

CITY OF SPICER, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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CITY OF SPICER, MINNESOTA

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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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and General Fund, Local Option Sales Tax Special Revenue Fund, and Fire Protection 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.

Report on Partial Comparative Information

We have previously audited the City's 2023 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated June 3, 2025. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 21, 2025 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

June 3, 2025

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

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, 2024. 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 \$17,001,299 (net position). Of this amount, \$6,568,916 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Capital assets, less depreciation, total \$14,338,863, 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 \$7,137,482. Approximately 28% of this total amount, \$1,982,905, 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 \$1,982,905 or 160% (percent) of total General Fund expenditures.
- The City of Spicer decreased the existing debt balance by \$424,000 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 2024 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.

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

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

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 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, Local Option Sales Tax Special Revenue Fund, Fire Protection Special Revenue Fund, and two Debt Service funds, all of which are considered to be major funds. Data from the other 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, Local Option Sales Tax Special Revenue Fund, and Fire Protection 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 25-28 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 29 of this report.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

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 30-58 of this report.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented herewith. Combining and individual fund statements and schedules can be found on pages 69-78 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 \$17,001,299 at the close of the most recent fiscal year. This is a \$821,045 increase over the 2023 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, 2024, \$6,568,916, 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, 2024

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
	2024	2023	
Current and Other Assets	\$ 7,997,726	\$ 7,434,629	\$ 563,097
Net Capital Assets	9,664,913	11,222,266	(1,557,353)
Total Assets	<u>17,662,639</u>	<u>18,656,895</u>	<u>(994,256)</u>
Deferred Outflows of Resources	<u>119,547</u>	<u>186,071</u>	<u>(66,524)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,782,186</u>	<u>\$ 18,842,966</u>	<u>\$ (1,060,780)</u>
Current and Other Liabilities	\$ 201,838	\$ 356,906	\$ (155,068)
Long-Term Liabilities	4,488,274	6,104,038	(1,615,764)
Total Liabilities	<u>4,690,112</u>	<u>6,460,944</u>	<u>(1,770,832)</u>
Deferred Inflows of Resources	228,797	230,200	(1,403)
Net Position			
Net Investment in Capital Assets	5,360,294	6,021,520	(661,226)
Restricted for			
Debt Service	1,263,241	1,290,218	(26,977)
Tax Increment	492,384	400,241	92,143
Lawful Purposes	32,514	31,362	1,152
Unrestricted	<u>5,714,844</u>	<u>4,408,481</u>	<u>1,306,363</u>
Total Net Position	<u>12,863,277</u>	<u>12,151,822</u>	<u>711,455</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 17,782,186</u>	<u>\$ 18,842,966</u>	<u>\$ (1,060,780)</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

	Business-Type Activities		Change
	2024	2023	
Current and Other Assets	\$ 1,031,046	\$ 982,981	\$ 48,065
Net Capital Assets	4,673,950	3,457,244	1,216,706
Total Assets	5,704,996	4,440,225	1,264,771
Deferred Outflows of Resources	8,571	20,608	(12,037)
Total Assets and Deferred Outflows of Resources	<u>\$ 5,713,567</u>	<u>\$ 4,460,833</u>	<u>\$ 1,252,734</u>
Current and Other Liabilities	\$ 130,456	\$ 102,075	\$ 28,381
Long-Term Liabilities	1,422,474	304,161	1,118,313
Total Liabilities	1,552,930	406,236	1,146,694
Deferred Inflows of Resources	22,615	26,165	(3,550)
Net Position			
Net Investment in Capital Assets	3,283,950	3,217,244	66,706
Unrestricted	854,072	811,188	42,884
Total Net Position	<u>4,138,022</u>	<u>4,028,432</u>	<u>109,590</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,713,567</u>	<u>\$ 4,460,833</u>	<u>\$ 1,252,734</u>

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

Governmental Activities

Net position of the City's governmental activities increased by \$711,455 in 2024. 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
	2024	2023	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 377,682	\$ 394,433	\$ (16,751)
Operating Grants and Contributions	65,395	82,584	(17,189)
Capital Grants and Contributions	22,978	60,241	(37,263)
General Revenues			
Property Taxes and Tax Increment	1,813,103	1,724,098	89,005
Local Sales and Use Tax	250,955	264,021	(13,066)
Grants and Contributions Not Restricted to Specific Programs	144,099	56,344	87,755
Investment Income (Loss)	222,104	150,557	71,547
Other	66,076	29,935	36,141
Gain on Sale of Assets	6,500	2,606	3,894
Total Revenues	2,968,892	2,764,819	204,073
EXPENSES			
General Government	415,977	388,573	27,404
Public Safety	710,662	549,957	160,705
Public Works	474,784	708,908	(234,124)
Culture and Recreation	340,920	377,069	(36,149)
Cemetery Services	3,882	15,968	(12,086)
Economic Development	71,448	246,774	(175,326)
Interest on Long-Term Debt	149,950	156,807	(6,857)
Total Expenses	2,167,623	2,444,056	(276,433)
Change in Net Position Before Transfers and Capital Contributions	801,269	320,763	480,506
TRANSFERS	87,802	69,087	18,715
CAPITAL CONTRIBUTIONS	(177,616)		(177,616)
Change in Net Position	711,455	389,850	321,605
NET POSITION, BEGINNING OF YEAR	12,151,822	11,761,972	389,850
NET POSITION, END OF YEAR	\$ 12,863,277	\$ 12,151,822	\$ 711,455

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

Business-Type Activities

The net position of the City's business-type activities increased by \$109,590 in 2024. The increase is attributable to the following changes in net position: Sewer \$(31,055) and Water \$140,645.

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

	Business-Type Activities		Change
	2024	2023	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 1,216,412	\$ 1,203,162	\$ 13,250
General Revenues			
Investment Income (Loss)	33,708	22,009	11,699
Other	19,397	592	18,805
Total Revenues	<u>1,269,517</u>	<u>1,225,763</u>	<u>43,754</u>
EXPENSES			
Sewer	808,114	769,817	38,297
Water	441,627	431,270	10,357
Total Expenses	<u>1,249,741</u>	<u>1,201,087</u>	<u>48,654</u>
Change in Net Position Before Transfers and Capital Contributions	19,776	24,676	(4,900)
TRANSFERS	(87,802)	(69,087)	(18,715)
CAPITAL CONTRIBUTIONS	177,616		177,616
Change in Net Position	<u>109,590</u>	<u>(44,411)</u>	<u>154,001</u>
NET POSITION, BEGINNING OF YEAR	<u>4,028,432</u>	<u>4,072,843</u>	<u>(44,411)</u>
NET POSITION, END OF YEAR	<u>\$ 4,138,022</u>	<u>\$ 4,028,432</u>	<u>\$ 109,590</u>

Financial Analysis of the Business-Type Activities

Sewer Fund. The change in the City's Sewer Fund Net Position was \$(31,055) for 2024. The decrease in fund balance for 2024 is due to an increase in treatment charges during the year.

Water Fund. The change in the City's Water Fund Net Position was \$140,645 for 2024. The increase in fund balance for 2024 is due to an increase in charges for services as well as an increase to Capital Contributions.

Financial Analysis of the Government's Funds

General Fund. The change in the City's General Fund Balance was \$405,228 for 2024. The change in fund balance for 2024 was \$273,635 more than the increase in fund balance for 2023. The main reason for this change was due to a decrease in transfers to other funds and an increase in tax revenues for the current year.

CITY OF SPICER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

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

Special Revenue Funds. The special revenue fund balances increased by \$317,457 for 2024. The Local Option Sales Tax Special Revenue Fund balance increased by \$207,727 as a result of continued collection of sales tax revenue with minor expenditures incurred. The Fire Protection Special Revenue Fund balance increased by \$35,368 due to a decrease in capital outlay purchases.

Debt Service Funds. The debt service fund balances increased by \$34,511 compared to an increase of \$55,231 in 2023. 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 increased by \$3,781. This is due to a decrease in public works expenditures in current year as the 4th & Manitoba Street Project completed.

Budgetary Highlights

General Fund. The City budgeted for change in fund balance of \$228,062 for 2024. The actual change in fund balance was an increase of \$405,228. The increase in fund balance was mainly due to higher than expected license and permit, intergovernmental and miscellaneous revenue as well as street maintenance expenses being lower than budgeted.

