

CITY OF GILBERT, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2020

CITY OF GILBERT, MINNESOTA

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CITY OF GILBERT, MINNESOTA

**ORGANIZATION
December 31, 2020**

CITY COUNCIL

Mayor	Karl Oberstar Jr.
Council Members	Joseph Pulles Mark Heitzman Jeremy Skenzich Rocco Leoni

ADMINISTRATION

Executive Administrative Clerk	James Paulsen
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APPOINTED

City Attorney	Bryan Lindsay
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FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

P.O. Box 960 • 225 1st Street North, Suite 2400, Virginia, Minnesota 55792
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Gilbert, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gilbert, 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 accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's net OPEB liability and related ratios, schedules of City's proportionate share of net pension liability and City's contributions for defined benefit pension plans, schedule of changes in net pension liability/asset, and schedule of City contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gilbert, Minnesota's basic financial statements. The combining nonmajor and individual fund financial statements and schedule, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor and individual fund financial statements and schedule and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual

fund financial statements and schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021 on our consideration of the City of Gilbert, Minnesota'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 Gilbert, Minnesota'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 City of Gilbert, Minnesota's internal control over financial reporting and compliance.

Walker, Miroux & Helne, LLC

Virginia, Minnesota
September 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GILBERT, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The City of Gilbert, Minnesota's management's discussion and analysis provides an overview of the City's financial activities for the year ended December 31, 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City of Gilbert, Minnesota's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$4,969,301, of which \$2,829,500 is the net investment in capital assets and \$2,921,786 is restricted.
- Business-type activities have total net position of \$12,075,420; of which \$11,139,129 is the net investment in capital assets and \$91,493 is restricted.
- The City of Gilbert's net position increased by \$816,252 for the year ended December 31, 2020. Of the increase, the governmental activities' net position increased by \$146,209, while the business-type activities' net position increased by \$670,043.
- The net cost of governmental activities was \$2,240,247 for the current fiscal year. The net cost was funded by general revenues and transfers totaling \$2,386,456.
- Governmental funds' fund balances increased by \$2,845,404 with the General Fund reporting a \$283,090 increase while the permanent improvement and replacement capital projects fund reported an increase totaling \$2,592,050, which was due to a \$4,615,000 debt issuance during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The City of Gilbert, Minnesota's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required and other information in addition to the basic financial statements themselves.

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements explain how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-wide Financial Statements

The statement of net position and the statement of activities report information about the City, as a whole, and about its activities in a way that helps the reader determine whether the City's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These government-wide statements report the City's net position and how it has changed. You can think of the City's net position — the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the City's financial health. Increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in the City's property tax base and state aid and the condition of the City's buildings and streets also need to be considered in assessing the overall health of the City.

CITY OF GILBERT, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

In the statement of net position and the statement of activities, all activities are shown in the governmental activities or business-type activities.

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, public works, sanitation, culture and recreation, and economic development. Property taxes and state and federal grants and aids finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's water, electric, sewer usage, and sanitation sales and services are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting methods.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the required supplementary information for budgetary comparison information, schedule of changes in the City's net OPEB liability and related ratios, schedules of City's proportionate share of net pension liability and City's contributions for defined benefit pension plans, schedule of changes in net pension liability/asset, and schedule of City contributions. Combining and individual financial statements are presented immediately following the required supplementary information.

CITY OF GILBERT, MINNESOTA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. The following tables show that the City of Gilbert's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,044,721, which is an increase from the prior year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,224,899	\$ 1,697,578	\$ 2,917,745	\$ 3,032,234	\$ 8,142,644	\$ 4,729,812
Capital Assets	7,568,743	5,409,051	16,398,633	14,527,637	23,967,376	19,936,688
Total assets	<u>12,793,642</u>	<u>7,106,629</u>	<u>19,316,378</u>	<u>17,559,871</u>	<u>32,110,020</u>	<u>24,666,500</u>
Deferred outflows	515,378	669,656	68,320	62,517	583,698	732,173
Long-term liabilities outstanding	6,876,795	1,823,791	5,895,885	5,669,464	12,772,680	7,493,255
Other liabilities	898,281	206,557	1,406,420	516,613	2,304,701	723,170
Total liabilities	<u>7,775,076</u>	<u>2,030,348</u>	<u>7,302,305</u>	<u>6,186,077</u>	<u>15,077,381</u>	<u>8,216,425</u>
Deferred inflows	564,643	922,845	6,973	30,934	571,616	953,779
Net Position						
Net investment in capital assets	2,829,500	5,244,266	11,139,129	9,337,410	13,968,629	14,581,676
Restricted	2,921,786	332,240	91,493	66,104	3,013,279	398,344
Unrestricted	(781,985)	(753,414)	844,798	2,001,863	62,813	1,248,449
Total net position	<u>\$ 4,969,301</u>	<u>\$ 4,823,092</u>	<u>\$ 12,075,420</u>	<u>\$ 11,405,377</u>	<u>\$ 17,044,721</u>	<u>\$ 16,228,469</u>

