

**CITY OF RICE, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**SCHLENNER WENNER & CO.**  
**Certified Public Accountants**  
**& Business Consultants**

**CITY OF RICE, MINNESOTA**

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**INTRODUCTORY  
SECTION**

**CITY OF RICE, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**CITY COUNCIL**

		<u>Term Expires</u>
Brian Skroch	Mayor	December 31, 2020
Bryan Anderson	Council Member	December 31, 2020
Paula Kampa	Council Member	December 31, 2022
Chris Scheel	Council Member	December 31, 2020
Emily Walters	Council Member	December 31, 2020

**CITY OFFICIALS**

Julie Fandel	City Clerk	Appointed
Vacant Position	City Treasurer	Appointed

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Rice, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Rice, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor, as described in Note 1.C. Management is also responsible 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**St. Cloud**  
320.251.0286

**Little Falls**  
320.632.6311

**Albany**  
320.845.2940

**Maple Lake**  
320.963.5414

**Monticello**  
763.295.5070

## **Opinions**

### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1.C. of the financial statements, the financial statements are prepared by the City of Rice, Minnesota, on the basis of the financial reporting provisions prescribed by the State of Minnesota's Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Minnesota.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Rice, Minnesota, as of December 31, 2020, or the results of its operations or cash flows for the year then ended.

### *Unmodified Opinion on Regulatory Basis*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Rice, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor described in Note 1.C.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

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

The introductory section, budgetary comparison schedules, combining nonmajor funds financial statements, schedules of indebtedness, accounts receivable, and accounts payable and contingent liabilities have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021 on our consideration of the City of Rice'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 of Rice'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 of Rice's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schlenger Wenner & Co.".

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

March 29, 2021



## **BASIC FINANCIAL STATEMENTS**

**CITY OF RICE, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

**ASSETS**

Cash, Cash Equivalents, and Time Deposits

**CASH FUND BALANCES**

Restricted  
 Committed  
 Assigned  
 Unassigned

	General Fund	Revolving Loan		Utility		Nonmajor		Nonmajor		Total	
		Fund		Improvements	Special Revenue	Tax Increment	Governmental	Funds			
\$	391,815	\$	386,461	\$	306,986	\$	152,477	\$	29,651	\$	1,267,390
\$	-	\$	386,461	\$	-	\$	-	\$	29,651	\$	416,112
	75,023		-		306,986		105,876		-		487,885
	-		-		-		55,004		-		55,004
	316,792		-		-		(8,403)		-		308,389
\$	391,815	\$	386,461	\$	306,986	\$	152,477	\$	29,651	\$	1,267,390

**TOTAL CASH FUND BALANCES**

**CITY OF RICE, MINNESOTA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

**RECEIPTS**

	General Fund	Revolving Loan Fund	Utility Improvements Fund	Nonmajor Special Revenue Governmental Funds	Nonmajor Tax Increment District No. 8 Fund	Total Governmental Funds
Property Taxes	\$ 527,644	\$ -	\$ -	\$ 19,658	\$ -	\$ 547,302
Tax Increment	-	-	-	-	28,426	28,426
Franchise Taxes	5,774	-	-	-	-	5,774
Special Assessments	-	-	1	-	-	1
Licenses, Permits, and Fees	84,085	-	-	-	-	84,085
Intergovernmental	363,954	-	-	-	-	363,954
Charges for Services	117,028	-	-	1,363	-	118,391
Fines	3,134	-	-	-	-	3,134
Interest Income	3,500	2,947	-	198	-	6,645
Loan Repayment	-	119,589	-	-	-	119,589
Miscellaneous	87,856	-	-	8,563	-	96,419
<b>TOTAL RECEIPTS</b>	<b>1,192,975</b>	<b>122,536</b>	<b>1</b>	<b>29,782</b>	<b>28,426</b>	<b>1,373,720</b>

**DISBURSEMENTS**

Current:						
General Government	294,717	-	-	-	-	294,717
Public Safety	549,994	-	-	-	-	549,994
Public Works	94,737	-	-	-	-	94,737
Parks and Recreation	15,891	-	-	10,548	-	26,439
Economic Development	980	130,991	-	-	25,534	157,505
Capital Outlay	78,529	-	-	99,704	-	178,233
Debt Service:						
Principal	25,000	-	-	-	-	25,000
Interest and Other Charges	1,500	-	-	-	-	1,500
<b>TOTAL DISBURSEMENTS</b>	<b>1,061,348</b>	<b>130,991</b>	<b>-</b>	<b>110,252</b>	<b>25,534</b>	<b>1,328,125</b>

**CITY OF RICE, MINNESOTA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES (CONTINUED)**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	General Fund	Revolving Loan Fund	Utility Improvements Fund	Nonmajor Special Revenue Governmental Funds	Nonmajor Tax Increment District No. 8 Fund	Total Governmental Funds
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	131,627	(8,455)	1	(80,470)	2,892	45,595
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	4,770	-	4,770
Transfers Out	(4,770)	-	-	-	-	(4,770)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(4,770)	-	-	4,770	-	-
<b>NET CHANGE IN CASH FUND BALANCES</b>	126,857	(8,455)	1	(75,700)	2,892	45,595
<b>CASH FUND BALANCES - BEGINNING</b>	264,958	394,916	306,985	228,177	26,759	1,221,795
<b>CASH FUND BALANCES - ENDING</b>	\$ 391,815	\$ 386,461	\$ 306,986	\$ 152,477	\$ 29,651	\$ 1,267,390

See accompanying notes.