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, 2024, amounts to \$26,348,887. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

Long-Term Liabilities. At the end of the fiscal year, the City of Spicer had total long-term liabilities of \$5,742,525. 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 2025 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 was to hold all line items as much as possible to the 2024 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, 2024

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Totals	
			2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments	\$ 6,859,792	\$ 899,812	\$ 7,759,604	\$ 7,122,800
Receivables				
Accounts	22,993	129,782	152,775	114,328
Interest	9,000		9,000	4,822
Taxes - Delinquent	11,607		11,607	12,697
Special Assessments	596,115		596,115	696,414
Loans	25,146		25,146	25,896
Leases	29,988		29,988	44,518
Due from Other Governments	84,017		84,017	102,307
Due from Other Funds	13,313		13,313	
Land Held for Resale	269,604		269,604	269,604
Prepaid Items	11,610	1,452	13,062	18,393
Capital Assets				
Assets Not Being Depreciated	2,244,145	230,066	2,474,211	5,135,655
Other Capital Assets, Net of Depreciation	7,420,768	4,443,884	11,864,652	9,543,855
Net Pension Asset	64,541		64,541	5,831
Total Assets	<u>17,662,639</u>	<u>5,704,996</u>	<u>23,367,635</u>	<u>23,097,120</u>
Deferred Outflows of Resources				
Related to Pensions	119,547	8,571	128,118	206,679
Total Assets and Deferred Outflows of Resources	<u>\$ 17,782,186</u>	<u>\$ 5,713,567</u>	<u>\$ 23,495,753</u>	<u>\$ 23,303,799</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 95,369	\$ 6,517	\$ 101,886	\$ 81,736
Contracts Payable	22,483		22,483	112,064
Accrued Salaries	7,481	1,738	9,219	4,209
Accrued Interest Payable	43,845	15,795	59,640	62,758
Due to Other Funds	13,313		13,313	
Due to Other Governments	15,362	99,966	115,328	141,802
Unearned Revenue	3,985	6,440	10,425	56,412
Long-Term Liabilities				
Net Pension Liability	139,203	29,020	168,223	251,635
Due Within One Year	366,000	66,000	432,000	424,000
Due in More than One Year	3,983,071	1,327,454	5,310,525	5,732,564
Total Liabilities	<u>4,690,112</u>	<u>1,552,930</u>	<u>6,243,042</u>	<u>6,867,180</u>
Deferred Inflows of Resources				
Related to Pensions	198,809	22,615	221,424	211,847
Related to Leases	29,988		29,988	44,518
Total Deferred Inflows of Resources	<u>228,797</u>	<u>22,615</u>	<u>251,412</u>	<u>256,365</u>
Net Position				
Net Investment in Capital Assets	5,360,294	3,283,950	8,644,244	9,238,764
Restricted for				
Debt Service	1,263,241		1,263,241	1,290,218
Tax Increment	492,384		492,384	400,241
Lawful Purposes	32,514		32,514	31,362
Unrestricted	5,714,844	854,072	6,568,916	5,219,669
Total Net Position	<u>12,863,277</u>	<u>4,138,022</u>	<u>17,001,299</u>	<u>16,180,254</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 17,782,186</u>	<u>\$ 5,713,567</u>	<u>\$ 23,495,753</u>	<u>\$ 23,303,799</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2024
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2023

	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	2024	2023
GOVERNMENTAL ACTIVITIES								
General Government	\$ 415,977	\$ 22,608	\$	\$ 515	\$ (392,854)	\$	\$ (392,854)	\$ (372,093)
Public Safety	710,662	280,417	65,395		(364,850)		(364,850)	(161,044)
Public Works	474,784				(474,784)		(474,784)	(708,068)
Culture and Recreation	340,920	33,596		22,463	(284,861)		(284,861)	(331,018)
Cemetery Services	3,882	10,350			6,468		6,468	(14,618)
Economic Development	71,448				(71,448)		(71,448)	(198,818)
Debt Service	149,950	30,711			(119,239)		(119,239)	(121,139)
Total Governmental Activities	2,167,623	377,682	65,395	22,978	(1,701,568)	0	(1,701,568)	(1,906,798)
BUSINESS-TYPE ACTIVITIES								
Sewer	808,114	721,382				(86,732)	(86,732)	(57,635)
Water	441,627	495,030				53,403	53,403	59,710
Total Business-Type Activities	1,249,741	1,216,412	0	0	0	(33,329)	(33,329)	2,075
Total	\$ 3,417,364	\$ 1,594,094	\$ 65,395	\$ 22,978	(1,701,568)	(33,329)	(1,734,897)	(1,904,723)
GENERAL REVENUES								
Taxes								
Property Taxes					1,657,509		1,657,509	1,582,322
Tax Increment					155,594		155,594	141,776
Local Sales and Use Tax					250,955		250,955	264,021
Grants and Contributions Not Restricted to Specific Programs					144,099		144,099	56,344
Investment Income (Loss)					222,104	33,708	255,812	172,566
Other					66,076	19,397	85,473	30,527
Gain on Sale of Assets					6,500		6,500	2,606
TRANSFERS					87,802	(87,802)		
CAPITAL CONTRIBUTIONS					(177,616)	177,616		
Total General Revenues, Transfers and Capital Contributions					2,413,023	142,919	2,555,942	2,250,162
Change in Net Position					711,455	109,590	821,045	345,439
NET POSITION, BEGINNING OF YEAR					12,151,822	4,028,432	16,180,254	15,834,815
NET POSITION, END OF YEAR					\$ 12,863,277	\$ 4,138,022	\$ 17,001,299	\$ 16,180,254

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2023

	General	Local Option Sales Tax	Fire Protection	2016A Improvement Bond	2022A G.O. Improvement Bond	Nonmajor Governmental Funds	Totals	
							2024	2023
ASSETS								
Cash and Investments	\$ 2,311,982	\$ 1,189,246	\$ 473,605	\$ 460,930	\$ 94,246	\$ 2,329,783	\$ 6,859,792	\$ 6,248,271
Receivables								
Accounts	9,480					13,513	22,993	7,711
Interest	9,000						9,000	4,822
Taxes - Delinquent	11,607						11,607	12,697
Special Assessments	16,381			290,124	233,571	56,039	596,115	696,414
Loans						25,146	25,146	25,896
Leases	22,211					7,777	29,988	44,518
Due from Other Governments	34,819	38,279	8,445	336	1,099	1,039	84,017	102,307
Due from Other Funds	13,313						13,313	404
Land Held for Resale	251,587					18,017	269,604	269,604
Prepaid Items	6,413		3,942			1,255	11,610	16,558
Total Assets	\$ 2,686,793	\$ 1,227,525	\$ 485,992	\$ 751,390	\$ 328,916	\$ 2,452,569	\$ 7,933,185	\$ 7,429,202
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts Payable	\$ 60,699	\$	\$ 2,002	\$	\$	\$ 32,668	\$ 95,369	\$ 78,799
Contracts Payable						22,483	22,483	112,064
Accrued Salaries	7,121		42			318	7,481	3,086
Due to Other Funds						13,313	13,313	404
Due to Other Governments	15,169		120			73	15,362	54,743
Unearned Revenue	3,985						3,985	49,972
Total Liabilities	86,974	0	2,164	0	0	68,855	157,993	299,068
Deferred Inflows of Resources								
Unavailable Revenue								
Taxes - Delinquent	11,607						11,607	12,697
Special Assessments	16,381			290,124	233,571	56,039	596,115	696,414
Leases	22,211					7,777	29,988	44,518
Total Deferred Inflows of Resources	50,199	0	0	290,124	233,571	63,816	637,710	753,629
Fund Balance								
Nonspendable	258,000		3,942			1,255	263,197	268,145
Restricted				461,266	95,345	695,639	1,252,250	1,824,059
Committed			382,380				382,380	323,139
Assigned	308,715	1,227,525	97,506			1,623,004	3,256,750	2,373,103
Unassigned	1,982,905						1,982,905	1,588,059
Total Fund Balance	2,549,620	1,227,525	483,828	461,266	95,345	2,319,898	7,137,482	6,376,505
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,686,793	\$ 1,227,525	\$ 485,992	\$ 751,390	\$ 328,916	\$ 2,452,569	\$ 7,933,185	\$ 7,429,202

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, 2024
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2023

	<u>2024</u>	<u>2023</u>
Total Fund Balances - Governmental Funds	\$ 7,137,482	\$ 6,376,505
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	18,268,276	19,246,397
Less: Accumulated Depreciation	(8,603,363)	(8,024,131)
Net Pension Asset	64,541	5,831
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	11,607	12,697
Special Assessments	596,115	696,414
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	119,547	186,071
Deferred Inflows of Resources Related to Pensions	(198,809)	(185,682)
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 Payable	(4,336,000)	(5,910,000)
Bond Discount	8,898	9,639
Compensated Absences	(21,969)	(9,393)
Net Pension Liability	(139,203)	(194,284)
Accrued Interest Payable	(43,845)	(58,242)
	<u>\$ 12,863,277</u>	<u>\$ 12,151,822</u>
Total Net Position - Governmental Activities		

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Local Option Sales Tax	Fire Protection	2016A Improvement Bond	2022A G.O. Improvement Bond	(Formerly Major) 4th & Manitoba Project	Nonmajor Governmental Funds	Totals	
								2024	2023
REVENUES									
Taxes	\$ 1,349,114	\$	\$	\$ 173,208	\$ 75,576	\$	\$ 216,295	\$ 1,814,193	\$ 1,716,225
Special Assessments	28,254			51,854	30,231		20,671	131,010	109,801
Licenses and Permits	73,376							73,376	76,316
Intergovernmental	140,486		45,481					185,967	93,342
Charges for Services	35,736		218,957					254,693	273,979
Sales and Use Tax		250,955						250,955	264,021
Fines and Forfeits	4,888							4,888	4,461
Investment Income (Loss)	67,223	40,173	16,099	11,269			87,340	222,104	150,557
Miscellaneous	60,304		27,458				42,588	130,350	139,479
Total Revenues	1,759,381	291,128	307,995	236,331	105,807	0	366,894	3,067,536	2,828,181
EXPENDITURES									
Current									
General Government	366,693	600						367,293	389,979
Public Safety	179,226		216,049					395,275	386,500
Public Works	382,603						15,078	397,681	337,087
Culture and Recreation	185,140	959					59,655	245,754	289,114
Cemetery							3,882	3,882	14,973
Economic Development							49,508	49,508	92,953
Debt Service									
Principal				155,000	114,000		140,000	409,000	320,000
Interest and Other Charges				60,783	65,463		23,788	150,034	176,554
Capital Outlay									
General Government	2,500							2,500	1,622
Public Safety			56,578					56,578	96,700
Public Works	41,189						6,975	48,164	1,131,848
Culture and Recreation	85,704	81,842					26,556	194,102	80,270
Cemetery							33,725	33,725	17,606
Economic Development							40,865	40,865	25,722
Total Expenditures	1,243,055	83,401	272,627	215,783	179,463	0	400,032	2,394,361	3,360,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	516,326	207,727	35,368	20,548	(73,656)		(33,138)	673,175	(532,747)
OTHER FINANCING SOURCES (USES)									
Sale of Assets									2,606
Transfers In					87,802		164,639	252,441	401,185
Transfers Out	(111,098)						(53,541)	(164,639)	(332,098)
Total Other Financing Sources (Uses)	(111,098)	0	0	0	87,802	0	111,098	87,802	71,693
Net Change in Fund Balances	405,228	207,727	35,368	20,548	14,146	0	77,960	760,977	(461,054)
FUND BALANCE, BEGINNING OF YEAR	2,144,392	1,019,798	448,460	440,718	81,199	699,615	1,542,323	6,376,505	6,837,559

