capital Outlay	<u>61,000</u>	<u>61,000</u>	<u>124,595</u>	<u>63,595</u>	<u>188,343</u>
Total Expenditures	<u>899,445</u>	<u>899,445</u>	<u>850,419</u>	<u>(49,026)</u>	<u>899,020</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	97,767	97,767	319,485	221,718	140,529
OTHER FINANCING SOURCES (USES)					
Sale of Assets			35,264	35,264	45,000
Transfers In					3,592
Transfers Out	(97,548)	(97,548)	(68,602)	28,946	(93,984)
Total Other Financing Sources (Uses)	<u>(97,548)</u>	<u>(97,548)</u>	<u>(33,338)</u>	<u>64,210</u>	<u>(45,392)</u>
Net Change in Fund Balances	<u>\$ 219</u>	<u>\$ 219</u>	<u>286,147</u>	<u>\$ 285,928</u>	<u>95,137</u>
FUND BALANCE, BEGINNING OF YEAR			<u>2,210,179</u>		<u>2,115,042</u>
FUND BALANCE, END OF YEAR			<u>\$ 2,496,326</u>		<u>\$ 2,210,179</u>

See Accompanying Notes to the Financial Statements



CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FIRE PROTECTION SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021		Actual	Over (Under) Final Budget	2020 Actual
	Budgeted Amounts				
	Original	Final			
<b>REVENUES</b>					
Intergovernmental	\$ 22,000	\$ 22,000	\$ 36,005	\$ 14,005	\$ 51,478
Charges for Services					
Fire Contract/Calls	171,656	171,656	175,348	3,692	144,307
Investment Income (Loss)	250	250	2,430	2,180	3,888
Miscellaneous			9,831	9,831	21,975
Total Revenues	<u>193,906</u>	<u>193,906</u>	<u>223,614</u>	<u>29,708</u>	<u>221,648</u>
<b>EXPENDITURES</b>					
Current					
Public Safety	132,330	132,330	125,164	(7,166)	138,038
Capital Outlay					
Public Safety	<u>2,000</u>	<u>2,000</u>	<u>143,933</u>	<u>141,933</u>	<u>54,449</u>
Total Expenditures	<u>134,330</u>	<u>134,330</u>	<u>269,097</u>	<u>134,767</u>	<u>192,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,576	59,576	(45,483)	(105,059)	29,161
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>		50,000	
Net Change in Fund Balances	<u>\$ 9,576</u>	<u>\$ 9,576</u>	(45,483)	<u>\$ (55,059)</u>	29,161
FUND BALANCE, BEGINNING OF YEAR			<u>410,553</u>		<u>381,392</u>
FUND BALANCE, END OF YEAR			<u>\$ 365,070</u>		<u>\$ 410,553</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 TAX INCREMENT NO 14 SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			Over (Under) Final Budget	2020 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES					
Current					
Economic Development	\$	\$	\$ 117,875	\$ 117,875	\$ 54,150
Net Change in Fund Balances	\$ 0	\$ 0	(117,875)	\$ (117,875)	(54,150)
FUND BALANCE, BEGINNING OF YEAR			(54,150)		0
FUND BALANCE, END OF YEAR			\$ (172,025)		\$ (54,150)

## CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 79,405	\$ 541,370	\$ 620,775	\$ 692,874
Receivables				
Accounts	60,182	38,452	98,634	81,420
Interest	39	74	113	603
Due from Other Governments		120	120	
Prepaid Items	1,561	1,321	2,882	1,819
<b>Total Current Assets</b>	<b>141,187</b>	<b>581,337</b>	<b>722,524</b>	<b>776,716</b>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Assets Not Being Depreciated	225,530	4,536	230,066	4,536
Other Capital Assets, Net of Depreciation	2,041,433	1,557,391	3,598,824	3,789,380
<b>Total Noncurrent Assets</b>	<b>2,266,963</b>	<b>1,561,927</b>	<b>3,828,890</b>	<b>3,793,916</b>
<b>Total Assets</b>	<b>2,408,150</b>	<b>2,143,264</b>	<b>4,551,414</b>	<b>4,570,632</b>
<b>Deferred Outflows of Resources</b>				
Related to Pensions	23,095	23,426	46,521	10,590
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,431,245</b>	<b>\$ 2,166,690</b>	<b>\$ 4,597,935</b>	<b>\$ 4,581,222</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 929	\$ 7,026	\$ 7,955	\$ 5,799
Accrued Salaries	730	800	1,530	1,860
Accrued Interest Payable		4,891	4,891	5,078
Due to Other Governments	35,970	23,101	59,071	103,055
<b>Total Current Liabilities</b>	<b>37,629</b>	<b>35,818</b>	<b>73,447</b>	<b>115,792</b>
<b>Long-Term Liabilities</b>				
Net Pension Liability	33,257	33,735	66,992	102,321
Due Within One Year		15,000	15,000	15,000
Due in More than One Year	3,659	258,659	262,318	282,682
<b>Total Long-Term Liabilities</b>	<b>36,916</b>	<b>307,394</b>	<b>344,310</b>	<b>400,003</b>
<b>Total Liabilities</b>	<b>74,545</b>	<b>343,212</b>	<b>417,757</b>	<b>515,795</b>
<b>Deferred Inflows of Resources</b>				
Related to Pensions	31,671	32,126	63,797	6,033
<b>Net Position</b>				
Net Investment in Capital Assets	2,266,963	1,291,927	3,558,890	3,508,916
Unrestricted	58,066	499,425	557,491	550,478
<b>Total Net Position</b>	<b>2,325,029</b>	<b>1,791,352</b>	<b>4,116,381</b>	<b>4,059,394</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 2,431,245</b>	<b>\$ 2,166,690</b>	<b>\$ 4,597,935</b>	<b>\$ 4,581,222</b>