**CITY OF RICE, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2020**

	Water Fund	Sewer Fund	Nonmajor Storm Water Fund	Totals
<b>ASSETS</b>				
Current Assets				
Cash, Cash Equivalents, and Time Deposits	\$ 1,386,493	\$ 1,063,541	\$ 21,821	\$ 2,471,855
Accounts Receivable	22,269	20,095	1,941	44,305
Prepays	299	396	-	695
Total Current Assets	1,409,061	1,084,032	23,762	2,516,855
Noncurrent Assets				
Capital Assets Not Being Depreciated	24,300	162,336	-	186,636
Capital Assets Being Depreciated (Net)	469,557	1,270,430	-	1,739,987
Total Noncurrent Assets	493,857	1,432,766	-	1,926,623
<b>TOTAL ASSETS</b>	1,902,918	2,516,798	23,762	4,443,478
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	4,873	6,245	-	11,118
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	2,075	906	-	2,981
Salaries Payable	1,689	2,312	-	4,001
Accrued Interest	-	1,991	-	1,991
Compensated Absences Due Within One Year	4,447	5,862	-	10,309
Bonds Due Within One Year	-	67,000	-	67,000
Total Current Liabilities	8,211	78,071	-	86,282
Noncurrent Liabilities				
Bonds Due After One Year	-	209,000	-	209,000
Net Pension Liability	40,276	51,550	-	91,826
Total Noncurrent Liabilities	40,276	260,550	-	300,826
<b>TOTAL LIABILITIES</b>	48,487	338,621	-	387,108
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	1,617	2,069	-	3,686
<b>NET POSITION</b>				
Net Investment in Capital Assets	493,857	1,156,766	-	1,650,623
Unrestricted	1,363,830	1,025,587	23,762	2,413,179
<b>TOTAL NET POSITION</b>	<u>\$ 1,857,687</u>	<u>\$ 2,182,353</u>	<u>\$ 23,762</u>	<u>\$ 4,063,802</u>

**CITY OF RICE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Water Fund	Sewer Fund	Nonmajor Storm Water Fund	Totals
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 305,442	\$ 251,366	\$ 24,555	\$ 581,363
<b>OPERATING EXPENSES</b>				
Wages and Benefits	70,430	81,055	-	151,485
Materials and Supplies	15,808	13,495	-	29,303
Repairs and Maintenance	10,575	46,367	-	56,942
Professional Services	7,490	7,786	793	16,069
Insurance	3,201	2,707	-	5,908
Utilities	16,756	10,422	-	27,178
Miscellaneous	10,529	5,056	-	15,585
Depreciation	39,723	91,744	-	131,467
<b>TOTAL OPERATING EXPENSES</b>	<u>174,512</u>	<u>258,632</u>	<u>793</u>	<u>433,937</u>
<b>NET OPERATING INCOME (LOSS)</b>	130,930	(7,266)	23,762	147,426
<b>NONOPERATING INCOME (EXPENSE)</b>				
Taxes	735	-	-	735
Special Assessments	1,022	1,022	-	2,044
Intergovernmental	108	139	-	247
Connection Fees	79,120	112,840	-	191,960
Investment Income	7,684	7,684	-	15,368
Miscellaneous	13	-	-	13
Interest and Other Charges	-	(6,296)	-	(6,296)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<u>88,682</u>	<u>115,389</u>	<u>-</u>	<u>204,071</u>
<b>CHANGE IN NET POSITION</b>	219,612	108,123	23,762	351,497
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,638,075</u>	<u>2,074,230</u>	<u>-</u>	<u>3,712,305</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,857,687</u>	<u>\$ 2,182,353</u>	<u>\$ 23,762</u>	<u>\$ 4,063,802</u>

**CITY OF RICE, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Water Fund	Sewer Fund	Nonmajor Storm Water Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 296,505	\$ 258,312	\$ 22,614	\$ 577,431
Cash Paid to Suppliers	(65,008)	(86,168)	(793)	(151,969)
Cash Paid to Employees	(73,329)	(83,689)	-	(157,018)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	158,168	88,455	21,821	268,444
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes and Intergovernmental	843	139	-	982
Other Receipts from Customers	79,133	112,840	-	191,973
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	79,976	112,979	-	192,955
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special Assessments	1,022	1,022	-	2,044
Purchases of Capital Assets	(29,367)	(33,277)	-	(62,644)
Payments on Bond Principal	-	(66,000)	-	(66,000)
Cash Paid for Interest	-	(6,772)	-	(6,772)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(28,345)	(105,027)	-	(133,372)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	7,684	7,684	-	15,368
Net Change in Cash and Cash Equivalents	217,483	104,091	21,821	343,395
Cash and Cash Equivalents - Beginning of Year	1,169,010	959,450	-	2,128,460
Cash and Cash Equivalents - End of Year	<u>\$ 1,386,493</u>	<u>\$ 1,063,541</u>	<u>\$ 21,821</u>	<u>\$ 2,471,855</u>

See accompanying notes.