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Local Option Sales Tax	Fire Protection	2016A Improvement Bond	2022A G.O. Improvement Bond	(Formerly Major) 4th & Manitoba Project	Nonmajor Governmental Funds	Totals	
								2024	2023
Adjustment - Changes within Reporting Entity	\$	\$	\$	\$	\$	\$ (699,615)	\$ 699,615	\$	\$
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	2,144,392	1,019,798	448,460	440,718	81,199		2,241,938	6,376,505	6,837,559
FUND BALANCE, END OF YEAR	\$ 2,549,620	\$ 1,227,525	\$ 483,828	\$ 461,266	\$ 95,345	\$ 0	\$ 2,319,898	\$ 7,137,482	\$ 6,376,505

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, 2024
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2024</u>	<u>2023</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 760,977	\$ (461,054)
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	392,096	1,291,342
Depreciation Expense	(586,414)	(573,686)
Capital Asset Disposals	(14,029)	(135,599)
Accumulated Depreciation Related to Capital Asset Disposals	7,182	
Capital Contributions	(1,356,188)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Taxes - Delinquent	(1,090)	7,873
Special Assessments	(100,299)	(74,132)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	(12,576)	420
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	409,000	320,000
Bond Discount Amortization	(741)	(741)
Change in Accrued Interest	14,397	20,488
Capital Contributions	1,165,000	
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>34,140</u>	<u>(5,061)</u>
Change in Net Position - Governmental Activities	<u>\$ 711,455</u>	<u>\$ 389,850</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2024
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2024				2023 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Taxes	\$ 1,349,134	\$ 1,349,134	\$ 1,349,114	\$ (20)	\$ 1,232,618
Special Assessments			28,254	28,254	31,464
Licenses and Permits	22,030	22,030	73,376	51,346	76,316
Intergovernmental	71,273	71,273	140,486	69,213	54,344
Charges for Services	31,100	31,100	35,736	4,636	37,477
Fines and Forfeits	3,500	3,500	4,888	1,388	4,461
Investment Income (Loss)	115,100	115,100	67,223	(47,877)	49,959
Miscellaneous					
Rent			12,546	12,546	12,070
Contributions and Donations			3,833	3,833	2,000
Insurance Reimbursements			33,987	33,987	5,486
Other	15,500	15,500	9,938	(5,562)	5,124
Total Revenues	<u>1,607,637</u>	<u>1,607,637</u>	<u>1,759,381</u>	<u>151,744</u>	<u>1,511,319</u>
EXPENDITURES					
Current					
General Government					
Council and Other					
Mayor and Council	17,500	17,500	15,970	(1,530)	15,441
Benefits	1,150	1,150	1,286	136	1,311
Insurance	6,200	6,200	7,169	969	5,935
Legal and Professional	44,900	44,900	52,864	7,964	43,952
Engineering Fees	17,500	17,500	14,283	(3,217)	6,261
Publishing and Dues	2,500	2,500	1,123	(1,377)	2,968
Planning and Zoning	9,525	9,525	10,980	1,455	10,584
Election Costs	1,500	1,500	3,949	2,449	390
Reimbursed Expenditures	7,600	7,600	4,777	(2,823)	3,100
Other	5,700	5,700	19,572	13,872	6,541
Total Council and Other	<u>114,075</u>	<u>114,075</u>	<u>131,973</u>	<u>17,898</u>	<u>96,483</u>
City Hall and Clerk/Treasurer					
Salaries	146,983	146,983	135,805	(11,178)	150,469
Benefits	21,100	21,100	20,612	(488)	24,414
Insurance	22,345	22,345	7,688	(14,657)	16,416
Office Supplies and Other	16,228	16,228	9,019	(7,209)	10,153
Other	23,335	23,335	61,596	38,261	24,202
Total City Hall and Clerk/Treasurer	<u>229,991</u>	<u>229,991</u>	<u>234,720</u>	<u>4,729</u>	<u>225,654</u>
Assessor	14,000	14,000		(14,000)	16,908
Total General Government	<u>358,066</u>	<u>358,066</u>	<u>366,693</u>	<u>8,627</u>	<u>339,045</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2024
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2024				2023 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Safety					
Police Protection	\$ 48,100	\$ 48,100	\$ 48,600	\$ 500	\$ 46,225
First Responders and Fire Protection					
Salaries	9,300	9,300	8,760	(540)	9,240
Benefits	500	500	670	170	707
Insurance	4,600	4,600	3,276	(1,324)	1,903
Repairs and Maintenance	1,200	1,200		(1,200)	2,591
Operating Supplies	3,100	3,100	1,415	(1,685)	2,241
Fuel	625	625	255	(370)	136
Other	2,900	2,900	4,371	1,471	3,551
Fire Contract	74,829	74,829	74,829		80,812
Total First Responders and Fire Protection	97,054	97,054	93,576	(3,478)	101,181
Building Inspection	16,250	16,250	37,050	20,800	49,621
Total Public Safety	161,404	161,404	179,226	17,822	197,027
Public Works					
Streets and Highways					
Salaries	64,160	64,160	131,798	67,638	76,686
Benefits	10,600	10,600	21,000	10,400	11,494
Insurance	17,825	17,825	17,422	(403)	23,023
Repairs and Maintenance	6,500	6,500	10,249	3,749	9,044
Street Maintenance	239,000	239,000	110,518	(128,482)	83,544
Telephone and Utilities	9,831	9,831	7,657	(2,174)	8,908
Fuel	4,375	4,375	3,097	(1,278)	3,591
Snow Removal	45,650	45,650	13,481	(32,169)	45,028
Street Lighting	46,000	46,000	55,766	9,766	47,334
Other	5,900	5,900	11,615	5,715	5,674
Total Public Works	449,841	449,841	382,603	(67,238)	314,326
Culture and Recreation					
Parks					
Salaries	47,500	47,500	30,482	(17,018)	33,969
Benefits	9,180	9,180	4,746	(4,434)	7,117
Insurance	25,525	25,525	20,658	(4,867)	22,183
Repairs and Maintenance	37,200	37,200	45,428	8,228	72,667
Community Education	10,500	10,500	10,500		10,500
Supplies and Other	3,081	3,081	2,744	(337)	1,992
Telephone and Utilities	15,102	15,102	21,281	6,179	18,557
Restrooms	2,900	2,900	5,090	2,190	3,992
Other	7,600	7,600	10,169	2,569	2,740
Total Parks	158,588	158,588	151,098	(7,490)	173,717

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, 2024
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2024			Over (Under) Final Budget	2023 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Culture and Recreation (Cont'd)					
Library					
Telephone and Utilities	\$ 3,903	\$ 3,903	\$ 4,324	\$ 421	\$ 4,671
Other	26,968	26,968	29,718	2,750	28,056
Total Library	<u>30,871</u>	<u>30,871</u>	<u>34,042</u>	<u>3,171</u>	<u>32,727</u>
Total Culture and Recreation	189,459	189,459	185,140	(4,319)	206,444
Capital Outlay					
General Government	4,000	4,000	2,500	(1,500)	1,622
Public Safety	2,000	2,000		(2,000)	
Public Works	40,000	40,000	41,189	1,189	35,365
Culture and Recreation	55,000	55,000	85,704	30,704	9,952
Total Capital Outlay	<u>101,000</u>	<u>101,000</u>	<u>129,393</u>	<u>28,393</u>	<u>46,939</u>
Total Expenditures	<u>1,259,770</u>	<u>1,259,770</u>	<u>1,243,055</u>	<u>(16,715)</u>	<u>1,103,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	347,867	347,867	516,326	168,459	407,538
OTHER FINANCING SOURCES (USES)					
Sale of Assets					2,606
Transfers Out	(119,805)	(119,805)	(111,098)	8,707	(278,551)
Total Other Financing Sources (Uses)	<u>(119,805)</u>	<u>(119,805)</u>	<u>(111,098)</u>	<u>8,707</u>	<u>(275,945)</u>
Net Change in Fund Balances	<u>\$ 228,062</u>	<u>\$ 228,062</u>	405,228	<u>\$ 177,166</u>	131,593
FUND BALANCE, BEGINNING OF YEAR			2,144,392		2,012,799
FUND BALANCE, END OF YEAR			<u>\$ 2,549,620</u>		<u>\$ 2,144,392</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