Net position of the City's governmental activities increased by 3.0 percent (\$4,969,301 compared to \$4,823,092). Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from a \$753,414 deficit at December 31, 2019 to a \$781,985 deficit at the end of this year.

Net position of the City's business-type activities increased by 5.9 percent (\$12,075,420 compared to \$11,405,377) in 2020.

CITY OF GILBERT, MINNESOTA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Fees, fines, charges, and other	\$ 570,077	\$ 590,096	\$ 2,715,530	\$ 2,760,476	\$ 3,285,607	\$ 3,350,572
Operating grants and contributions	230,973	152,061	1,216	937	232,189	152,998
Capital grants and contributions	453,106	106,564	896,302	2,587,351	1,349,408	2,693,915
General Revenues:						
Property taxes	1,462,934	1,392,633	15,610	15,610	1,478,544	1,408,243
Grants and contributions not restricted to specific programs	747,822	756,972	-	-	747,822	756,972
Unrestricted investment earnings	11,683	10,213	-	-	11,683	10,213
Gain on sale of capital assets	14,017	82,363	(19,361)	1,900	(5,344)	84,263
Total revenues	<u>3,490,612</u>	<u>3,090,902</u>	<u>3,609,297</u>	<u>5,366,274</u>	<u>7,099,909</u>	<u>8,457,176</u>
Program expenses:						
General government	792,177	584,843	-	-	792,177	584,843
Public safety	1,266,911	1,030,503	-	-	1,266,911	1,030,503
Public works	1,034,912	754,683	-	-	1,034,912	754,683
Sanitation	3,207	3,704	209,287	240,347	212,494	244,051
Culture and recreation	385,072	284,844	-	-	385,072	284,844
Interest on long-term debt	12,124	6,478	-	-	12,124	6,478
Water	-	-	580,445	473,527	580,445	473,527
Electric	-	-	1,163,809	1,042,173	1,163,809	1,042,173
Sewer usage	-	-	835,713	695,821	835,713	695,821
Total program expenses	<u>3,494,403</u>	<u>2,665,055</u>	<u>2,789,254</u>	<u>2,451,868</u>	<u>6,283,657</u>	<u>5,116,923</u>
Transfers	<u>150,000</u>	-	<u>(150,000)</u>	-	-	-
Increase in net position	146,209	425,847	670,043	2,914,406	816,252	3,340,253
Net position, January 1	<u>4,823,092</u>	<u>4,397,245</u>	<u>11,405,377</u>	<u>8,490,971</u>	<u>16,228,469</u>	<u>12,888,216</u>
Net position, December 31	<u>\$ 4,969,301</u>	<u>\$ 4,823,092</u>	<u>\$ 12,075,420</u>	<u>\$ 11,405,377</u>	<u>\$ 17,044,721</u>	<u>\$ 16,228,469</u>

Governmental Activities

The most significant revenues of the governmental activities are property taxes and intergovernmental revenues. Property taxes levied for general purposes amount to \$1,181,328, 36% of revenues; while property taxes levied for specific purposes and franchise taxes were \$193,465, 6% of revenue. Grants and contributions not restricted to specific programs amounts to \$747,822 or 21% of total revenue while fees, fines, charges, and other revenues are 16% of total revenues. Operating grants and contributions amounted to 7% and capital grants and contributions restricted to specific programs amounted to 13% of total revenues.

Public safety expenses are the most significant (36%), followed by public works (30%), general government (23%), culture and recreation (11%), and interest and sanitation (less than 1%).

Governmental revenues increased \$399,710 in 2020, primarily due to increased operating and capital grant revenue reported in 2020 compared to 2019. Taxpayers paid \$1,462,934 in property taxes during the current year, which is an increase of \$70,301 from 2019.