**CITY OF RICE, MINNESOTA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Water Fund	Sewer Fund	Nonmajor Storm Water Fund	Totals
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Net Operating Income (Loss)	\$ 130,930	\$ (7,266)	\$ 23,762	\$ 147,426
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation Expense	39,723	91,744	-	131,467
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(8,937)	6,946	(1,941)	(3,932)
Prepays	282	214	-	496
Accounts Payable	(931)	(549)	-	(1,480)
Salaries Payable	(2,539)	(2,614)	-	(5,153)
Net Pension Liability	4,161	5,955	-	10,116
Deferred Outflows of Resources - Pensions	(206)	(326)	-	(532)
Deferred Inflows of Resources - Pensions	(4,735)	(5,951)	-	(10,686)
Compensated Absences	420	302	-	722
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 158,168</u>	<u>\$ 88,455</u>	<u>\$ 21,821</u>	<u>\$ 268,444</u>



**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Rice, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota's Office of the State Auditor. See Note 1.C. for additional information.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, storm water, recreation, public improvements, public safety, planning and zoning, and general administrative services.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is comprised of the primary governmental unit of the City of Rice, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**1.B. BASIS OF PRESENTATION**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

The *Revolving Loan Fund* is a special revenue fund used to account for the proceeds of a grant under the Small Cities Development Program that is restricted to providing economic development loans, as well as the activity of a Minnesota Investment Fund loan.

The *Utility Improvements Fund* is a special revenue fund used to account for the proceeds of financial resources that are committed to providing for improvements in the City's water, sewer, and storm water systems.

The City reports the following major proprietary funds:

The *Water Fund* is used to account for business-like activities related to the water system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The *Sewer Fund* is used to account for business-like activities related to the sewer system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the government reports the following nonmajor governmental fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Tax Increment District No. 8 Fund* accounts for the inflows and outflows related to a tax increment financing agreement with a local entity.

The *Storm Water Fund* is used to account for business-like activities related to the storm sewer system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements have been prepared on the regulatory basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory basis of accounting:

- In the governmental fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America.
- The proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used and are presented in accordance with accounting principles generally accepted in the United States of America.

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities, and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting.

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.D. USE OF ESTIMATES**

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources, and disclosure of contingent assets, liabilities, and deferred outflows/inflows of resources at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Cash, Cash Equivalents, and Time Deposits**

For purposes of the Statement of Balances Arising from Cash Transactions and the proprietary funds Statement of Net Position and Statement of Cash Flows, "cash, cash equivalents, and time deposits" include all demand and savings accounts, and certificates of deposit. Certificates of deposit are stated at cost, which approximates fair value.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Time Deposits.

**Receivables**

In the fund financial statements, no receivables are recorded in governmental funds. In the proprietary funds, material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

**Prepays**

Prepays represent costs paid that relate to future periods.

**Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations as follows:

**Governmental Statements**

Capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Proprietary Statements**

In the proprietary financial statements, capital acquisitions are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

**Capitalization Policy**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The City maintains a threshold of \$2,000 or more for capitalizing capital assets. The system for accumulation of capital assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful lives of the assets using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Equipment	5-10 years
Buildings	10-40 years

**Accounts Payable**

Payables in the proprietary funds are composed almost entirely of payables to vendors.

**Compensated Absences**

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave. All vacation pay is accrued when incurred in the proprietary fund financial statements.

**Noncurrent Liabilities**

The accounting treatment of long-term debt depends on whether the proceeds are used in governmental fund operations or proprietary fund operations.

Governmental Funds

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

Proprietary Funds

Long-term debt of the proprietary funds is to be repaid from proprietary resources and is reported as liabilities in the Statement of Net Position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are recognized in the current period.

**Net Pension Liability**

The net pension liability represents the City's allocation of its pro-rata share of the statewide pension plans net pension liability.

PERA

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

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources in the proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

See Note 3 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

**Equity Classifications**

Governmental Funds

In the governmental fund financial statements, governmental funds report cash fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted cash fund balances, it uses restricted cash fund balances first unless unrestricted cash fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted cash fund balance classification could be used, it uses cash fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. There are no nonspendable cash fund balances at December 31, 2020.

Restricted – That portion of cash fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned – Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance amounts to the Clerk or Treasurer.

Unassigned – This classification represents cash fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The City has adopted a formal policy under which it strives to maintain a minimum unassigned General Fund cash fund balance greater than 50% of the next year's budgeted General Fund expenditures.

It is the City's policy to consider restricted cash fund balances to have been depleted before unrestricted cash fund balances is applied.

See Note 2.F. for additional disclosures.

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

Proprietary Funds

In the proprietary fund financial statements, net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.” Unrestricted net position is further split between designated and undesignated. See Note 2.G. for additional disclosures.

It is the City’s policy to use restricted cash fund balance to its depletion before unrestricted cash fund balance is applied.

**1.F. REVENUES, RECEIPTS, DISBURSEMENTS, AND EXPENSES**

**Property Tax**

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of October. The County of Benton is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected.

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

**Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund’s principal ongoing operations. Operating expenses for proprietary 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 items which include revenue and expenses related to capital and related financing, noncapital financing, or investing activities.

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. REVENUES, RECEIPTS, DISBURSEMENTS, AND EXPENSES (Continued)**

**Disbursements and Expenses**

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character	Current (further classified by Function) Capital Outlay Debt Service
Proprietary Funds-By Operating and Nonoperating	

In the fund financial statements, governmental funds report disbursements of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. See additional information at Note 2.E.

**NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, receipts/revenues, and disbursements/expenses.

**2.A. CASH, CASH EQUIVALENTS, AND TIME DEPOSITS**

**Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A.    CASH, CASH EQUIVALENTS, AND TIME DEPOSITS (Continued)**

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2020, the City's deposits, including money market accounts and certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance or by collateral held by the City's agent in the City's name.