LOCAL OPTION SALES TAX SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2024			Over (Under) Final Budget	2023 Actual
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Other Taxes	\$ 150,000	\$ 150,000	\$ 250,955	\$ 100,955	\$ 264,021
Investment Income (Loss)	1,500	1,500	40,173	38,673	22,426
Total Revenues	<u>151,500</u>	<u>151,500</u>	<u>291,128</u>	<u>139,628</u>	<u>286,447</u>
EXPENDITURES					
Current					
General Government			600	600	1,313
Culture and Recreation	45,000	45,000	959	(44,041)	5,932
Capital Outlay					
Culture and Recreation	<u>50,000</u>	<u>50,000</u>	<u>81,842</u>	<u>31,842</u>	<u>56,459</u>
Total Expenditures	<u>95,000</u>	<u>95,000</u>	<u>83,401</u>	<u>(11,599)</u>	<u>63,704</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	56,500	56,500	207,727	151,227	222,743
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(12,455)</u>	<u>(12,455)</u>		<u>12,455</u>	
Net Change in Fund Balances	<u>\$ 44,045</u>	<u>\$ 44,045</u>	<u>207,727</u>	<u>\$ 163,682</u>	<u>222,743</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,019,798</u>		<u>797,055</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,227,525</u>		<u>\$ 1,019,798</u>

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, 2024
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	2024		Actual	Over (Under) Final Budget	2023 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Intergovernmental	\$ 22,000	\$ 22,000	\$ 45,481	\$ 23,481	\$ 38,998
Charges for Services	211,957	211,957	218,957	7,000	236,502
Investment Income (Loss)			16,099	16,099	10,196
Miscellaneous					
Contributions and Donations			23,669	23,669	43,295
Other			3,789	3,789	50
Total Revenues	<u>233,957</u>	<u>233,957</u>	<u>307,995</u>	<u>74,038</u>	<u>329,041</u>
EXPENDITURES					
Current					
Public Safety	171,186	171,186	216,049	44,863	239,094
Capital Outlay					
Public Safety	<u>2,000</u>	<u>2,000</u>	<u>56,578</u>	<u>54,578</u>	<u>96,700</u>
Total Expenditures	<u>173,186</u>	<u>173,186</u>	<u>272,627</u>	<u>99,441</u>	<u>335,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	60,771	60,771	35,368	(25,403)	(6,753)
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>		50,000	
Net Change in Fund Balances	<u>\$ 10,771</u>	<u>\$ 10,771</u>	35,368	<u>\$ 24,597</u>	(6,753)
FUND BALANCE, BEGINNING OF YEAR			<u>448,460</u>		<u>455,213</u>
FUND BALANCE, END OF YEAR			<u>\$ 483,828</u>		<u>\$ 448,460</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and Investments	\$ 82,700	\$ 817,112	\$ 899,812	\$ 874,529
Accounts Receivable	57,926	71,856	129,782	106,617
Prepaid Items	464	988	1,452	1,835
Total Current Assets	141,090	889,956	1,031,046	982,981
Noncurrent Assets				
Capital Assets				
Assets Not Being Depreciated	225,530	4,536	230,066	230,066
Other Capital Assets, Net of Depreciation	2,437,183	2,006,701	4,443,884	3,227,178
Total Noncurrent Assets	2,662,713	2,011,237	4,673,950	3,457,244
Total Assets	2,803,803	2,901,193	5,704,996	4,440,225
Deferred Outflows of Resources				
Related to Pensions	4,285	4,286	8,571	20,608
Total Assets and Deferred Outflows of Resources	\$ 2,808,088	\$ 2,905,479	\$ 5,713,567	\$ 4,460,833
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 2,363	\$ 4,154	\$ 6,517	\$ 2,937
Accrued Salaries	869	869	1,738	1,123
Accrued Interest Payable	6,786	9,009	15,795	4,516
Due to Other Governments	47,295	52,671	99,966	87,059
Unearned Revenue	6,440		6,440	6,440
Total Current Liabilities	63,753	66,703	130,456	102,075
Long-Term Liabilities				
Net Pension Liability	14,507	14,513	29,020	57,351
Due Within One Year	25,500	40,500	66,000	15,000
Due in More than One Year	558,727	768,727	1,327,454	231,810
Total Long-Term Liabilities	598,734	823,740	1,422,474	304,161
Total Liabilities	662,487	890,443	1,552,930	406,236
Deferred Inflows of Resources				
Related to Pensions	11,305	11,310	22,615	26,165
Net Position				
Net Investment in Capital Assets	2,080,213	1,203,737	3,283,950	3,217,244
Unrestricted	54,083	799,989	854,072	811,188
Total Net Position	2,134,296	2,003,726	4,138,022	4,028,432
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,808,088	\$ 2,905,479	\$ 5,713,567	\$ 4,460,833

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, 2024
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2024	2023
OPERATING REVENUES				
Charges for Services	\$ 706,744	\$ 492,641	\$ 1,199,385	\$ 1,156,710
Other	14,638	2,389	17,027	46,452
Total Operating Revenues	<u>721,382</u>	<u>495,030</u>	<u>1,216,412</u>	<u>1,203,162</u>
OPERATING EXPENSES				
Salaries	30,190	30,267	60,457	84,746
Benefits	(5,519)	(4,305)	(9,824)	2,688
Supplies	6,495	7,501	13,996	4,329
Other Services and Charges	603,360	289,378	892,738	806,142
Production	28,634	15,197	43,831	61,345
Administrative and General	16,103	4,567	20,670	18,712
Miscellaneous	14,210	13,725	27,935	26,023
Depreciation	114,641	82,171	196,812	191,645
Total Operating Expenses	<u>808,114</u>	<u>438,501</u>	<u>1,246,615</u>	<u>1,195,630</u>
Operating Income (Loss)	<u>(86,732)</u>	<u>56,529</u>	<u>(30,203)</u>	<u>7,532</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income (Loss)	5,111	28,597	33,708	22,009
Miscellaneous	5,659	13,738	19,397	592
Interest (Expense)		(3,126)	(3,126)	(5,457)
Total Nonoperating Revenues (Expenses)	<u>10,770</u>	<u>39,209</u>	<u>49,979</u>	<u>17,144</u>
Income (Loss) Before Other Items	<u>(75,962)</u>	<u>95,738</u>	<u>19,776</u>	<u>24,676</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers Out	(43,901)	(43,901)	(87,802)	(69,087)
Capital Contributions	88,808	88,808	177,616	
Total Transfers and Capital Contributions	<u>44,907</u>	<u>44,907</u>	<u>89,814</u>	<u>(69,087)</u>
Change in Net Position	<u>(31,055)</u>	<u>140,645</u>	<u>109,590</u>	<u>(44,411)</u>
NET POSITION, BEGINNING OF YEAR	<u>2,165,351</u>	<u>1,863,081</u>	<u>4,028,432</u>	<u>4,072,843</u>
NET POSITION, END OF YEAR	<u>\$ 2,134,296</u>	<u>\$ 2,003,726</u>	<u>\$ 4,138,022</u>	<u>\$ 4,028,432</u>

See Accompanying Notes to the Financial Statements

CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 722,083	\$ 471,164	\$ 1,193,247	\$ 1,186,654
Receipts from Miscellaneous Revenues	5,659	13,738	19,397	7,032
Payments to Suppliers	(673,325)	(308,975)	(982,300)	(889,112)
Payments to Employees	(36,608)	(36,610)	(73,218)	(100,291)
Net Cash Provided (Used) by Operating Activities	17,809	139,317	157,126	204,283
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers	(43,901)	(43,901)	(87,802)	(69,087)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(48,360)	(8,970)	(57,330)	
Principal Reduction on Long-Term Debt		(15,000)	(15,000)	(15,000)
Interest and Fiscal Agent Fees Paid on Bonds		(5,419)	(5,419)	(5,644)
Net Cash Provided (Used) by Capital and Related Financing Activities	(48,360)	(29,389)	(77,749)	(20,644)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income (Loss)	5,111	28,597	33,708	22,009
Net Increase (Decrease) in Cash and Cash Equivalents	(69,341)	94,624	25,283	136,561
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	152,041	722,488	874,529	737,968
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 82,700	\$ 817,112	\$ 899,812	\$ 874,529
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (86,732)	\$ 56,529	\$ (30,203)	\$ 7,532
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Miscellaneous Revenues	5,659	13,738	19,397	592
Depreciation	114,641	82,171	196,812	191,645
Pension Related Adjustments	(10,528)	(9,316)	(19,844)	(11,044)
(Increase) Decrease in				
Accounts Receivable	701	(23,866)	(23,165)	(16,508)
Prepaid Items	(58)	441	383	1,210
Increase (Decrease) in				
Accounts Payable	2,363	1,217	3,580	(277)
Accrued Salaries	269	346	615	(1,253)
Compensated Absences	(1,678)	(1,678)	(3,356)	(560)
Due to Other Governments	(6,828)	19,735	12,907	26,506
Unearned Revenues				6,440
Net Cash Provided (Used) by Operating Activities	\$ 17,809	\$ 139,317	\$ 157,126	\$ 204,283

CITY OF SPICER, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2024

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2024	2023
NONCASH FINANCING ACTIVITIES				
Capital Contribution				
Capital Asset Addition	\$ 678,094	\$ 678,094	\$ 1,356,188	\$
Assumption of Debt	(582,500)	(582,500)	(1,165,000)	
Accrued Interest	(6,786)	(6,786)	(13,572)	
Total Capital Contribution	<u>88,808</u>	<u>88,808</u>	<u>177,616</u>	<u>0</u>
Total Noncash Financing Activities	<u>\$ 88,808</u>	<u>\$ 88,808</u>	<u>\$ 177,616</u>	<u>\$ 0</u>

CITY OF SPICER, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024

	Private Purpose Trust Funds
ASSETS	
Cash and Investments	\$ 368,510
	368,510
NET POSITION	
Held in Trust for Culture and Recreation Improvements	\$ 368,510
	368,510

CITY OF SPICER, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2024

	Private Purpose Trust Funds
ADDITIONS	
Investment Income (Loss)	\$ 14,059
DEDUCTIONS	
Books	6,000
Change in Net Position	8,059
NET POSITION, BEGINNING OF YEAR	360,451
NET POSITION, END OF YEAR	\$ 368,510

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CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, 2024

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 Local Option Sales Tax Special Revenue Fund is used to account for the accumulation of local sales and use tax revenue.