Governmental expenses increased by \$829,348 in the current year. The largest increases in expenses were recorded in the public works, public safety, and general government programs. The net cost of all governmental activities this year was \$2,240,247 compared to \$1,816,334 last year.

CITY OF GILBERT, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

Business-Type Activities

Revenues of the City's business-type activities were \$3,609,297 (see Table 2). There was an increase in net position of \$670,043 during the year ended December 31, 2020. The factors driving these results include:

- Capital grants and contributions totaled \$896,302.
- Operations produced an operating loss of \$9,509 for the year ended December 31, 2020.
- Nonoperating revenues and expenses included property taxes of \$15,610, bond issue and fiscal agent fees of \$2,092, \$60,907 of interest expense, and \$19,361 loss on disposal of capital assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At December 31, 2020, the City's governmental funds reported total ending fund balances of \$4,235,448, an increase of \$2,845,404 in comparison with the prior year. Restricted funds, which are considered unavailable for appropriation for general operations, comprised 2%, or \$75,921 of the total ending fund balance; \$2,830,687 (67%) of the fund balance was committed; \$940,854 (22%) was assigned; and \$387,986 (9%) was unassigned.

At the end of the year, the general fund reported a fund balance of \$1,328,840, increasing \$283,090 from the prior year. General fund revenues decreased by \$245,694 while general fund expenditures increased by \$214,102.

The community development revolving loan special revenue fund had no activity during the year ended December 31, 2020.

The permanent improvement and replacement capital projects fund had an increase in revenues of \$319,724 and expenditures of \$2,206,453. Revenues and expenditures were higher in 2020 due to sanitation projects in the City that were funded by grant and debt proceeds. A transfer from the general fund of \$50,000 was also used to finance these projects.

In the other governmental funds, the fund balance decreased \$29,736. The library and debt service funds reported similar revenue and expenditures from the prior year. The campground special revenue fund received more grant funding for projects in 2019 than in 2020 and also reported less revenue from charges for services due to the campground being closed due to the COVID-19 pandemic in 2020. The campground reported a deficiency of revenues over expenditures of \$98,354 which is the primary reason for the decrease in the other governmental funds' fund balances.

Proprietary Funds

The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

CITY OF GILBERT, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The water enterprise fund accounts for water operations of the City. In 2020, the water enterprise fund reported an operating loss of \$161,524. Revenues decreased from \$448,944 in 2019 to \$413,404 in 2020, while, total operating expenses increased from \$468,704 in 2019 to \$574,928 in 2020. The decrease in operating income was primarily due to decreased usage which generated less revenue. The decrease in expenses was primarily due to increased contractual services, repairs and maintenance, and employee benefits compared to the prior year.

The electric enterprise fund accounts for electric operations of the City. In 2019 service revenues were \$1,154,290 and in 2020 service revenues were \$1,087,199. The electric enterprise fund reported an operating loss of \$76,610 in 2020 compared to operating income of \$112,117 in 2019. Operating expenses increased from \$997,428 in 2019 to \$1,163,809 in 2020. The decrease in revenue is due to less usage due to the COVID-19 pandemic and the increase in expenditures is primarily due to an increase in the other postemployment benefits liability reported in the fund.

The sewer usage enterprise fund accounts for sewer operations of the City. There was an increase in service revenues from \$940,888 in 2019 to \$1,015,463 in 2020 due to increased sewer rates. Operating expenses increased from \$644,317 in 2019 to \$778,231 in 2020. The increase in expenditures is partially due to an increase in the other postemployments benefits liability. The fund reported operating income of \$237,232 compared to operating income of \$296,571 in 2019.

The sanitation enterprise fund accounts for the collection and disposal related to the City's garbage services. In 2020, this fund recorded operating revenues of \$200,680 and operating expenses of \$209,287. This led to an operating loss of \$8,607 in 2020 compared to an operating loss of \$23,056 in 2019. The most significant operating expense is the \$201,265 in contractual services.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2020, the City Council did not revise the City's general fund budget. The actual charges to appropriations (expenditures) were \$16,570 less than the final budgeted amount. The most significant positive variances occurred in the City's miscellaneous and public works programs. Resources available for appropriation were lower than the budgeted amounts by \$91,485. The City received less tax, licenses and permits, fines, and miscellaneous revenues than expected, with the most significant variances being tax revenue and miscellaneous revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had \$23,967,376 invested in a broad range of capital assets, including land and improvements; construction in progress; infrastructure; distribution and production systems; sewage treatment plant; general assets; buildings, improvements and structures; equipment and vehicles; and furniture and fixtures (See Table 3 below.) This amount represents a net increase (including additions and deductions) of \$4,030,688 over last year.