The following is a summary of cash, cash equivalents, and time deposits:

General Checking	\$ 1,661,039
Money Market Savings	701,007
Petty Cash	200
Certificates of Deposit	<u>1,376,999</u>
 Total Cash, Cash Equivalents, and Time Deposits	 <u><u>\$ 3,739,245</u></u>

Cash, cash equivalents, and time deposits are included in the basic financial statements as follows:

Cash, Cash Equivalents, and Time Deposits - Statement of Balances Arising from Cash Transactions	\$ 1,267,390
Cash, Cash Equivalents, and Time Deposits - Statement of Net Position	<u>2,471,855</u>
 Total Cash, Cash Equivalents, and Time Deposits	 <u><u>\$ 3,739,245</u></u>

**2.B.    LOANS RECEIVABLE**

A loan in the amount of \$164,000 was made to a local business on June 1, 2017. Terms called for monthly principal and interest payments of approximately \$1,018 with interest at 1.50%. During 2020, the local business defaulted on the loan, causing MN DEED to restructure the loan. This restructuring added additional principal of \$88,222 due to a forgivable portion being reinstated and a new interest rate of 3.00% being retroactively applied to the loan. Under the restructured loan, the new terms call for monthly principle and interest payments of approximately \$5,213 with interest at 3.00%. The principal balance at December 31, 2020 is \$111,458. The activity for the loan is accounted for in the Revolving Loan Fund.



**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C.    CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not Being Depreciated				
Land	\$       186,636	\$               -	\$               -	\$       186,636
Capital Assets, Being Depreciated				
Equipment	141,629	29,367	-	170,996
Water Treatment Facility	1,172,212	-	-	1,172,212
Sewer Distribution System	<u>3,218,765</u>	<u>33,277</u>	<u>-</u>	<u>3,252,042</u>
Total Capital Assets				
Being Depreciated	4,532,606	62,644	-	4,595,250
Less Accumulated Depreciation for				
Equipment	86,104	12,678	-	98,782
Water Treatment Facility	706,406	34,375	-	740,781
Sewer Distribution System	<u>1,931,286</u>	<u>84,414</u>	<u>-</u>	<u>2,015,700</u>
Total Accumulated Depreciation	<u>2,723,796</u>	<u>131,467</u>	<u>-</u>	<u>2,855,263</u>
Total Capital Assets Being Depreciated, Net	<u>1,808,810</u>	<u>(68,823)</u>	<u>-</u>	<u>1,739,987</u>
Proprietary Funds				
Capital Assets, Net	<u>\$       1,995,446</u>	<u>\$       (68,823)</u>	<u>\$               -</u>	<u>\$       1,926,623</u>

Depreciation is charged to proprietary fund activities as follows:

Water Fund	\$       39,723
Sewer Fund	<u>91,744</u>
Total Depreciation Expense	<u>\$       131,467</u>

**2.D.    NONCURRENT LIABILITIES**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

Governmental Funds

General Obligation Note					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
12/12	\$ 250,000	\$25,000	2.00%	12/22	\$ 50,000
11/20	\$ 121,454	\$10,426 - \$62,559	0.00%	10/22	114,691
Total Long-Term Debt					\$ 164,691
Debt Due Within One Year					87,559
Debt Due After One Year					\$ 77,132

Proprietary Funds

General Obligation Note					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
9/04	\$ 1,153,293	\$52,673 - \$71,000	1.98%	08/24	\$ 276,000
Total General Obligation Note					\$ 276,000
Debt Due Within One Year					67,000
Debt Due After One Year					\$ 209,000

All bonds are direct obligations of the City and pledge the full faith and credit of the City.

**Changes in Noncurrent Liabilities**

The following is a summary of changes in noncurrent liabilities, excluding the net pension liability, for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Funds:</b>					
Certificate of Indebtedness	\$ 75,000	\$ -	\$ (25,000)	\$ 50,000	\$ 25,000
Note Payable	145,540	100,141	(130,990)	114,691	62,559
Total Governmental Funds	\$ 220,540	\$ 100,141	\$ (155,990)	\$ 164,691	\$ 87,559
<b>Proprietary Funds:</b>					
General Obligation Note	\$ 342,000	\$ -	\$ (66,000)	\$ 276,000	\$ 67,000

Governmental fund debt is typically funded through the General Fund and Revolving Loan Fund. Proprietary fund debt is funded through the Sewer Fund.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D.    NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements**

At December 31, 2020, the estimated annual debt service requirements to maturity including principal and interest and excluding the net pension liability are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2021	\$ 87,559	\$ 500	\$ 88,059
2022	77,132	250	77,382
Total	<u>\$ 164,691</u>	<u>\$ 750</u>	<u>\$ 165,441</u>

  

Years Ending December 31,	Proprietary Funds		
	Principal	Interest	Total
2021	\$ 67,000	\$ 5,465	\$ 72,465
2022	68,000	4,138	72,138
2023	70,000	2,792	72,792
2024	71,000	1,406	72,406
Total	<u>\$ 276,000</u>	<u>\$ 13,801</u>	<u>\$ 289,801</u>

Interest and fiscal charge expense totals \$1,500 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances-Governmental Funds. Interest expense totals \$6,296 in the Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds.