The Fire Protection Special Revenue Fund is used to account for revenues and expenditures related to fire rescue (public safety) services and capital outlay; financing is provided by charges for services and donations from the fire relief.

The 2016A 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 2022A 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, 2024

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.

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;

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of deposits, nonnegotiable certificates of deposits and the 4M Fund

Cash balances from all funds of the City are pooled and invested, to the extent available, in allowable cash management accounts and time deposits. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City invests in an external investment pool, the Minnesota Municipal Money Market Fund (4M Fund), which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The 4M Fund is not registered with the Securities Exchange Commission (SEC), but does satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

Custodial Credit Risk: For investments, 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 a formal policy to address custodial credit risk.

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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 minimizes its exposure to interest rate risk by investing in short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes §118A.04 and §118A.05 limits investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City does not have an investment policy that further limits credit risk.

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.

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

E. RECEIVABLES AND PAYABLES (Cont'd)

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.

Lease receivables represent amounts receivable from individuals, firms and corporations for the right to use of City assets. No substantial losses are anticipated from the present receivables balances and therefore, no allowance for uncollectible amounts is deemed necessary.

F. LAND HELD FOR RESALE

The City holds various other investments, such as land held for resale. These investments are reported at fair value, using the cost approach measurement using Level 2 inputs. The current quoted price for these investments are \$269,604.

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.

G. 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.

H. 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

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:

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

H. CAPITAL ASSETS (Cont'd)

<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.

I. 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 assets 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.

J. 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.

K. 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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

L. 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.

M. 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, 2024, was \$17,832. The components of pension expense are noted in the plan summaries.

N. 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.

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.

O. 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, pensions, and leases.

P. 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:

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

P. FUND BALANCE (Cont'd)

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.

Q. 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.

R. 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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

S. 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, 2023, 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.
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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

B. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
Fire Protection Special Revenue Fund	\$ 272,627	\$ 173,186

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.

Custodial Credit Risk - Deposits: The City's bank balance was exposed to custodial credit risk because they were not fully insured through the FDIC as well as collateral pledge with securities held by the pledging financial institution's trust department or agent in the City's name.

Governmental Activities	
Pooled Cash in Bank	\$ 4,795,948
Non-Negotiable Certificates of Deposit	<u>1,334,764</u>
Total Governmental Activities	<u>\$ 6,130,712</u>
Business-Type Activities	
Pooled Cash in Bank	<u>\$ 899,812</u>
Fiduciary Fund	
Pooled Cash in Bank	<u>\$ 368,510</u>
Total Deposits	<u>\$ 7,399,034</u>

B. INVESTMENTS

The City had the following investments:

Investments at Amortized Cost:	
External Investment Pool - 4M Fund	\$ 69,799
External Investment Pool - 4M Term Series	<u>659,281</u>
Total Investments at Amortized Cost	<u>\$ 729,080</u>

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 7,399,034
Investments (Note 3.B.)	<u>729,080</u>
Total Deposits and Investments	<u>\$ 8,128,114</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

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

Statement of Net Position

Cash and Investments	\$ 7,759,604
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Statement of Fiduciary Net Position

Cash and Investments	<u>368,510</u>
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Total Cash and Investments	<u><u>\$ 8,128,114</u></u>
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NOTE 4. RECEIVABLES

A. COMPONENTS OF RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 22,993	\$
Interest	9,000	
Taxes - Delinquent	11,607	
Current and Deferred Special Assessments	596,115	547,411
Loans	25,146	16,452
Leases	29,988	14,927
	<u>\$ 694,849</u>	<u>\$ 578,790</u>
Total Governmental Activities		

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	<u>\$ 129,782</u>	<u>\$ 0</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4. RECEIVABLES (Cont'd)

B. LEASE RECEIVABLES

The City's leases are summarized as follows:

	Lease Receivable Balance	Lease Revenue	Lease Interest Revenue
Edward Jones	\$ 22,211	\$ 10,062	\$ 1,038
Lutheran Social Services of MN	7,777	4,468	332
Total	<u>\$ 29,988</u>	<u>\$ 14,530</u>	<u>\$ 1,370</u>

Edward Jones Lease - On February 1, 2017, the City entered into a five-year lease agreement with Edward D Jones & Co for the lease of a building and exercised the renewal for an additional five years. Based on this agreement, the City is receiving monthly payments through 2027. There are no additional renewal options included in this lease agreement.

Lutheran Social Service of MN Lease - On May 19, 2021, the City entered into a five-year lease agreement with Lutheran Social Service of MN for the lease of a building. Based on this agreement, the City is receiving monthly payments through 2026. There is an automatic renewal for an additional term of twelve months included in this lease agreement. This lease can be terminated with a sixty day notice prior to the end of the term.

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 *	2,708,685	47,241	(2,708,685)	47,241
Total Capital Assets, Not Being Depreciated	4,905,589	47,241	(2,708,685)	2,244,145
Capital Assets, Being Depreciated				
Buildings and Improvements	11,823,920	1,511,301		13,335,221
Machinery and Equipment	2,516,888	186,051	(14,029)	2,688,910
Total Capital Assets, Being Depreciated	14,340,808	1,697,352	(14,029)	16,024,131
Less Accumulated Depreciation for				
Buildings and Improvements	6,171,287	460,460		6,631,747
Machinery and Equipment	1,852,844	125,954	(7,182)	1,971,616
Total Accumulated Depreciation	8,024,131	586,414	(7,182)	8,603,363
Total Capital Assets, Being Depreciated, Net	<u>6,316,677</u>	<u>1,110,938</u>	<u>(6,847)</u>	<u>7,420,768</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. CAPITAL ASSETS (Cont'd)

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities Net Capital Assets	\$ 11,222,266	\$ 1,158,179	\$ (2,715,532)	\$ 9,664,913
Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 230,066	\$	\$	\$ 230,066
Capital Assets, Being Depreciated				
Buildings and Improvements *	5,736,428	1,375,130		7,111,558
Machinery and Equipment	700,599	38,388		738,987
Total Capital Assets, Being Depreciated	6,437,027	1,413,518	0	7,850,545
Less Accumulated Depreciation for				
Buildings and Improvements	2,871,838	175,929		3,047,767
Machinery and Equipment	338,011	20,883		358,894
Total Accumulated Depreciation	3,209,849	196,812	0	3,406,661
Total Capital Assets, Being Depreciated, Net	3,227,178	1,216,706	0	4,443,884
Business-Type Activities Net Capital Assets	\$ 3,457,244	\$ 1,216,706	\$ 0	\$ 4,673,950

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government		\$ 40,945
Public Safety		93,626
Public Works		360,019
Culture and Recreation		91,824
Total Depreciation Expense - Governmental Activities		\$ 586,414
Business-Type Activities		
Sewer		\$ 114,641
Water		82,171
Total Depreciation Expense - Business-Type Activities		\$ 196,812

* During the year the Governmental Activities contributed \$1,356,188 of capital assets to the Business-Type Activities of the City.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 13,313

The purpose of the above interfund loans was to correct deficit cash in the borrowing fund.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	Transfer In		Total
	2022A G.O. Improvement Bond	Nonmajor Governmental Funds	
Transfer Out			
General	\$	\$ 111,098	\$ 111,098
Sewer	43,901		43,901
Water	43,901		43,901
Nonmajor Governmental Funds		53,541	53,541
Total	\$ 87,802	\$ 164,639	\$ 252,441

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

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

B. COMPONENTS OF LONG-TERM LIABILITIES

	Interest Rates	Final Maturity	Balance Outstanding
<u>Governmental Activities</u>			
G.O. Bonds			
2012A G.O. Improvement Bonds	1.00-2.85%	12/01/2027	\$ 235,000
2016A G.O. Improvement Bonds	1.00-2.875%	02/01/2037	2,535,000
2017A G.O. Bonds	1.60-3.13%	02/01/2031	450,000
2022A G.O. Improvement Bonds	2.80%	02/01/2038	1,116,000
Unamortized Bond Discount			(8,898)
Compensated Absences			<u>21,969</u>
Total Governmental Activities			<u><u>\$ 4,349,071</u></u>
<u>Business-Type Activities</u>			
G.O. Bonds			
2016A G.O. Utility Revenue Bonds	1.00-2.875%	02/01/2037	\$ 225,000
2022A G.O. Utility Revenue Bonds	2.80%	02/01/2042	1,165,000
Compensated Absences			<u>3,454</u>
Total Business-Type Activities			<u><u>\$ 1,393,454</u></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.