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, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2021	2020
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 659,400	\$ 453,537	\$ 1,112,937	\$ 1,026,537
Other	9,438	3,942	13,380	9,032
Total Operating Revenues	<u>668,838</u>	<u>457,479</u>	<u>1,126,317</u>	<u>1,035,569</u>
<b>OPERATING EXPENSES</b>				
Salaries	45,178	46,339	91,517	99,306
Benefits	2,746	2,085	4,831	27,699
Supplies	2,042	6,909	8,951	5,005
Other Services and Charges	441,283	274,204	715,487	675,815
Production	23,727	1,273	25,000	38,150
Administrative and General	21,055	10,391	31,446	30,009
Miscellaneous	11,251	11,730	22,981	20,988
Depreciation	110,564	79,992	190,556	190,956
Total Operating Expenses	<u>657,846</u>	<u>432,923</u>	<u>1,090,769</u>	<u>1,087,928</u>
Operating Income (Loss)	10,992	24,556	35,548	(52,359)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income (Loss)	1,905	3,624	5,529	6,258
Miscellaneous	4,219	1,196	5,415	8,227
Interest (Expense)		(5,907)	(5,907)	(6,044)
Total Nonoperating Revenues (Expenses)	<u>6,124</u>	<u>(1,087)</u>	<u>5,037</u>	<u>8,441</u>
Income (Loss) Before Other Items	17,116	23,469	40,585	(43,918)
<b>TRANSFERS</b>				
Transfers In		16,402	16,402	16,270
Change in Net Position	17,116	39,871	56,987	(27,648)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,307,913</u>	<u>1,751,481</u>	<u>4,059,394</u>	<u>4,087,042</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,325,029</u>	<u>\$ 1,791,352</u>	<u>\$ 4,116,381</u>	<u>\$ 4,059,394</u>

See Accompanying Notes to the Financial Statements

## CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021

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

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 657,238	\$ 451,745	\$ 1,108,983	\$ 1,038,793
Payments to Suppliers	(528,524)	(318,232)	(846,756)	(719,416)
Payments to Employees	(57,165)	(58,373)	(115,538)	(118,196)
Net Cash Provided (Used) by Operating Activities	71,549	75,140	146,689	201,181
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous Income	4,219	1,196	5,415	8,227
Transfers		16,402	16,402	16,270
Net Cash Provided (Used) by Noncapital Financing Activities	4,219	17,598	21,817	24,497
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(225,530)		(225,530)	
Principal Reduction on Long-Term Debt		(15,000)	(15,000)	(15,000)
Interest and Fiscal Agent Fees Paid on Bonds		(6,094)	(6,094)	(6,169)
Net Cash Provided (Used) by Capital and Related Financing Activities	(225,530)	(21,094)	(246,624)	(21,169)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income (Loss)	2,038	3,981	6,019	6,767
Net Increase (Decrease) in Cash and Cash Equivalents	(147,724)	75,625	(72,099)	211,276
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	227,129	465,745	692,874	481,598
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 79,405	\$ 541,370	\$ 620,775	\$ 692,874
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 10,992	\$ 24,556	\$ 35,548	\$ (52,359)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	110,564	79,992	190,556	190,956
Pension Related Adjustments	(6,359)	(7,137)	(13,496)	8,393
(Increase) Decrease in				
Accounts Receivable	(11,600)	(5,614)	(17,214)	3,224
Prepaid Items	(579)	(484)	(1,063)	(174)
Due from Other Governments		(120)	(120)	
Increase (Decrease) in				
Accounts Payable	383	1,773	2,156	66
Accrued Salaries	(200)	(130)	(330)	944
Compensated Absences	(2,682)	(2,682)	(5,364)	(528)
Due to Other Governments	(28,970)	(15,014)	(43,984)	50,659
Net Cash Provided (Used) by Operating Activities	\$ 71,549	\$ 75,140	\$ 146,689	\$ 201,181

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021

	Private Purpose Trust Funds
ASSETS	
Cash and Investments	\$ 371,549
	371,549
NET POSITION	
Held in Trust for Culture and Recreation Improvements	\$ 371,549
	371,549

CITY OF SPICER, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2021

	Private Purpose Trust Funds
ADDITIONS	
Investment Income (Loss)	\$ 6,129
DEDUCTIONS	
Books	6,001
Change in Net Position	128
NET POSITION, BEGINNING OF YEAR	371,421
NET POSITION, END OF YEAR	\$ 371,549

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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, 2021

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The Tax Increment No. 14 Special Revenue Fund is used to account for revenues and expenditures related to that Tax Increment District; financing is provided by tax increment collections.