**2.E.    OPERATING TRANSFERS AND BALANCES**

Operating transfers consist of the following for the year ended December 31, 2020:

Funds	Transfers Out	Transfers In
		Nonmajor Governmental
General Fund	<u>\$ (4,770)</u>	<u>\$ 4,770</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2    DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.F.    CASH FUND BALANCES**

At December 31, 2020, governmental cash fund balances consists of the following:

	General Fund	Major Special Revenue Funds	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Governmental Funds
Restricted for:					
Debt Service	\$ -	\$ -	\$ -	\$ 29,651	\$ 29,651
Special Revenue - Revolving Loan	-	386,461	-	-	386,461
Total Restricted	-	386,461	-	29,651	416,112
Committed for:					
Police Equipment	20,309	-	-	-	20,309
Fire Equipment	24,976	-	-	-	24,976
Public Works	901	-	-	-	901
City Hall Equipment	7,937	-	-	-	7,937
Street Improvements	-	-	77,709	-	77,709
Utility Improvements	-	306,986	-	-	306,986
City of Rice Sign	-	-	5,365	-	5,365
Park Dedication	-	-	22,802	-	22,802
Parks Maintenance	900	-	-	-	900
Park Board	20,000	-	-	-	20,000
Total Committed	75,023	306,986	105,876	-	487,885
Assigned for:					
Special Revenue - Recreation	-	-	55,004	-	55,004
Unassigned	316,792	-	(8,403)	-	308,389
Total Cash Fund Balances	<u>\$ 391,815</u>	<u>\$ 693,447</u>	<u>\$ 152,477</u>	<u>\$ 29,651</u>	<u>\$ 1,267,390</u>

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2     DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.G.     DESIGNATED NET POSITION**

The City Council has designated a portion of its unrestricted proprietary fund net position. Designated amounts consist of the following:

Water Fund	
Designated for Equipment and Vehicles	\$            8,200
Undesignated	<u>1,355,630</u>
Total Water Fund Unrestricted Net Position	<u>\$        1,363,830</u>
 Sewer Fund	
Designated for Equipment and Vehicles	\$            8,200
Undesignated	<u>1,017,387</u>
Total Sewer Fund Unrestricted Net Position	<u>\$        1,025,587</u>
 Storm Water	
Undesignated	<u>\$            23,762</u>

**NOTE 3     DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**Plan Description**

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

General Employees Retirement Plan

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

**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.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3     DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January 1. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020 were \$16,047, of which \$8,475 came from the City's proprietary funds. The City's contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$173,868, of which \$91,827 was reported in the City's proprietary funds, 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 \$5,380. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0029 percent at the end of the measurement period and 0.0028 percent for the beginning of the period.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3     DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

City's proportionate share of the net pension liability	\$173,868
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>5,380</u>
Total	<u>\$179,249</u>

For the year ended December 31, 2020, the City recognized pension expense of \$16,822 for its proportionate share of the General Employees Plan's pension expense associated with the City's proprietary funds. In addition, the City recognized an additional \$468 as pension expense (and grant revenue) associated with the City's proprietary funds for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's 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	\$ 1,530	\$ 658
Changes in actuarial assumptions	-	6,320
Differences between projected and actual investment earnings	4,021	-
Changes in proportion	7,339	-
Contributions paid to PERA subsequent to the measurement date	<u>8,258</u>	<u>-</u>
Total City Deferred Outflows/Inflows	<u>\$ 21,148</u>	<u>\$ 6,978</u>
Proprietary Funds Deferred Outflows/Inflows	<u>\$ 11,118</u>	<u>\$ 3,686</u>

The \$8,258 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, of which \$4,310 was paid from proprietary funds. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (4,298)
2022	\$ 1,330
2023	\$ 4,679
2024	\$ 4,201

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 3     DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

<u>Assumptions</u>	<u>Rates</u>
Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

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

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumptions were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

**Changes in Actuarial Assumptions:**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Changes in Plan Provisions:**

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



**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3     DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)**

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 Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Privat Market)	25.0%	5.90%
Cash Equivalents	2.0%	0.00%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

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

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
Entire City	\$278,651	\$173,868	\$87,431
Proprietary Funds	\$147,166	\$91,827	\$46,176

**Pension Plan Fiduciary Net Position**

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

**CITY OF RICE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 4 OTHER NOTES**

**4.A. RISK MANAGEMENT**

**Claims and Judgements**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

**Public Health Emergency**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any significant negative effects on its operations.

**4.B. COMMITMENTS**

**Pay-as-You-Go-Tax Increment Financing**

The City has entered into a Pay-as-You-Go developer agreement to finance a tax increment project. Such projects are financed with the developers of the projects. The note is not a general obligation of the City as it is payable only to the extent of future tax increments received. As such, these obligations do not appear on the City's financial statements. At December 31, 2020, the outstanding Pay-as-You-Go debt with the developer is \$103,291. Once completed, the Developer will be reimbursed for the property, site improvements, and administrative costs in an amount not to exceed \$226,000, together with interest of 5.00%, until all costs are reimbursed by December 15, 2026.

**CITY OF RICE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4    OTHER NOTES (Continued)**

**4.C.    TAX INCREMENT FINANCING**

The City is the administering authority for the following tax increment financing district:

Name of District:	TIF 1-8 Roach Rental Townhomes
Type of District:	Housing
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2011
Duration of District:	27 Years
Original Base Net Tax Capacity:	\$ 289
Current Net Tax Capacity:	\$ 23,729
Captured Net Tax Capacity:	
Retained by City	\$ 23,440
Shared with Other Taxing Districts	\$ -
Total Notes Issued:	
Pay as you go Debt	\$ 226,000
Less: Cumulative Amounts Redeemed	(122,709)
Total Notes Outstanding-December 31, 2020	\$ 103,291

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF RICE**  
**SCHEDULE OF CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's			City's			Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)		
<b>General Employees Retirement Pension Plan</b>								
2020	0.0029%	\$ 173,868	\$ 5,380	\$ 179,248	\$ 203,987	87.9%	79.1%	
2019	0.0028%	\$ 154,806	4,833	\$ 159,639	\$ 197,920	80.7%	80.2%	
2018	0.0028%	\$ 155,333	5,110	\$ 160,443	\$ 185,107	86.7%	79.5%	
2017	0.0026%	\$ 165,982	2,089	\$ 168,071	\$ 167,673	100.2%	75.9%	
2016	0.0025%	\$ 202,988	-	\$ 202,988	\$ 157,200	129.1%	68.9%	
2015	0.0024%	\$ 124,380	-	\$ 124,380	\$ 137,373	90.5%	78.2%	

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported when they become available.