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		Business-Type Activities	
	G.O. Bonds		G.O. Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 366,000	\$ 107,721	\$ 66,000	\$ 37,814
2026	378,000	98,748	67,000	36,086
2027	385,000	89,214	69,000	34,330
2028	292,000	79,765	70,000	32,518
2029	304,000	72,602	71,000	30,678
2030-2034	1,487,000	252,919	397,000	123,802
2034-2039	1,124,000	57,440	413,000	66,710
2040-2042			237,000	13,384
	<u>\$ 4,336,000</u>	<u>\$ 758,409</u>	<u>\$ 1,390,000</u>	<u>\$ 375,322</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds **	\$ 5,910,000	\$	\$ (1,574,000)	\$ 4,336,000	\$ 366,000
Unamortized Bond Discount	(9,639)		741	(8,898)	
Compensated Absences*	9,393	12,576		21,969	
Total Governmental Activities	<u>\$ 5,909,754</u>	<u>\$ 12,576</u>	<u>\$ (1,573,259)</u>	<u>\$ 4,349,071</u>	<u>\$ 366,000</u>
<u>Business-Type Activities</u>					
G.O. Utility Revenue Bonds **	\$ 240,000	\$ 1,165,000	\$ (15,000)	\$ 1,390,000	\$ 66,000
Compensated Absences*	6,810		(3,356)	3,454	
Total Business-Type Activities	<u>\$ 246,810</u>	<u>\$ 1,165,000</u>	<u>\$ (18,356)</u>	<u>\$ 1,393,454</u>	<u>\$ 66,000</u>

* The change in compensated absences liability is presented as a net change.

** During the year the Governmental Activities contributed \$1,165,000 of bonds to the Business-Type Activities of the City.

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	\$ 266,254	\$ 20,419	\$ 492,641
G.O. Utility Revenue Bonds, Series 2022A Street Improvements Utility Charges	100%	2022-2042	\$ 1,499,068	\$ 82,992	\$ 1,199,385

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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 2024 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, 2024, the plan covered 24 active firefighters and 6 vested terminated fire fighters whose pension benefits are deferred.

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. If a member is both age 50 and has completed 10 years of service but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less 20 years.

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, 2024, the State of Minnesota contributed \$45,873 in fire state aid to the plan on behalf of the Fire Department. Required employer contributions are calculated annually based on statutory provisions.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

D. PENSION COSTS

The City reported a net pension liability (asset) of \$(64,541). The City's net pension liability (asset) was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an independent actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning Balance 12/31/2023	\$ 412,104	\$ 417,935	\$ (5,831)
Changes for the Year:			
Service Cost	20,442		20,442
Interest	21,163		21,163
Contributions - Member		240	(240)
Contributions - State and Local		45,873	(45,873)
Net Investment Income		50,476	(50,476)
Benefit Payments	(18,585)	(18,585)	
Administrative Expense		(2,565)	2,565
Other		6,291	(6,291)
Net Changes	<u>23,020</u>	<u>81,730</u>	<u>(58,710)</u>
Balance End of Year 12/31/2024	<u>\$ 435,124</u>	<u>\$ 499,665</u>	<u>\$ (64,541)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2024, the City recognized pension expense of \$(31,367).

At December 31, 2024, 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	\$	\$ 41,854
Changes in Actuarial Assumptions	13,392	12,379
Net Differences Between Projected and Actual Investment Earnings	17,104	
Contributions Paid to Plan Subsequent to Measurement Date	47,939	
State Aid Received for the Plan Subsequent to Measurement Date		36,099
Totals	<u>\$ 78,435</u>	<u>\$ 90,332</u>

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

D. PENSION COSTS (Cont'd)

\$47,939 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, 2025. \$36,099 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2025	\$ 429
2026	(1,784)
2027	4,737
2028	(11,949)
2029	(6,149)
Thereafter	(9,021)

E. ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for retirement is 50% of active members will retire when reaching retirement eligibility (later of age 50 and 20 years of service); then 50% retire each subsequent year until 100% retirement at the earlier of age 65 or 30 years of service.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2023, to December 31, 2023.

There were no changes in assumptions for 2024.

F. DISCOUNT RATE

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

G. PENSION LIABILITY (ASSET) SENSITIVITY

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

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

G. PENSION LIABILITY (ASSET) SENSITIVITY (Cont'd)

	1% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
City's Net Pension Liability (Asset)	\$ (52,166)	\$ (64,541)	\$ (76,344)

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	Long-Term Expected Real Rate of Return
Domestic Equity	43.00%	4.91%
International Equity	5.00%	5.32%
Fixed income	25.00%	2.30%
Real estate and alternatives	1.00%	3.79%
Cash and equivalents	26.00%	0.77%
	100.00%	

There were no significant changes to their plan investment during the year.

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, 2024

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). These plan provisions are established and administered in accordance with Minnesota Statutes, Chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. 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):

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

GERP Benefits:

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.20% of the highest average salary for each of the first 10 years of service and 1.70% for each additional year. Under the Level formula, General Plan members receive 1.70% of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.50%. The 2024 annual increase was 1.50%. 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 prorated increase.

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% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$27,632. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2024, the City reported a liability of \$168,223 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 \$4,350. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.0046% at the end of the measurement period and 0.0045% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 168,223
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the City	<u>4,350</u>
Total	<u>\$ 172,573</u>

There were no provision changes during the measurement period.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

For the year ended December 31, 2024, the City recognized pension expense of \$8,694 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$117 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$7,740 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 15,787	\$
Changes in Actuarial Assumptions	740	63,343
Net Collective Difference Between Projected and Actual Investment Earnings		59,208
Changes in Proportion	20,034	8,541
Contributions Paid to PERA Subsequent to Measurement Date	<u>13,122</u>	
Totals	<u>\$ 49,683</u>	<u>\$ 131,092</u>

The \$13,122 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, 2025. 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>	
2025	\$	(59,253)
2026		(2,928)
2027		(19,316)
2028		(13,034)

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

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:

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

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the 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 7%. The 7% 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 investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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 27 years of service.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

The following changes in actuarial assumptions occurred in 2024:

GERP

Changes in Actuarial Assumptions:

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

F. ACTUARIAL METHODS AND ASSUMPTIONS (Cont'd)

Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2024 was 7.0 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 Plan 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.

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	6.00%	\$ 367,426
Current Discount Rate	7.00%	168,223
1% Higher	8.00%	4,360

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.

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11. FUND BALANCE

The following is a summary of fund balance components:

	General	Local Option Sales Tax	Fire Protection	2016A Improvement Bond
Nonspendable				
Prepaid Items	\$ 6,413	\$	\$ 3,942	\$
Land Held for Resale	251,587			
Total Nonspendable	258,000	0	3,942	0
Restricted for				
Debt Service				461,266
Tax Increment Lawful Purposes				
Total Restricted	0	0	0	461,266
Committed				
Fire Department				
Truck Replacement			312,609	
Building Fund			9,242	
Capital Equipment			60,529	
Total Committed	0	0	382,380	0
Assigned				
Public Works	174,112			
Parks	17,432			
Downtown Park	27,700			
Westside Park	6,100			
First Responder	30,000			
Library	30,000			
Equipment	23,371			
Fund Operations		1,227,525	97,506	
Total Assigned	308,715	1,227,525	97,506	0
Unassigned	1,982,905			
Totals	\$ 2,549,620	\$ 1,227,525	\$ 483,828	\$ 461,266

CITY OF SPICER, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11. FUND BALANCE (Cont'd)

	2022A G.O. Improvement Bond	Nonmajor Governmental Funds	Total
Nonspendable			
Prepaid Items	\$	\$ 1,255	\$ 11,610
Land Held for Resale			251,587
Total Nonspendable	0	1,255	263,197
Restricted for			
Debt Service	95,345	170,741	727,352
Tax Increment		492,384	492,384
Lawful Purposes		32,514	32,514
Total Restricted	95,345	695,639	1,252,250
Committed			
Fire Department			
Truck Replacement			312,609
Building Fund			9,242
Capital Equipment			60,529
Total Committed	0	0	382,380
Assigned			
Public Works			174,112
Parks			17,432
Downtown Park			27,700
Westside Park			6,100
First Responder			30,000
Library			30,000
Equipment			23,371
Fund Operations		1,623,004	2,948,035
Total Assigned	0	1,623,004	3,256,750
Unassigned			
			1,982,905
Totals	\$ 95,345	\$ 2,319,898	\$ 7,137,482

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, 2024

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
O'Neils of Spicer LLC	Redevelopment Project	52%	\$ 21,784

NOTE 14. ACCOUNTING CHANGES AND ERROR CORRECTIONS

A. CHANGES WITHIN THE REPORTING ENTITY

During the fiscal year ended December 31, 2024, the 4th & Manitoba Project Fund, which was reported as a major fund in fiscal year 2023, no longer meets the criteria for major fund reporting and is now included in the nonmajor funds column. This change reflects a decrease in the fund's relative financial activity and size.