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, 2021

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 H. 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, was \$24,879. 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, 2021

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, 2021

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, 2020, 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, 2021

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	\$ (172,025)
4th & Manitoba Improvements Capital Project Fund	(51,670)

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
Fire Protection Special Revenue Fund	\$ 269,097	\$ 134,330
Tax Increment No. 14 Special Revenue Fund	117,875	



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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	\$ 3,193,232
Non-Negotiable Certificates of Deposit	<u>633,351</u>
Total Governmental Activities	<u>\$ 3,826,583</u>
Business-Type Activities	
Pooled Cash in Bank	<u>\$ 840,286</u>
Fiduciary Fund	
Pooled Cash in Bank	<u>\$ 180,491</u>
Total Deposits	<u>\$ 4,847,360</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	\$ 598,021	\$	\$ 598,021	\$
Annuities	<u>677,077</u>	<u>677,077</u>		
Total Investments	<u>\$ 1,275,098</u>	<u>\$ 677,077</u>	<u>\$ 598,021</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 and annuities 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	1.34	N/A
Annuities	3.82	N/A

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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.)	\$ 4,847,360
Investments	<u>1,275,098</u>
Total Deposits and Investments	<u>\$ 6,122,458</u>

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

Statement of Net Position	
Cash and Investments	<u>\$ 5,750,909</u>
Statement of Fiduciary Net Position	
Cash and Investments	<u>\$ 371,549</u>

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 6,155	\$
Interest	631	
Taxes - Delinquent	8,362	
Current and Deferred Special Assessments	571,051	511,513
Loans	<u>30,609</u>	<u>8,289</u>
Total Governmental Activities	<u>\$ 616,808</u>	<u>\$ 519,802</u>

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	\$ 98,634	\$
Interest	<u>113</u>	
Total Business-Type Activities	<u>\$ 98,747</u>	<u>\$ 0</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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	37,668	175,101		212,769
Total Capital Assets, Not Being Depreciated	2,234,572	175,101	0	2,409,673
Capital Assets, Being Depreciated				
Buildings and Improvements	11,656,296	163,624		11,819,920
Machinery and Equipment	2,260,732	78,837	(26,483)	2,313,086
Total Capital Assets, Being Depreciated	13,917,028	242,461	(26,483)	14,133,006
Less Accumulated Depreciation for				
Buildings and Improvements	4,766,321	464,754		5,231,075
Machinery and Equipment	1,567,622	111,542	(26,483)	1,652,681
Total Accumulated Depreciation	6,333,943	576,296	(26,483)	6,883,756
Total Capital Assets, Being Depreciated, Net	7,583,085	(333,835)	0	7,249,250
Governmental Activities Net Capital Assets	\$ 9,817,657	\$ (158,734)	\$ 0	\$ 9,658,923
Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 4,536	\$ 225,530	\$	\$ 230,066
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	2,345,471	175,455		2,520,926
Machinery and Equipment	290,959	15,101		306,060
Total Accumulated Depreciation	2,636,430	190,556	0	2,826,986
Total Capital Assets, Being Depreciated, Net	3,789,380	(190,556)	0	3,598,824
Business-Type Activities Net Capital Assets	\$ 3,793,916	\$ 34,974	\$ 0	\$ 3,828,890

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government		\$ 36,850
Public Safety		90,565
Public Works		363,999
Culture and Recreation		<u>84,882</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 576,296</u>
Business-Type Activities		
Sewer		\$ 110,564
Water		<u>79,992</u>
Total Depreciation Expense - Business-Type Activities		<u>\$ 190,556</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	Tax Increment No. 14	\$ 172,025
General	Nonmajor Governmental Funds	33,178
Nonmajor Governmental Funds	General	512

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

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	<u>Transfer In</u>		
	<u>Nonmajor Governmental Funds</u>	<u>Water</u>	<u>Total</u>
Transfer Out			
General	\$ 52,200	\$ 16,402	\$ 68,602
Nonmajor Governmental Funds	<u>75,038</u>		<u>75,038</u>
Total	<u>\$ 127,238</u>	<u>\$ 16,402</u>	<u>\$ 143,640</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, 2021

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	\$ 175,000
2012A G.O. Improvement Bonds	1.00-2.85%	12/01/2027	455,000
2016A G.O. Improvement Bonds	1.00-2.875%	02/01/2037	2,995,000
2017A G.O. Bonds	1.60-3.13%	02/01/2031	645,000
Unamortized Bond Discount			(11,121)
Compensated Absences			<u>10,269</u>
Total Governmental Activities			<u>\$ 4,269,148</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
2016A G.O. Utility Revenue Bonds	1.00-2.875%	02/01/2037	\$ 270,000
Compensated Absences			<u>7,318</u>
Total Business-Type Activities			<u>\$ 277,318</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, 2021

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
2022	\$ 460,000	\$ 96,344	\$ 15,000	\$ 5,869
2023	295,000	88,396	15,000	5,644
2024	295,000	82,831	15,000	5,419
2025	300,000	76,472	15,000	5,194
2026	310,000	69,347	15,000	4,894
2027-2031	1,245,000	246,913	75,000	19,970
2032-2036	1,105,000	109,779	100,000	10,625
2037	260,000	7,479	20,000	571
	<u>\$ 4,270,000</u>	<u>\$ 777,561</u>	<u>\$ 270,000</u>	<u>\$ 58,186</u>