**CITY OF RICE**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>General Employees Retirement Pension Plan</i></b>					
2020	\$ 16,047	\$ 16,047	\$ -	\$ 213,960	7.5%
2019	\$ 15,095	\$ 15,095	\$ -	\$ 201,267	7.5%
2018	\$ 14,439	\$ 14,439	\$ -	\$ 192,517	7.5%
2017	\$ 13,217	\$ 13,217	\$ -	\$ 176,233	7.5%
2016	\$ 11,895	\$ 11,895	\$ -	\$ 158,600	7.5%
2015	\$ 11,259	\$ 11,259	\$ -	\$ 150,342	7.5%

Note: The schedule is provided prospectively with the City's fiscal year ending December 31, 2015 (June 30, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF RICE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF RICE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 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**

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.



**CITY OF RICE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase 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.

## **SUPPLEMENTARY INFORMATION**

**CITY OF RICE**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RECEIPTS</b>			
<b>Taxes</b>			
Property Taxes	\$ 522,005	\$ 527,465	\$ 5,460
Franchise Taxes	7,500	5,774	(1,726)
Gravel Tax	160	179	19
<b>Total Taxes</b>	529,665	533,418	3,753
<b>Licenses and Permits</b>	25,100	84,085	58,985
<b>Intergovernmental Receipts</b>			
Federal Receipts			
Coronavirus Relief Funds	-	101,785	101,785
State Receipts			
Local Government Aid	191,483	192,131	648
Market Value Credit	320	167	(153)
Police and Fire Aid	42,319	39,723	(2,596)
Other State Grants and Aids	-	12,736	12,736
Local Receipts			
Other Local Grants	17,150	17,412	262
<b>Total Intergovernmental Receipts</b>	251,272	363,954	112,682
<b>Charges for Services</b>			
General Government	8,530	6,696	(1,834)
Police and Fire Contracts	97,906	101,819	3,913
Sanitation	870	506	(364)
Parks and Recreation	4,600	7,397	2,797
Other Service Charges	800	610	(190)
<b>Total Charges for Services</b>	112,706	117,028	4,322
<b>Fines and Forfeitures</b>	8,100	3,134	(4,966)
<b>Miscellaneous Receipts</b>			
Investment Earnings	16,000	3,500	(12,500)
Contributions and Donations	2,600	11,693	9,093
Other Miscellaneous	1,800	76,163	74,363
<b>Total Miscellaneous Receipts</b>	20,400	91,356	70,956
<b>TOTAL RECEIPTS</b>	947,243	1,192,975	245,732

**CITY OF RICE**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>DISBURSEMENTS</b>			
<b>General Government</b>			
Mayor and Council	\$ 16,700	\$ 19,713	\$ 3,013
Administration and Finance	70,220	64,257	(5,963)
Other General Government	149,499	210,747	61,248
Capital Outlay	36,300	78,529	42,229
<b>Total General Government</b>	272,719	373,246	100,527
<b>Public Safety</b>			
Police			
Current	231,645	267,281	35,636
Capital Outlay	12,000	-	(12,000)
Fire			
Current	161,636	185,990	24,354
Capital Outlay	23,000	-	(23,000)
Other Public Safety			
Current	16,000	96,723	80,723
<b>Total Public Safety</b>	444,281	549,994	105,713
<b>Public Works</b>			
Street Maintenance and Storm Sewers	41,716	29,331	(12,385)
Snow and Ice Removal	55,600	46,037	(9,563)
Street Lighting	21,000	19,369	(1,631)
Capital Outlay - Other	1,600	-	(1,600)
<b>Total Public Works</b>	119,916	94,737	(25,179)
<b>Culture and Recreation</b>			
Parks and Recreation			
Current	18,709	15,891	(2,818)
Capital Outlay	1,600	-	(1,600)
<b>Total Culture and Recreation</b>	20,309	15,891	(4,418)
<b>Housing and Economic Development</b>			
Economic Development			
Current	855	980	125
<b>Debt Service</b>			
Principal Payments on Bonds	25,000	25,000	-
Interest and Other Fiscal Charges	1,500	1,500	-
<b>Total Debt Service</b>	26,500	26,500	-
<b>TOTAL DISBURSEMENTS</b>	884,580	1,061,348	176,768

**CITY OF RICE**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	\$ 62,663	\$ 131,627	\$ 68,964
<b>OTHER FINANCING USES</b>			
Transfers			
To Other Funds	-	(4,770)	(4,770)
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ 62,663</u>	126,857	<u>\$ 64,194</u>
<b>CASH FUND BALANCE - BEGINNING</b>		<u>264,958</u>	
<b>CASH FUND BALANCE - ENDING</b>		<u>\$ 391,815</u>	

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

Note 1 – Expenditures in Excess of Budget

Actual expenditures in the General Fund of \$1,061,348 exceeded the final budgeted expenditures by \$176,768 for the current year. This is primarily due to increased costs of supplies purchased with CARES funds for COVID readiness.