NOTE 15. COMMITMENTS

The City has active construction projects, including the following:

	Original Contract	Remaining
4th & Manitoba Improvements	\$ 2,556,591	\$ 22,483
HWY 23 Electronic Sign	80,957	40,479

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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, 2024

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, 2024	0.0046%	\$ 168,223	\$ 4,350	\$ 172,573	\$ 386,890	44.61%	89.08%
June 30, 2023	0.0045%	251,635	7,051	258,686	361,769	71.51%	83.10%
June 30, 2022	0.0041%	324,721	9,474	334,195	310,633	107.59%	76.67%
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%

See Accompanying Notes to the Required Supplementary Information

CITY OF SPICER, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2024

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>					
12/31/2024	\$ 27,632	\$ 27,632	\$	\$ 368,432	7.50%
12/31/2023	28,332	28,332		377,765	7.50%
12/31/2022	25,731	25,731		343,080	7.50%
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%

CITY OF SPICER, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024

	Measurement Date									
	December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service Cost	\$ 20,442	\$ 25,326	\$ 24,769	\$ 24,891	\$ 24,284	\$ 15,535	\$ 15,119	\$ 14,096	\$ 13,339	\$ 12,982
Interest	21,163	17,812	17,675	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		(25,638)		(30,901)		(6,400)		(13,736)		
Change in Assumptions		(15,947)		16,708		9,801		3,022	(2,958)	
Benefit Payments	(18,585)	(18,848)	(60,323)	(42,716)	(28,300)	(1,962)		(36,880)	(40,000)	
Net Change in Total Pension Liability	23,020	(17,295)	(17,879)	(9,026)	18,387	123,899	32,193	(15,895)	(12,183)	29,833
Total Pension Liability - Beginning of Year	412,104	429,399	447,278	456,304	437,917	314,018	281,825	297,720	309,903	280,070
Total Pension Liability - End of Year	<u>\$ 435,124</u>	<u>\$ 412,104</u>	<u>\$ 429,399</u>	<u>\$ 447,278</u>	<u>\$ 456,304</u>	<u>\$ 437,917</u>	<u>\$ 314,018</u>	<u>\$ 281,825</u>	<u>\$ 297,720</u>	<u>\$ 309,903</u>
Contributions - Donations and Other Income	\$	\$	\$ 9,273	\$	\$	\$	\$	\$	\$	\$
Contributions - State and Local	45,873	32,635	27,724	41,650	26,396	25,083	24,612	27,772	26,931	33,877
Contributions - Member	240					90				
Net Investment Income	50,476	(63,515)	45,385	10,147	53,682	(23,276)	40,921	10,165	(8,416)	5,261
Benefit Payments	(18,585)	(18,848)	(60,323)	(42,716)	(28,300)	(1,962)		(36,880)	(40,000)	
Administrative Expense	(2,565)	(7,725)	(8,706)	(12,636)	(3,800)	(8,003)	(1,303)	(3,792)	(3,570)	(2,480)
Other	6,291	1,000		2,465						
Net Change in Plan Fiduciary Net Position	81,730	(56,453)	13,353	(1,090)	47,978	(8,068)	64,230	(2,735)	(25,055)	36,658
Total Plan Fiduciary Net Position - Beginning of Year	417,935	474,388	461,035	462,125	414,147	422,215	357,985	360,720	385,775	349,117
Total Plan Fiduciary Net Position - End of Year	<u>\$ 499,665</u>	<u>\$ 417,935</u>	<u>\$ 474,388</u>	<u>\$ 461,035</u>	<u>\$ 462,125</u>	<u>\$ 414,147</u>	<u>\$ 422,215</u>	<u>\$ 357,985</u>	<u>\$ 360,720</u>	<u>\$ 385,775</u>
City's Net Pension Liability (Asset) - End of Year	<u>\$ (64,541)</u>	<u>\$ (5,831)</u>	<u>\$ (44,989)</u>	<u>\$ (13,757)</u>	<u>\$ (5,821)</u>	<u>\$ 23,770</u>	<u>\$ (108,197)</u>	<u>\$ (76,160)</u>	<u>\$ (63,000)</u>	<u>\$ (75,872)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	115%	101%	110%	103%	101%	95%	134%	127%	121%	124%

See Accompanying Notes to the Required Supplementary Information

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2024 Changes:

The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes:

An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.

The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes:

There have been no changes since the prior valuation.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

2018 Changes: (Cont'd)

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

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

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

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

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

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

2024 Changes:

There have been no changes since the prior valuation.

2023 Changes:

There have been no changes since the prior valuation.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

2022 Changes:

There have been no changes since the prior valuation.

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.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2024 Changes:

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

2024 Changes: (Cont'd)

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions made with respect to missing participant data.

2023 Changes:

The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 Changes:

The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

2020 Changes: (Cont'd)

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

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

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

2019 Changes:

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

2018 Changes:

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 Changes:

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

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

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

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

2024 Changes:

There have been no changes since the prior valuation.

2023 Changes:

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

The mortality assumptions were updated from the rates used in the July 1, 2021 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.

The inflation assumption increased from 2.25% to 2.50%.

2022 Changes:

There have been no changes since the prior valuation.

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%.

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.

CITY OF SPICER, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

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

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

2019 Changes: (Cont'd)

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, 2024

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and Investments	\$ 1,431,921	\$ 169,702	\$ 728,160	\$ 2,329,783
Receivables				
Accounts	13,513			13,513
Special Assessments		56,039		56,039
Loans	25,146			25,146
Leases	7,777			7,777
Due from Other Governments		1,039		1,039
Land Held for Resale	18,017			18,017
Prepaid Items	1,255			1,255
	<u>1,497,629</u>	<u>226,780</u>	<u>728,160</u>	<u>2,452,569</u>
Total Assets	<u>\$ 1,497,629</u>	<u>\$ 226,780</u>	<u>\$ 728,160</u>	<u>\$ 2,452,569</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 30,387	\$	\$ 2,281	\$ 32,668
Contracts Payable			22,483	22,483
Accrued Salaries	318			318
Due to Other Funds	13,313			13,313
Due to Other Governments	73			73
Total Liabilities	<u>44,091</u>	<u>0</u>	<u>24,764</u>	<u>68,855</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Special Assessments		56,039		56,039
Leases	7,777			7,777
Total Deferred Inflows of Resources	<u>7,777</u>	<u>56,039</u>	<u>0</u>	<u>63,816</u>
Fund Balance				
Nonspendable	1,255			1,255
Restricted	524,898	170,741		695,639
Assigned	919,608		703,396	1,623,004
Total Fund Balance	<u>1,445,761</u>	<u>170,741</u>	<u>703,396</u>	<u>2,319,898</u>
	<u>\$ 1,497,629</u>	<u>\$ 226,780</u>	<u>\$ 728,160</u>	<u>\$ 2,452,569</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,497,629</u>	<u>\$ 226,780</u>	<u>\$ 728,160</u>	<u>\$ 2,452,569</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Taxes	\$ 155,594	\$ 60,701	\$	\$ 216,295
Special Assessments		20,671		20,671
Investment Income (Loss)	55,255	6,251	25,834	87,340
Miscellaneous				
Rent	9,995			9,995
Contributions and Donations	22,243			22,243
Sale of Lots	8,400			8,400
Burial Fees	1,950			1,950
Total Revenues	<u>253,437</u>	<u>87,623</u>	<u>25,834</u>	<u>366,894</u>
EXPENDITURES				
Current				
Public Works			15,078	15,078
Culture and Recreation	59,655			59,655
Cemetery	3,882			3,882
Economic Development	49,508			49,508
Debt Service				
Principal		140,000		140,000
Interest and Other Charges		23,788		23,788
Capital Outlay				
Public Works			6,975	6,975
Culture and Recreation	26,556			26,556
Cemetery	33,725			33,725
Economic Development	40,865			40,865
Total Expenditures	<u>214,191</u>	<u>163,788</u>	<u>22,053</u>	<u>400,032</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,246	(76,165)	3,781	(33,138)
OTHER FINANCING SOURCES (USES)				
Transfers In	88,657	75,982		164,639
Transfers Out	(53,541)			(53,541)
Total Other Financing Sources (Uses)	<u>35,116</u>	<u>75,982</u>	<u>0</u>	<u>111,098</u>
Net Change in Fund Balances	74,362	(183)	3,781	77,960
FUND BALANCE, BEGINNING OF YEAR AS ORIGINALLY STATED				
	1,371,399	170,924		1,542,323
Adjustments - Changes within Reporting Entity				
			699,615	699,615
FUND BALANCE, BEGINNING OF YEAR AS RESTATED				
	<u>1,371,399</u>	<u>170,924</u>	<u>699,615</u>	<u>2,241,938</u>
FUND BALANCE, END OF YEAR				
	<u>\$ 1,445,761</u>	<u>\$ 170,741</u>	<u>\$ 703,396</u>	<u>\$ 2,319,898</u>