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 5,055,000	\$	\$ 785,000	\$ 4,270,000	\$ 460,000
Unamortized Bond Discount	(11,862)		(741)	(11,121)	
Compensated Absences	12,658	12,997	15,386	10,269	
Total Governmental Activities	<u>\$ 5,055,796</u>	<u>\$ 12,997</u>	<u>\$ 799,645</u>	<u>\$ 4,269,148</u>	<u>\$ 460,000</u>
<u>Business-Type Activities</u>					
G.O. Utility Revenue Bonds	\$ 285,000	\$	\$ 15,000	\$ 270,000	\$ 15,000
Compensated Absences	12,682	13,116	18,480	7,318	
Total Business-Type Activities	<u>\$ 297,682</u>	<u>\$ 13,116</u>	<u>\$ 33,480</u>	<u>\$ 277,318</u>	<u>\$ 15,000</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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	\$ 328,186	\$ 21,094	\$ 453,537

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 2021 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, 2021, the plan covered 26 active firefighters and 7 vested terminated fire fighters whose pension benefits are deferred.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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, 2021, the State of Minnesota contributed \$41,650 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 \$(13,757). The City's net pension liability (asset) was measured as of December 31, 2021, 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 12/31/2020	\$ 456,304	\$ 462,125	\$ (5,821)
Changes for the Year:			
Service Cost	24,891		24,891
Interest	22,992		22,992
Differences Between Expected and Actual Experience	(30,901)		(30,901)
Changes in Assumptions	16,708		16,708
Contributions - State		41,650	(41,650)
Net Investment Income		10,147	(10,147)
Benefit Payments	(42,716)	(42,716)	
Administrative Expense		(12,636)	12,636
Other		2,465	(2,465)
Net Change	<u>(9,026)</u>	<u>(1,090)</u>	<u>(7,936)</u>
Balance End of Year 12/31/2021	<u>\$ 447,278</u>	<u>\$ 461,035</u>	<u>\$ (13,757)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of \$(10,597).



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

D. PENSION COSTS (Cont'd)

At December 31, 2021, 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	\$	\$ 38,549
Changes in Actuarial Assumptions	23,023	960
Net Differences Between Projected and Actual Investment Earnings	4,449	
Contributions Paid to Plan Subsequent to Measurement Date	34,588	
State Aid Received for the Plan Subsequent to Measurement Date		27,724
	<hr/>	<hr/>
Totals	<u>\$ 62,060</u>	<u>\$ 67,233</u>

\$34,588 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, 2022. \$27,724 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, 2022. 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>
2022	\$ (1,543)
2023	2,526
2024	(6,898)
2025	116
2026	(2,096)
Thereafter	(4,142)

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

E ACTUARIAL ASSUMPTIONS

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

Discount rate:	4.00%
Expected return on plan assets:	4.00%
Inflation rate:	2.25%
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method:	Market value of assets
Mortality:	<u>Healthy Pre-retirement</u> : Pub-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2020. <u>Healthy Post-retirement</u> : Pub-2010 Healthy Retired Public Safety mortality tables with projected mortality improvements based on scale MP-2020. Males rates are adjusted by a factor of 0.98. <u>Disabled</u> : Pub-2010 Public Safety Disabled Retiree mortality tables with projected mortality improvements based on scale MP-2020. Males rates are adjusted by a factor of 1.05.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2020- December 31, 2020.

The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation.

The plan's inflation assumption decreased from 2.50% to 2.25%.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

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 (3.00%)	Discount Rate (4.00%)	1% Increase in Discount Rate (5.00%)
City's Net Pension Liability (Asset)	\$ 207	\$ (13,757)	\$ (27,434)

H PLAN INVESTMENTS/INVESTMENT POLICY:

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

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	40.00%	4.42%	6.67%
International Equity	10.00%	4.91%	7.16%
Fixed Income	20.00%	1.00%	3.25%
Cash and Equivalents	30.00%	-0.33%	1.92%
Total	100.00%		5.01%
Reduced for Assumed Investment Expense			-1.00%
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)			4.00%

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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.

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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

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 2021 and 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, 2021, were \$24,096. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2021, the City reported a liability of \$209,252 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 \$6,327. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.0049 percent at the end of the measurement period and 0.0050 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 209,252
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the City	<u>6,327</u>
Total	<u><u>\$ 215,579</u></u>

There were no provision changes during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of \$17,580 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$511 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, 2021, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,259	\$ 6,419
Changes in Actuarial Assumptions	127,765	4,663
Net Collective Difference Between Projected and Actual Investment Earnings		180,920
Changes in Proportion	5,529	7,270
Contributions Paid to GERP Subsequent to Measurement Date	<u>10,757</u>	
Totals	<u>\$ 145,310</u>	<u>\$ 199,272</u>

The \$10,757 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, 2022. 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>
2022	\$ (10,526)
2023	(1,781)
2024	(2,984)
2025	(49,428)

E LONG-TERM EXPECTED RETURN ON INVESTMENT

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	<u>25.00%</u>	5.90%
	<u>100.00%</u>	

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. 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 became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

GERP

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

H. 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	5.50%	\$ 426,767
Current Discount Rate	6.50%	209,252
1% Higher	7.50%	30,767

I. PENSION PLAN FIDUCIARY NET POSITION

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



CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 11. FUND BALANCE

The following is a summary of fund balance components:

	General	Fire Protection	Tax Increment No. 14	2012A Improvement Bond
Nonspendable				
Prepaid Items	\$ 11,379	\$ 3,505	\$	\$
Land Held for Resale	251,587			
Total Nonspendable	<u>262,966</u>	<u>3,505</u>	<u>0</u>	<u>0</u>
Restricted for				
Debt Service				181,571
Economic Development Lawful Purposes				
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>181,571</u>
Committed				
Fire Department				
Truck Replacement		206,666		
Capital Equipment		31,822		
Total Committed	<u>0</u>	<u>238,488</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	15,000			
Fire Department		123,077		
Library	15,000			
Equipment	40,025			
Fund Operations				
Total Assigned	<u>975,369</u>	<u>123,077</u>	<u>0</u>	<u>0</u>
Unassigned	<u>1,257,991</u>		<u>(172,025)</u>	
Totals	<u>\$ 2,496,326</u>	<u>\$ 365,070</u>	<u>\$ (172,025)</u>	<u>\$ 181,571</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE 11. FUND BALANCE (Cont'd)

	2014A G.O. Refunding	2016A Improvement Bond	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid Items	\$	\$	\$ 638	\$ 15,522
Land Held for Resale				251,587
Total Nonspendable	0	0	638	267,109
Restricted for				
Debt Service	140,775	438,112	256,976	1,017,434
Economic Development			278,845	278,845
Lawful Purposes			36,448	36,448
Total Restricted	140,775	438,112	572,269	1,332,727
Committed				
Fire Department				
Truck Replacement				206,666
Capital Equipment				31,822
Total Committed	0	0	0	238,488
Assigned				
Public Works				854,112
Parks				17,432
Downtown Park				27,700
Westside Park				6,100
First Responder				15,000
Fire Department				123,077
Library				15,000
Equipment				40,025
Fund Operations			1,469,971	1,469,971
Total Assigned	0	0	1,469,971	2,568,417
Unassigned			(52,054)	1,033,912
Totals	\$ 140,775	\$ 438,112	\$ 1,990,824	\$ 5,440,653

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, 2021

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	55%	\$ 22,526

NOTE 14. COVID-19

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and the United States declared a national emergency. Various governmental measures to control the spread of the virus have been implemented throughout the country, including temporary closure of businesses, restrictions on travel, and other limitations on the conduct of business. The pandemic is disrupting supply chains and affecting production and sales across a range of industries. The continued spread of the coronavirus globally could have an effect on the City's business, net position, and results of operations in the next year.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DECEMBER 31, 2021

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, 2021	0.0049%	\$ 209,252	\$ 6,327	\$ 215,579	\$ 353,100	61.05%	87.00%
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, 2021

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>					
12/31/2021	\$ 24,096	\$ 24,096	\$	\$ 321,280	7.50%
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, 2021

	Measurement Date						
	December 31,						
	2020	2019	2018	2017	2016	2015	2014
Service Cost	\$ 24,891	\$ 24,284	\$ 15,535	\$ 15,119	\$ 14,096	\$ 13,339	\$ 12,982
Interest	22,992	22,403	18,893	17,074	17,603	17,436	16,851
Changes in Benefit Terms			88,032				
Differences Between Expected and Actual Experience	(30,901)		(6,400)		(13,736)		
Change in Assumptions	16,708		9,801		3,022	(2,958)	
Benefit Payments	(42,716)	(28,300)	(1,962)		(36,880)	(40,000)	
Net Change in Total Pension Liability	(9,026)	18,387	123,899	32,193	(15,895)	(12,183)	29,833
Total Pension Liability - Beginning of Year	456,304	437,917	314,018	281,825	297,720	309,903	280,070
<b>Total Pension Liability - End of Year</b>	<b>\$ 447,278</b>	<b>\$ 456,304</b>	<b>\$ 437,917</b>	<b>\$ 314,018</b>	<b>\$ 281,825</b>	<b>\$ 297,720</b>	<b>\$ 309,903</b>
Contributions - State	\$ 41,650	\$ 26,396	\$ 25,083	\$ 24,612	\$ 27,772	\$ 26,931	\$ 33,877
Contributions - Member			90				
Net Investment Income	10,147	53,682	(23,276)	40,921	10,165	(8,416)	5,261
Benefit Payments	(42,716)	(28,300)	(1,962)		(36,880)	(40,000)	
Administrative Expense	(12,636)	(3,800)	(8,003)	(1,303)	(3,792)	(3,570)	(2,480)
Other	2,465						
Net Change in Plan Fiduciary Net Position	(1,090)	47,978	(8,068)	64,230	(2,735)	(25,055)	36,658
Total Plan Fiduciary Net Position - Beginning of Year	462,125	414,147	422,215	357,985	360,720	385,775	349,117
<b>Total Plan Fiduciary Net Position - End of Year</b>	<b>\$ 461,035</b>	<b>\$ 462,125</b>	<b>\$ 414,147</b>	<b>\$ 422,215</b>	<b>\$ 357,985</b>	<b>\$ 360,720</b>	<b>\$ 385,775</b>
<b>City's Net Pension Liability (Asset) - End of Year</b>	<b>\$ (13,757)</b>	<b>\$ (5,821)</b>	<b>\$ 23,770</b>	<b>\$ (108,197)</b>	<b>\$ (76,160)</b>	<b>\$ (63,000)</b>	<b>\$ (75,872)</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	103%	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, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2021 Changes:

There have been no changes since the prior valuation.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021

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

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

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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

2021 Changes:

There have been no changes since the prior valuation.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2021 Changes:

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021

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

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

2018 Changes: (Cont'd)

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.