CITY OF GILBERT, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$ 368,100	\$ 368,100	\$ 28,586	\$ 28,586	\$ 396,686	\$ 396,686
Construction in progress	2,342,706	316,288	11,758,838	10,426,607	14,101,544	10,742,895
Infrastructure	3,687,079	3,474,463	-	-	3,687,079	3,474,463
Distribution system	-	-	3,006,042	2,494,096	3,006,042	2,494,096
Production system	-	-	666,498	532,135	666,498	532,135
Sewage treatment plant	-	-	822,577	913,351	822,577	913,351
General assets	-	-	116,092	132,862	116,092	132,862
Buildings, improvements and structures	935,413	968,701	-	-	935,413	968,701
Equipment and vehicles	217,219	259,097	-	-	217,219	259,097
Furniture and fixtures	18,226	22,402	-	-	18,226	22,402
Totals	\$ 7,568,743	\$ 5,409,051	\$ 16,398,633	\$ 14,527,637	\$ 23,967,376	\$ 19,936,688

This year's major additions included:

- Wastewater treatment plant and equalization basin upgrades
- Lime lagoon safety project
- Substation and electrical infrastructure
- TH37 MNDOT corridor project
- Police vehicles
- Street, water, and sewer infrastructure

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the City had \$10,103,747 in long-term debt outstanding versus \$5,494,812 last year—as shown in Table 4.

In 2020, the City issued \$452,477 in GO Revenue Notes. Proceeds from the note are being used to finance construction projects at the sewer plant. The City also issued \$4,615,000 in GO water and sewer temporary bonds which were used to finance the construction of various improvements to the water and sewer systems in the City in anticipation of a long-term loan from the State of Minnesota's Public Facilities Authority (PFA) and grant funding from PFA, IRRRB, and CDBG. Additionally, the City purchased a mower using a lease-purchase agreement in 2020.

CITY OF GILBERT, MINNESOTA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

**Table 4
Outstanding Debt, at Year-end**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General obligation bonds (backed by the City)	\$ 4,729,000	\$ 209,000	\$ 466,000	\$ 568,000	\$ 5,195,000	\$ 777,000
General obligation revenue bonds and notes	-	-	4,858,504	4,712,027	4,858,504	4,712,027
Lease-Purchase, Mower	50,243	5,785	-	-	50,243	5,785
Total	\$ 4,779,243	\$ 214,785	\$ 5,324,504	\$ 5,280,027	\$ 10,103,747	\$ 5,494,812

The State limits the amount of net debt that the City can issue to 3 percent of the market value of all taxable property in the City. The City's outstanding qualifying net debt of \$40,000 at year end is significantly below this \$2,417,058 State-imposed limit.

Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2021 budget, adopting the tax levy, and setting fees that will be charged for the business-type activities. General themes when considering the 2021 budget included:

- Pursue economic development activities to increase the tax base for the City of Gilbert.
- Continue to move forward with capital improvement projects such as: water treatment plant safety upgrade, water tower reconditioning, and city infrastructure.
- Continue to work on the safety program and to strive to provide the employees with the necessary training and tools to keep them safe on the job.

Overall 2022 budget goals include the following:

- Maintain the level of services provided to Gilbert residents while attempting to find efficiencies that will lower the burden on Gilbert taxpayers.
- Continue the transparency of financials, accounting systems, and management.
- Work to attract development to increase the tax base.
- Provide city services with updated equipment in order to safely perform tasks and duties.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Administrative Clerk, City of Gilbert, P.O. Box 548, Gilbert, Minnesota 55741.