**CITY OF RICE**  
**BUDGETARY COMPARISON SCHEDULE – REVOLVING LOAN FUND**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RECEIPTS</b>			
<b>Miscellaneous Receipts</b>			
Investment Earnings	\$ 5,000	\$ 2,947	\$ (2,053)
Loan Collections	12,216	119,589	107,373
<b>Total Miscellaneous Receipts</b>	<u>17,216</u>	<u>122,536</u>	<u>105,320</u>
<b>TOTAL RECEIPTS</b>	17,216	122,536	105,320
<b>DISBURSEMENTS</b>			
<b>Housing and Economic Development</b>			
Economic Development			
Current	<u>11,500</u>	<u>130,991</u>	<u>119,491</u>
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ 5,716</u>	(8,455)	<u>\$ (14,171)</u>
<b>CASH FUND BALANCE - BEGINNING</b>		<u>394,916</u>	
<b>CASH FUND BALANCE - ENDING</b>		<u>\$ 386,461</u>	

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE – REVOLVING LOAN FUND**

Note 1 – Expenditures in Excess of Budget

Actual expenditures in the Revolving Loan Fund of \$130,991 exceeded the final budgeted expenditures by \$119,491 for the current year. This is primarily due to the restructuring of an economic development loan to a third party business.

**CITY OF RICE**  
**BUDGETARY COMPARISON SCHEDULE – UTILITY IMPROVEMENTS FUND**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RECEIPTS</b>			
<b>Special Assessments</b>	\$ 8,000	\$ 1	\$ (7,999)
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ 8,000</u>	1	<u>\$ (7,999)</u>
<b>CASH FUND BALANCE - BEGINNING</b>		<u>306,985</u>	
<b>CASH FUND BALANCE - ENDING</b>		<u>\$ 306,986</u>	

**CITY OF RICE**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	General				Total Nonmajor	
	Improvements	Recreation Fund	Park Dedication	Rice Sign Fund	Special Revenue	Governmental
	Fund		Fund		Funds	Funds
<b>ASSETS</b>						
Cash, Cash Equivalents, and Time Deposits	\$ 69,306	\$ 55,004	\$ 22,802	\$ 5,365	\$	152,477
<b>CASH FUND BALANCES</b>						
Committed	\$ 77,709	\$ -	\$ 22,802	\$ 5,365	\$	105,876
Assigned	-	55,004	-	-	-	55,004
Unassigned	(8,403)	-	-	-	-	(8,403)
<b>TOTAL CASH FUND BALANCES</b>	\$ 69,306	\$ 55,004	\$ 22,802	\$ 5,365	\$	152,477



**CITY OF RICE**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Improvements Fund	Recreation Fund	Park Dedication Fund	Rice Sign Fund	Total Nonmajor Special Revenue Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 19,633	\$ 25	\$ -	\$ -	\$ 19,658
Charges for Services	-	1,363	-	-	1,363
Interest Income:	-	198	-	-	198
Miscellaneous	-	3,000	-	5,563	8,563
<b>TOTAL RECEIPTS</b>	<u>19,633</u>	<u>4,586</u>	<u>-</u>	<u>5,563</u>	<u>29,782</u>
<b>DISBURSEMENTS</b>					
Current:					
Parks and Recreation	-	9,350	-	1,198	10,548
Capital Outlay	99,704	-	-	-	99,704
<b>TOTAL DISBURSEMENTS</b>	<u>99,704</u>	<u>9,350</u>	<u>-</u>	<u>1,198</u>	<u>110,252</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>(80,071)</u>	<u>(4,764)</u>	<u>-</u>	<u>4,365</u>	<u>(80,470)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers In	<u>4,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,770</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	<u>(75,301)</u>	<u>(4,764)</u>	<u>-</u>	<u>4,365</u>	<u>(75,700)</u>
<b>CASH FUND BALANCES - BEGINNING</b>	<u>144,607</u>	<u>59,768</u>	<u>22,802</u>	<u>1,000</u>	<u>228,177</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 69,306</u>	<u>\$ 55,004</u>	<u>\$ 22,802</u>	<u>\$ 5,365</u>	<u>\$ 152,477</u>

**CITY OF RICE**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/20	Issued	Paid	Outstanding Balance 12/31/20	Principal Due Within One Year
<b>GOVERNMENTAL INDEBTEDNESS</b>									
2012 Certificates of Indebtedness	12/28/2012	2.00%	12/28/2022	\$ 250,000	\$ 75,000	\$ -	\$ 25,000	\$ 50,000	\$ 25,000
2017 Note Payable	6/1/2017	0.00%	8/1/2032	162,643	145,540	100,141	130,990	114,691	62,559
<b>TOTAL GOVERNMENTAL DEBTS</b>				412,643	220,540	100,141	155,990	164,691	87,559
<b>ENTERPRISE INDEBTEDNESS</b>									
2004 General Obligation Revenue Note (PFA)	9/23/2004	1.98%	8/20/2024	1,153,293	342,000	-	66,000	276,000	67,000
<b>TOTAL ENTERPRISE DEBTS</b>				1,153,293	342,000	-	66,000	276,000	67,000
<b>TOTAL INDEBTEDNESS</b>				\$ 1,565,936	\$ 562,540	\$ 100,141	\$ 221,990	\$ 440,691	\$ 154,559