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

2021 Changes:

The expected investment return and discount rate decreased from 5.00% to 4.00% to reflect updated capital market assumptions.

The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation.

The inflation assumption decreased from 2.50% to 2.25%.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021

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

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

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.

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, 2021

	Special Revenue	Debt Service	Capital Projects	Total
<b>ASSETS</b>				
Cash and Investments	\$ 1,739,001	\$ 254,262	\$	\$ 1,993,263
Receivables				
Interest	108	37		145
Taxes - Delinquent		1,091		1,091
Special Assessments		3,600		3,600
Loans	30,609			30,609
Due from Other Governments	19,685	2,677		22,362
Due from Other Funds	512			512
Land Held for Resale	18,017			18,017
Prepaid Items	638			638
	<u>638</u>			<u>638</u>
Total Assets	<u>\$ 1,808,570</u>	<u>\$ 261,667</u>	<u>\$ 0</u>	<u>\$ 2,070,237</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 22,614	\$	\$ 18,492	\$ 41,106
Due to Other Funds			33,178	33,178
Accrued Salaries	438			438
Total Liabilities	<u>23,052</u>	<u>0</u>	<u>51,670</u>	<u>74,722</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue				
Taxes - Delinquent		1,091		1,091
Special Assessments		3,600		3,600
Total Deferred Inflows of Resources	<u>0</u>	<u>4,691</u>	<u>0</u>	<u>4,691</u>
<b>Fund Balance</b>				
Nonspendable	638			638
Restricted	315,293	256,976		572,269
Assigned	1,469,971			1,469,971
Unassigned	(384)		(51,670)	(52,054)
Total Fund Balance	<u>1,785,518</u>	<u>256,976</u>	<u>(51,670)</u>	<u>1,990,824</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,808,570</u>	<u>\$ 261,667</u>	<u>\$ 0</u>	<u>\$ 2,070,237</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021

	Special Revenue	Debt Service	Capital Projects	Total
<b>REVENUES</b>				
Taxes	\$ 169,193	\$ 169,469	\$	\$ 338,662
Special Assessments		17,511		17,511
Intergovernmental	4,000			4,000
Sales and Use Tax	219,744			219,744
Investment Income (Loss)	6,119	1,800		7,919
Miscellaneous				
Rent	9,200			9,200
Contributions and Donations	6,935			6,935
Sale of Lots	3,300			3,300
Burial Fees	2,250			2,250
Other	649			649
Total Revenues	<u>421,390</u>	<u>188,780</u>	<u>0</u>	<u>610,170</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	7,120			7,120
Culture and Recreation	55,185			55,185
Cemetery	6,931			6,931
Economic Development	26,818			26,818
<b>Debt Service</b>				
Principal		230,000		230,000
Interest and Other Charges		27,667		27,667
<b>Capital Outlay</b>				
Public Works			51,670	51,670
Culture and Recreation	11,542			11,542
Economic Development	22,526		6,471	28,997
Total Expenditures	<u>130,122</u>	<u>257,667</u>	<u>58,141</u>	<u>445,930</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	291,268	(68,887)	(58,141)	164,240
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	52,200	75,038		127,238
Transfers Out	(75,038)			(75,038)
Total Other Financing Sources (Uses)	<u>(22,838)</u>	<u>75,038</u>	<u>0</u>	<u>52,200</u>
Net Change in Fund Balances	268,430	6,151	(58,141)	216,440
FUND BALANCE, BEGINNING OF YEAR	<u>1,517,088</u>	<u>250,825</u>	<u>6,471</u>	<u>1,774,384</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,785,518</u>	<u>\$ 256,976</u>	<u>\$ (51,670)</u>	<u>\$ 1,990,824</u>

CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2021

	Cemetery	Dethlefs	Local Option	Business Revolving	Beautification	Gambling	EDA Business Revolving Loan
<b>ASSETS</b>							
Cash and Investments	\$ 61,914	\$	\$ 530,173	\$ 164,296	\$ 29,186	\$ 36,448	\$ 330,261
Receivables							
Interest			62	24			
Loans							30,609
Due from Other Governments			19,685				
Due from Other Funds							
Land Held for Resale							
Prepaid Items		638					
<b>Total Assets</b>	<b>\$ 61,914</b>	<b>\$ 638</b>	<b>\$ 549,920</b>	<b>\$ 164,320</b>	<b>\$ 29,186</b>	<b>\$ 36,448</b>	<b>\$ 360,870</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts Payable	\$	\$ 88	\$	\$	\$	\$	\$
Accrued Salaries		296					
<b>Total Liabilities</b>	<b>0</b>	<b>384</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balance</b>							
Nonspendable		638					
Restricted						36,448	
Assigned	61,914		549,920	164,320	29,186		360,870
Unassigned		(384)					
<b>Total Fund Balance</b>	<b>61,914</b>	<b>254</b>	<b>549,920</b>	<b>164,320</b>	<b>29,186</b>	<b>36,448</b>	<b>360,870</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 61,914</b>	<b>\$ 638</b>	<b>\$ 549,920</b>	<b>\$ 164,320</b>	<b>\$ 29,186</b>	<b>\$ 36,448</b>	<b>\$ 360,870</b>

CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2021

	Economic Development	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Total
<b>ASSETS</b>							
Cash and Investments	\$ 81,269	\$ 222,122	\$	\$ 68,399	\$ 205,496	\$ 9,437	\$ 1,739,001
Receivables							
Interest					22		108
Loans							30,609
Due from Other Governments							19,685
Due from Other Funds	512						512
Land Held for Resale			18,017				18,017
Prepaid Items							638
<b>Total Assets</b>	<b>\$ 81,781</b>	<b>\$ 222,122</b>	<b>\$ 18,017</b>	<b>\$ 68,399</b>	<b>\$ 205,518</b>	<b>\$ 9,437</b>	<b>\$ 1,808,570</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts Payable	\$	\$	\$	\$ 22,526	\$	\$	\$ 22,614
Accrued Salaries	142						438
<b>Total Liabilities</b>	<b>142</b>	<b>0</b>	<b>0</b>	<b>22,526</b>	<b>0</b>	<b>0</b>	<b>23,052</b>
<b>Fund Balance</b>							
Nonspendable							638
Restricted			18,017	45,873	205,518	9,437	315,293
Assigned	81,639	222,122					1,469,971
Unassigned							(384)
<b>Total Fund Balance</b>	<b>81,639</b>	<b>222,122</b>	<b>18,017</b>	<b>45,873</b>	<b>205,518</b>	<b>9,437</b>	<b>1,785,518</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 81,781</b>	<b>\$ 222,122</b>	<b>\$ 18,017</b>	<b>\$ 68,399</b>	<b>\$ 205,518</b>	<b>\$ 9,437</b>	<b>\$ 1,808,570</b>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2021

	Cemetery	Dethlefs	Local Option	Business Revolving	Beautification	Gambling	EDA Business Revolving Loan
<b>REVENUES</b>							
Taxes	\$	\$	\$	\$	\$	\$	\$
Intergovernmental			4,000				
Sales and Use Tax			219,744				
Investment Income (Loss)			3,017	1,173			415
Miscellaneous							
Rent		9,200					
Contributions and Donations		1,335			5,600		
Sale of Lots	3,300						
Burial Fees	2,250						
Other		599			50		
Total Revenues	<u>5,550</u>	<u>11,134</u>	<u>226,761</u>	<u>1,173</u>	<u>5,650</u>	<u>0</u>	<u>415</u>
<b>EXPENDITURES</b>							
Current							
General Government			7,120				
Culture and Recreation		33,951	5,338		15,896		
Cemetery	6,931						
Economic Development							5,000
Capital Outlay							
Culture and Recreation		4,133			7,409		
Economic Development							
Total Expenditures	<u>6,931</u>	<u>38,084</u>	<u>12,458</u>	<u>0</u>	<u>23,305</u>	<u>0</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,381)	(26,950)	214,303	1,173	(17,655)	0	(4,585)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer In	5,000	27,200			20,000		
Transfers Out							
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>27,200</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	3,619	250	214,303	1,173	2,345	0	(4,585)
FUND BALANCE, BEGINNING OF YEAR	<u>58,295</u>	<u>4</u>	<u>335,617</u>	<u>163,147</u>	<u>26,841</u>	<u>36,448</u>	<u>365,455</u>
FUND BALANCE, END OF YEAR	<u>\$ 61,914</u>	<u>\$ 254</u>	<u>\$ 549,920</u>	<u>\$ 164,320</u>	<u>\$ 29,186</u>	<u>\$ 36,448</u>	<u>\$ 360,870</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2021

	Economic Development	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Total
<b>REVENUES</b>							
Taxes	\$ 32,392	\$	\$	\$ 40,660	\$ 37,252	\$ 58,889	\$ 169,193
Intergovernmental							4,000
Sales and Use Tax							219,744
Investment Income (Loss)	91	330			1,093		6,119
Miscellaneous							
Rent							9,200
Contributions and Donations							6,935
Sale of Lots							3,300
Burial Fees							2,250
Other							649
Total Revenues	<u>32,483</u>	<u>330</u>	<u>0</u>	<u>40,660</u>	<u>38,345</u>	<u>58,889</u>	<u>421,390</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General Government							7,120
Culture and Recreation							55,185
Cemetery							6,931
Economic Development	19,818			1,000	1,000		26,818
<b>Capital Outlay</b>							
Culture and Recreation							11,542
Economic Development				22,526			22,526
Total Expenditures	<u>19,818</u>	<u>0</u>	<u>0</u>	<u>23,526</u>	<u>1,000</u>	<u>0</u>	<u>130,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,665	330	0	17,134	37,345	58,889	291,268
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer In							52,200
Transfers Out						(75,038)	(75,038)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(75,038)</u>	<u>(22,838)</u>
Net Change in Fund Balances	12,665	330	0	17,134	37,345	(16,149)	268,430
FUND BALANCE, BEGINNING 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>1,517,088</u>
FUND BALANCE, END OF YEAR	<u>\$ 81,639</u>	<u>\$ 222,122</u>	<u>\$ 18,017</u>	<u>\$ 45,873</u>	<u>\$ 205,518</u>	<u>\$ 9,437</u>	<u>\$ 1,785,518</u>