BASIC FINANCIAL STATEMENTS

CITY OF GILBERT, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,671,809	\$ 2,004,281	\$ 6,676,090
Taxes receivable	80,848	-	80,848
Special assessments receivable	16,810	174,615	191,425
Accounts receivable	3,479	420,975	424,454
Due from other governments	338,898	317,874	656,772
Loans receivable	101,182	-	101,182
Net pension asset	11,873	-	11,873
Capital assets not being depreciated			
Land and improvements	368,100	28,586	396,686
Construction in progress	2,342,706	11,758,838	14,101,544
Capital assets net of accumulated depreciation			
Infrastructure	3,687,079	-	3,687,079
Distribution system	-	3,006,042	3,006,042
Production system	-	666,498	666,498
Sewage treatment plant	-	822,577	822,577
General assets	-	116,092	116,092
Buildings, improvements and structures	935,413	-	935,413
Equipment and vehicles	217,219	-	217,219
Furniture and fixtures	18,226	-	18,226
TOTAL ASSETS	12,793,642	19,316,378	32,110,020
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	414,481	18,354	432,835
Related to OPEB	100,897	49,966	150,863
TOTAL DEFERRED OUTFLOWS OF RESOURCES	515,378	68,320	583,698
LIABILITIES			
Accounts payable	754,368	1,358,933	2,113,301
Salaries payable	25,313	8,984	34,297
Due to other governments	342	9,496	9,838
Customer deposits	-	8,950	8,950
Unearned revenues	109,697	-	109,697
Accrued interest payable	8,561	20,057	28,618
Noncurrent liabilities			
Due within one year			
Bonds payable, notes payable and lease-purchase	93,036	411,000	504,036
Due in more than one year			
Bonds payable, notes payable and lease-purchase	4,686,207	4,913,504	9,599,711
Severance benefits	36,323	2,064	38,387
Other postemployment benefits payable	912,949	452,106	1,365,055
Net pension liability	1,148,280	117,211	1,265,491
TOTAL LIABILITIES	7,775,076	7,302,305	15,077,381
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	564,643	6,973	571,616
NET POSITION			
Net investment in capital assets	2,829,500	11,139,129	13,968,629
Restricted for:			
Debt service	4,652	91,493	96,145
Capital projects	2,619,626	-	2,619,626
Community development	139,923	-	139,923
Culture and recreation	157,585	-	157,585
Unrestricted	(781,985)	844,798	62,813
TOTAL NET POSITION	\$ 4,969,301	\$ 12,075,420	\$ 17,044,721

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General government	\$ 792,177	\$ 118,856	\$ 145,689	\$ -
Public safety	1,266,911	365,956	67,824	33,260
Public works	1,034,912	748	-	250,000
Sanitation	3,207	307	-	169,846
Culture and recreation	385,072	84,210	17,460	-
Interest on long-term debt	12,124	-	-	-
Total Governmental Activities	<u>3,494,403</u>	<u>570,077</u>	<u>230,973</u>	<u>453,106</u>
Business-type Activities				
Water	580,445	413,287	117	1,469
Electric	1,163,809	1,086,218	981	-
Sewer usage	835,713	1,015,345	118	894,833
Sanitation	209,287	200,680	-	-
Total Business-type Activities	<u>2,789,254</u>	<u>2,715,530</u>	<u>1,216</u>	<u>896,302</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,283,657</u>	<u>\$ 3,285,607</u>	<u>\$ 232,189</u>	<u>\$ 1,349,408</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for specific purposes

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain/(loss) on sale/disposal of capital assets

Transfers

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - JANUARY 1

NET POSITION - DECEMBER 31

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (527,632)	\$ -	\$ (527,632)
(799,871)	-	(799,871)
(784,164)	-	(784,164)
166,946	-	166,946
(283,402)	-	(283,402)
(12,124)	-	(12,124)
<u>(2,240,247)</u>	<u>-</u>	<u>(2,240,247)</u>
-	(165,572)	(165,572)
-	(76,610)	(76,610)
-	1,074,583	1,074,583
-	(8,607)	(8,607)
-	<u>823,794</u>	<u>823,794</u>
<u>(2,240,247)</u>	<u>823,794</u>	<u>(1,416,453)</u>
1,253,550	-	1,253,550
193,465	15,610	209,075
15,919	-	15,919
747,822	-	747,822
11,683	-	11,683
14,017	(19,361)	(5,344)
150,000	(150,000)	-
<u>2,386,456</u>	<u>(153,751)</u>	<u>2,232,705</u>
146,209	670,043	816,252
<u>4,823,092</u>	<u>11,405,377</u>	<u>16,228,469</u>
<u>\$ 4,969,301</u>	<u>\$ 12,075,420</u>	<u>\$ 17,044,721</u>