CITY OF SPICER, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2024

	Cemetery	Dethlefs	Business Revolving	Beautification	Gambling	Economic Development	EDA Business Revolving Loan
ASSETS							
Cash and Investments	\$ 51,203	\$ 35,061	\$ 174,934	\$ 22,131	\$ 32,514	\$ 98,780	\$ 285,468
Receivables							
Accounts		200					
Loans							25,146
Leases		7,777					
Land Held for Resale							
Prepaid Items	2	753				500	
	<u>2</u>	<u>753</u>				<u>500</u>	
Total Assets	<u>\$ 51,205</u>	<u>\$ 43,791</u>	<u>\$ 174,934</u>	<u>\$ 22,131</u>	<u>\$ 32,514</u>	<u>\$ 99,280</u>	<u>\$ 310,614</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$	\$ 8,395	\$	\$ 208	\$	\$	\$
Accrued Salaries		318					
Due to Other Funds							
Due to Other Governments		73					
Total Liabilities	<u>0</u>	<u>8,786</u>	<u>0</u>	<u>208</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources							
Unavailable Revenue - Leases		7,777					
Fund Balance							
Nonspendable	2	753				500	
Restricted					32,514		
Assigned	51,203	26,475	174,934	21,923		98,780	310,614
Total Fund Balance	<u>51,205</u>	<u>27,228</u>	<u>174,934</u>	<u>21,923</u>	<u>32,514</u>	<u>99,280</u>	<u>310,614</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 51,205</u>	<u>\$ 43,791</u>	<u>\$ 174,934</u>	<u>\$ 22,131</u>	<u>\$ 32,514</u>	<u>\$ 99,280</u>	<u>\$ 310,614</u>

CITY OF SPICER, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2024

	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 15	Total
ASSETS						
Cash and Investments	\$ 235,679	\$	\$ 121,439	\$ 374,712	\$	\$ 1,431,921
Receivables						
Accounts					13,313	13,513
Loans						25,146
Leases						7,777
Land Held for Resale		18,017				18,017
Prepaid Items						1,255
Total Assets	\$ 235,679	\$ 18,017	\$ 121,439	\$ 374,712	\$ 13,313	\$ 1,497,629
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$	\$	\$ 21,784	\$	\$	\$ 30,387
Accrued Salaries						318
Due to Other Funds					13,313	13,313
Due to Other Governments						73
Total Liabilities	0	0	21,784	0	13,313	44,091
Deferred Inflows of Resources						
Unavailable Revenue - Leases						7,777
Fund Balance						
Nonspendable						1,255
Restricted		18,017	99,655	374,712		524,898
Assigned	235,679					919,608
Total Fund Balance	235,679	18,017	99,655	374,712	0	1,445,761
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 235,679	\$ 18,017	\$ 121,439	\$ 374,712	\$ 13,313	\$ 1,497,629

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2024

	Cemetery	Dethlefs	Business Revolving	Beautification	Gambling	Economic Development	EDA Business Revolving Loan
REVENUES							
Taxes	\$	\$	\$	\$	\$	\$	\$
Investment Income (Loss)	1,552		6,196	383	1,152	4,789	14,874
Miscellaneous							
Rent		9,995					
Contributions and Donations		1,130		21,113			
Sale of Lots	8,400						
Burial Fees	1,950						
Total Revenues	<u>11,902</u>	<u>11,125</u>	<u>6,196</u>	<u>21,496</u>	<u>1,152</u>	<u>4,789</u>	<u>14,874</u>
EXPENDITURES							
Current							
Culture and Recreation		40,979		18,676			
Cemetery	3,882						
Economic Development						5,510	39,999
Capital Outlay							
Culture and Recreation		6,762		19,794			
Cemetery	33,725						
Economic Development						19,081	
Total Expenditures	<u>37,607</u>	<u>47,741</u>	<u>0</u>	<u>38,470</u>	<u>0</u>	<u>24,591</u>	<u>39,999</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,705)	(36,616)	6,196	(16,974)	1,152	(19,802)	(25,125)
OTHER FINANCING SOURCES (USES)							
Transfer In	5,000	63,657		20,000			
Transfers Out							
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>63,657</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(20,705)	27,041	6,196	3,026	1,152	(19,802)	(25,125)
FUND BALANCE, BEGINNING OF YEAR	71,910	187	168,738	18,897	31,362	119,082	335,739
FUND BALANCE, END OF YEAR	<u>\$ 51,205</u>	<u>\$ 27,228</u>	<u>\$ 174,934</u>	<u>\$ 21,923</u>	<u>\$ 32,514</u>	<u>\$ 99,280</u>	<u>\$ 310,614</u>

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2024

	EDA Housing Loan	Tax Increment No. 1	Tax Increment No. 11	Tax Increment No. 12	Tax Increment No. 13	Tax Increment No. 15	Total
REVENUES							
Taxes	\$	\$	\$ 42,082	\$ 59,619	\$ 53,893	\$	\$ 155,594
Investment Income (Loss)	10,436		3,307	11,919	647		55,255
Miscellaneous							
Rent							9,995
Contributions and Donations							22,243
Sale of Lots							8,400
Burial Fees							1,950
Total Revenues	<u>10,436</u>	<u>0</u>	<u>45,389</u>	<u>71,538</u>	<u>54,540</u>	<u>0</u>	<u>253,437</u>
EXPENDITURES							
Current							
Culture and Recreation							59,655
Cemetery							3,882
Economic Development			1,499	1,501	999		49,508
Capital Outlay							
Culture and Recreation							26,556
Cemetery							33,725
Economic Development			21,784				40,865
Total Expenditures	<u>0</u>	<u>0</u>	<u>23,283</u>	<u>1,501</u>	<u>999</u>	<u>0</u>	<u>214,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,436	0	22,106	70,037	53,541	0	39,246
OTHER FINANCING SOURCES (USES)							
Transfer In							88,657
Transfers Out					(53,541)		(53,541)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(53,541)</u>	<u>0</u>	<u>35,116</u>
Net Change in Fund Balances	10,436	0	22,106	70,037	0	0	74,362
FUND BALANCE, BEGINNING OF YEAR	<u>225,243</u>	<u>18,017</u>	<u>77,549</u>	<u>304,675</u>			<u>1,371,399</u>
FUND BALANCE, END OF YEAR	<u>\$ 235,679</u>	<u>\$ 18,017</u>	<u>\$ 99,655</u>	<u>\$ 374,712</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,445,761</u>

CITY OF SPICER, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2024

	2012A Improvement Bond
ASSETS	
Cash and Investments	\$ 169,702
Receivables	
Special Assessments	56,039
Due from Other Governments	1,039
Total Assets	\$ 226,780
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Deferred Inflows of Resources	
Unavailable Revenue	
Special Assessments	\$ 56,039
Fund Balance	
Restricted	170,741
Total Deferred Inflows of Resources and Fund Balance	\$ 226,780

CITY OF SPICER, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2024

	2012A Improvement Bond	2017A G.O. Bond	Total
REVENUES			
Taxes	\$ 56,510	\$ 4,191	\$ 60,701
Special Assessments	20,671		20,671
Investment Income (Loss)	6,251		6,251
Total Revenues	<u>83,432</u>	<u>4,191</u>	<u>87,623</u>
EXPENDITURES			
Debt Service			
Principal	75,000	65,000	140,000
Interest and Other Charges	8,561	15,227	23,788
Total Expenditures	<u>83,561</u>	<u>80,227</u>	<u>163,788</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129)	(76,036)	(76,165)
OTHER FINANCING SOURCES (USES)			
Transfers In		75,982	75,982
Net Change in Fund Balance	<u>(129)</u>	<u>(54)</u>	<u>(183)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>170,870</u>	<u>54</u>	<u>170,924</u>
FUND BALANCE, END OF YEAR	<u>\$ 170,741</u>	<u>\$ 0</u>	<u>\$ 170,741</u>

CITY OF SPICER, MINNESOTA

BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2024

(Formerly Major)
 4th &
 Manitoba
 Project

ASSETS

Cash and Investments

\$ 728,160

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable

\$ 2,281

Contracts Payable

22,483

Total Liabilities

24,764

Fund Balance

Assigned

703,396

Total Fund Balance

703,396

Total Liabilities and Fund Balance

\$ 728,160

CITY OF SPICER, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2024

	<u>Erickson Memorial Trust</u>	<u>Edward H. Dethlefs Trust</u>	<u>Total</u>
ASSETS			
Cash and Investments	<u>\$ 88,795</u>	<u>\$ 279,715</u>	<u>\$ 368,510</u>
NET POSITION			
Held in Trust for Culture and Recreation Improvements	<u>\$ 88,795</u>	<u>\$ 279,715</u>	<u>\$ 368,510</u>

CITY OF SPICER, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2024

	Erickson Memorial Trust	Edward H. Dethlefs Trust	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Investment Income (Loss)	\$ 3,145	\$ 10,914	\$ 14,059
DEDUCTIONS			
Books	<u>6,000</u>		<u>6,000</u>
Change in Net Position	(2,855)	10,914	8,059
NET POSITION, BEGINNING OF YEAR	<u>91,650</u>	<u>268,801</u>	<u>360,451</u>
NET POSITION, END OF YEAR	<u><u>\$ 88,795</u></u>	<u><u>\$ 279,715</u></u>	<u><u>\$ 368,510</u></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, 2024, 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 June 3, 2025.

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, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

June 3, 2025

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

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

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

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

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spicer, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2025.

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 2024-001 that we consider to be a significant deficiency.

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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

June 3, 2025

CITY OF SPICER, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2024

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

FINDING: 2024-001 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:
Jen Beckler, City Administrator

Planned Completion Date for CAP:
December 31, 2025

Plan to Monitor Completion of CAP:
City Council

CITY OF SPICER, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2024

<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:				
2023-001	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2024-001
2023-002	Auditor Prepared Financial Statements	Corrected	2006	