**CITY OF RICE**  
**SCHEDULE OF ACCOUNTS RECEIVABLE**  
**DECEMBER 31, 2020**  
**(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Taxes	\$ 14,356
General	Building Permits	3,406
General	County Grants	6,819
General	Assessment Search	20
General	Franchise Fees	513
General	Customer Charges	20
General	Donations	4,850
General	Miscellaneous Revenue	18
Water	Customer Charges	22,269
Sewer	Customer Charges	20,095
Storm Water	Customer Charges	1,941
		<u>\$ 74,307</u>

**CITY OF RICE**  
**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES**  
**DECEMBER 31, 2020**  
**(UNAUDITED)**

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Benton County Sheriff's Office	Road Fill	\$ 1,125
	Cardmember Services	Supplies	430
	Julie Fandel	Mileage	29
	Rice Hardware Hank	Supplies	292
	Holiday	PD Fuel	480
	Kelm & Reuter	Legal Services	1,296
	Leads Online	Professional Services	1,707
	Verizon Wireless	Telephone	157
	Waste Management	Refuse Service	113
	Workmed Midwest	Professional Services	52
	Alex Air Apparatus, Inc.	Repairs & Maintenance	372
	All Spec Services	Building Permits	207
	Aramark/Ameripride	Supplies	144
	Burskie Excavating	Snow Removal	520
	CDW Government, Inc.	Computer Repair	147
	CMERDC	Copier Billing	25
	Code 4 Services	Repairs & Maintenance	226
	Fielder Your Pumping Spec	Professional Services	156
	Galls, Inc	Uniforms	355
	Gopher State Contractors	Professional Services	9
	Henry Schein	Fire EMS Supplies	227
	Madison National Life Insurance	Life Insurance	151
	Moore Engineering	Engineering Fees	1,640
	Star Publications	Publication	300
	Station Automation	Computer Repair	1,600
	Streichers	Uniforms	40
	US Bank Equipment Finance	Copier Contract	345
			<u>\$ 12,145</u>
Water Fund	Cardmember Service	Postage	5
	Rice Hardware Hank	Supplies	44
	Holiday	Fuel	81
	Verizon Wireless	Telephone	14
	Badgermeter	Computer Repairs	23
	Core & Main	Repairs & Maintenance	1,883
	Hawkins	Supplies	10
	MN Valley Testing Labs	Professional Services	15
			<u>2,075</u>
Sewer Fund	East Central Energy	Utilities	668
	Rice Hardware Hank	Supplies	28
	Holiday	Fuel	79
	Verizon Wireless	Telephone	14
	A.W. Research Lab	Professional Services	94
	Badgermeter	Computer Repairs	23
			<u>906</u>
			<u>\$ 15,126</u>

## **OTHER REQUIRED REPORTS**

**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 City Council  
City of Rice, 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 each major fund and the aggregate remaining fund information of the City of Rice (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Rice's basic financial statements, and have issued our report thereon dated March 29, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Rice'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2012-001 and 2012-002.

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**St. Cloud**  
320.251.0286

**Little Falls**  
320.632.6311

**Albany**  
320.845.2940

**Maple Lake**  
320.963.5414

**Monticello**  
763.295.5070

## **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 financial statements. 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*.

## **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that the City of Rice failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Statute Section 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.

## **City's Response to Findings**

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

## **Purpose of this Report**

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



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

March 29, 2021

**CITY OF RICE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2012-001      Limited Segregation of Duties**

*Condition:* During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the City to have limited segregation of duties over those transaction cycles.

*Criteria:* Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

*Cause:* Limited number of staff members.

*Effect:* The existence of limited 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:* Although the number of staff members may not be large enough to eliminate this deficiency, we recommend the City evaluate current procedures and segregate where possible and implement compensating controls. The City can do this by evaluating its Internal Control policy on an annual basis in order to find ways to better segregate duties and also allow for better monitoring of this segregation and of the different departments by the City Council. It is important that the Council is aware of this condition and monitor all financial information.

*Management's Response:* Management agrees with the recommendation.

**Finding 2012-002      Material Audit Adjustments and Financial Statement Preparation**

*Condition:* Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the City, as well as various adjustments to correct material misstatements identified in the financial statements. It is management's responsibility to provide for the preparation of accurate financial statements and the auditors' responsibility to determine the fairness of the presentation. This deficiency could result in uncorrected material misstatements, which could have been prevented or detected by management.

*Criteria:* Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis, as well as the adjustments required to ensure the financial statements are free from material misstatement.

*Cause:* The City failed to record all year-end adjustments required under the accrual basis of accounting and various other adjustments were required to correct misstatements. In addition, the City's staff does not possess the expertise to prepare financial statements internally. This is not unusual for a City of your size.

*Effect:* The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation in accordance with accounting practices prescribed by the State of Minnesota's Office of the State Auditor. The inability to internally prepare the City's financial statements can result in undetected errors in financial reporting.



**CITY OF RICE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2012-002      Material Audit Adjustments and Financial Statement Preparation (Continued)**

*Recommendation:*      We recommend management perform a thorough review of the trial balance prior to the audit and ensure all accounts have been properly adjusted at year-end. We also recommend management review a draft of the financial statements in detail for accuracy.

*Management's Response:* Management agrees with the recommendation.

**CITY OF RICE, MINNESOTA  
CORRECTIVE ACTION PLANS  
DECEMBER 31, 2020**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2012-001      Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will review current procedures and implement additional controls where possible.
3. Official Responsible  
Julie Fandel, Clerk, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2012-002      Material Audit Adjustments and Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis. In addition, the City will thoroughly review the trial balance prior to fieldwork and make any adjusting entries before submitting the trial balance to the auditors.
3. Official Responsible  
Julie Fandel, Clerk, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.