CITY OF SPICER, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2021

	2017A G.O. Bond	2010 Refunding Bond	Total
<b>ASSETS</b>			
Cash and Investments	\$	\$ 254,262	\$ 254,262
Receivables			
Interest		37	37
Taxes - Delinquent	26	1,065	1,091
Special Assessments		3,600	3,600
Due from Other Governments	63	2,614	2,677
Total Assets	\$ 89	\$ 261,578	\$ 261,667
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Deferred Inflows of Resources			
Unavailable Revenue			
Taxes - Delinquent	\$ 26	\$ 1,065	\$ 1,091
Special Assessments		3,600	3,600
Total Deferred Inflows of Resources	26	4,665	4,691
Fund Balance			
Restricted	63	256,913	256,976
Total Deferred Inflows of Resources and Fund Balance	\$ 89	\$ 261,578	\$ 261,667

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 YEAR ENDED DECEMBER 31, 2021

	2017A G.O. Bond	2010 Refunding Bond	Total
<b>REVENUES</b>			
Taxes	\$ 3,963	\$ 165,506	\$ 169,469
Special Assessments		17,511	17,511
Investment Income (Loss)		1,800	1,800
Total Revenues	<u>3,963</u>	<u>184,817</u>	<u>188,780</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal	60,000	170,000	230,000
Interest and Other Charges	18,990	8,677	27,667
Total Expenditures	<u>78,990</u>	<u>178,677</u>	<u>257,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,027)	6,140	(68,887)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	75,038		75,038
Net Change in Fund Balance	<u>11</u>	<u>6,140</u>	<u>6,151</u>
FUND BALANCE, BEGINNING OF YEAR	<u>52</u>	<u>250,773</u>	<u>250,825</u>
FUND BALANCE, END OF YEAR	<u>\$ 63</u>	<u>\$ 256,913</u>	<u>\$ 256,976</u>



CITY OF SPICER, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2021

	<u>4th &amp; Manitoba Improvement Project</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 18,492
Due to Other Funds	33,178
Total Liabilities	<u>51,670</u>
Fund Balance	
Unassigned	<u>(51,670)</u>
Total Liabilities and Fund Balance	<u><u>\$ 0</u></u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 YEAR ENDED DECEMBER 31, 2021

	4th & Manitoba Improvement Project	SCDP Rehabilitation Project	Total
EXPENDITURES			
Capital Outlay			
Public Works	\$ 51,670	\$	\$ 51,670
Economic Development		6,471	6,471
Total Expenditures	<u>51,670</u>	<u>6,471</u>	<u>58,141</u>
Net Change in Fund Balances	<u>(51,670)</u>	<u>(6,471)</u>	<u>(58,141)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>6,471</u>	<u>6,471</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (51,670)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (51,670)</u></u>

CITY OF SPICER, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
DECEMBER 31, 2021

	<u>Erickson Memorial Trust</u>	<u>Edward H. Dethlefs Trust</u>	<u>Total</u>
ASSETS			
Cash and Investments	<u>\$ 103,510</u>	<u>\$ 268,039</u>	<u>\$ 371,549</u>
NET POSITION			
Held in Trust for Culture and Recreation Improvements	<u>\$ 103,510</u>	<u>\$ 268,039</u>	<u>\$ 371,549</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2021

	Erickson Memorial Trust	Edward H. Dethlefs Trust	Total
	<u>          </u>	<u>          </u>	<u>          </u>
ADDITIONS			
Investment Income (Loss)	\$ 745	\$ 5,384	\$ 6,129
DEDUCTIONS			
Books	6,001		6,001
Change in Net Position	<u>(5,256)</u>	<u>5,384</u>	<u>128</u>
NET POSITION, BEGINNING OF YEAR	<u>108,766</u>	<u>262,655</u>	<u>371,421</u>
NET POSITION, END OF YEAR	<u>\$ 103,510</u>	<u>\$ 268,039</u>	<u>\$ 371,549</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, 2021, 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 17, 2022.

In connection with our audit, we noted that the City failed to comply with provisions of the depositories of public funds 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 2021-003 and 2021-004. 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 bid laws, 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 17, 2022

<b>Willmar Office</b> 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	<b>Benson Office</b> 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	<b>Morris Office</b> 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	<b>Litchfield Office</b> 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	<b>Sartell Office</b> 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, 2021, 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 17, 2022.

**Report on 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) as a basis for designing 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

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**Sartell Office**

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## Report on 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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 17, 2022

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021

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

FINDING: 2021-001 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:  
Jacob Kolander, City Administrator

Planned Completion Date for CAP:  
December 31, 2022

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021

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

FINDING: 2021-002 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:  
Jacob Kolander, City Administrator

Planned Completion Date for CAP:  
December 31, 2022

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021

II. MINNESOTA LEGAL COMPLIANCE

FINDING: 2021-003 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:  
Jacob Kolander, City Administrator

Planned Completion Date for CAP:  
December 31, 2022

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021

II. MINNESOTA LEGAL COMPLIANCE (Cont'd)

FINDING: 2021-004      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:  
Jacob Kolander, City Administrator

Planned Completion Date for CAP:  
December 31, 2022

Plan to Monitor Completion of CAP:  
City Council

CITY OF SPICER, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2021

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2020-001	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2021-001
2020-002	Auditor Prepared Financial Statements	Not Corrected	2006	See current year finding 2021-002
Minnesota Legal Compliance Findings:				
2020-003	Authorized Investments	Not Corrected	2013	See current year finding 2021-003
2020-004	Broker Certification	Not Corrected	2013	See current year finding 2021-004