CITY OF GILBERT, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Community Development Revolving Loan Special Revenue Fund	Permanent Improvement and Replacement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,280,994	\$ 139,923	\$ 3,084,305	\$ 166,587	\$ 4,671,809
Taxes receivable	79,467	-	-	1,381	80,848
Special assessments receivable	-	-	13,049	3,761	16,810
Accounts receivable	3,479	-	-	-	3,479
Due from other governments	169,052	-	169,846	-	338,898
Loans receivable	-	101,182	-	-	101,182
TOTAL ASSETS	\$ 1,532,992	\$ 241,105	\$ 3,267,200	\$ 171,729	\$ 5,213,026
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 100,769	\$ -	\$ 647,574	\$ 6,025	\$ 754,368
Salaries payable	23,820	-	-	1,493	25,313
Due to other governments	-	-	-	342	342
Unearned revenue	8,515	101,182	-	-	109,697
TOTAL LIABILITIES	133,104	101,182	647,574	7,860	889,720
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	71,048	-	-	-	71,048
Unavailable revenue-special assessments	-	-	13,049	3,761	16,810
TOTAL DEFERRED INFLOWS OF RESOURCES	71,048	-	13,049	3,761	87,858
FUND BALANCES					
Restricted	-	73,398	-	2,523	75,921
Committed	-	66,525	2,606,577	157,585	2,830,687
Assigned	940,854	-	-	-	940,854
Unassigned reported in					
General fund	387,986	-	-	-	387,986
TOTAL FUND BALANCES	1,328,840	139,923	2,606,577	160,108	4,235,448
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,532,992	\$ 241,105	\$ 3,267,200	\$ 171,729	\$ 5,213,026

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
December 31, 2020**

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$	4,235,448
Net pension asset used in governmental activities is not a current financial resource and therefore is not reported in the governmental funds.		11,873
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		7,568,743
Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		87,858
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.		(8,561)
Long-term liabilities, including bonds payable, notes payable, certificates of indebtedness, other postemployment benefits, compensated absences and net pension liability are not due and payable in the current period and therefore not reported in the governmental funds.		(6,876,795)
Deferred outflows and inflows of resources related to pensions and related to OPEB are applicable to future periods and therefore not reported in the governmental funds.		
Deferred outflows of resources related to pensions		414,481
Deferred inflows of resources related to pensions		(564,643)
Deferred outflows of resources related to OPEB		100,897
		414,481
		(564,643)
		100,897
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	4,969,301

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	General Fund	Community Development Revolving Loan Special Revenue Fund	Permanent Improvement and Replacement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,273,505	\$ -	\$ -	\$ 190,207	\$ 1,463,712
Special assessments	-	-	2,481	-	2,481
Licenses and permits	6,368	-	-	-	6,368
Intergovernmental	987,573	-	419,847	15,460	1,422,880
Charges for services	384,967	-	-	75,204	460,171
Fines	3,909	-	-	264	4,173
Gifts and contributions	-	-	-	2,000	2,000
Interest	11,436	-	-	247	11,683
Miscellaneous	97,039	-	-	8,741	105,780
TOTAL REVENUES	2,764,797	-	422,328	292,123	3,479,248
EXPENDITURES					
Current					
General government	427,962	-	-	-	427,962
Public safety	1,109,118	-	-	-	1,109,118
Public works	689,905	-	-	-	689,905
Sanitation	971	-	-	-	971
Culture and recreation	88,414	-	-	190,760	279,174
Miscellaneous	238,724	-	-	-	238,724
Debt Service					
Principal	5,786	-	-	106,706	112,492
Interest and fiscal charges	29	-	-	4,823	4,852
Capital Outlay					
General government	4,969	-	-	-	4,969
Public safety	16,746	-	-	-	16,746
Public works	1,750	-	1,091,436	-	1,093,186
Sanitation	-	-	1,403,842	-	1,403,842
Culture and recreation	-	-	-	92,869	92,869
TOTAL EXPENDITURES	2,584,374	-	2,495,278	395,158	5,474,810
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	180,423	-	(2,072,950)	(103,035)	(1,995,562)
OTHER FINANCING SOURCES (USES)					
Transfers in	150,000	-	50,000	11,350	211,350
Transfers out	(61,350)	-	-	-	(61,350)
Debt issuance	-	-	4,615,000	-	4,615,000
Proceeds from capital leases	-	-	-	61,949	61,949
Sale of capital assets	14,017	-	-	-	14,017
TOTAL OTHER FINANCING SOURCES (USES)	102,667	-	4,665,000	73,299	4,840,966
NET CHANGE IN FUND BALANCES	283,090	-	2,592,050	(29,736)	2,845,404
FUND BALANCES - JANUARY 1	1,045,750	139,923	14,527	189,844	1,390,044
FUND BALANCES - DECEMBER 31	\$ 1,328,840	\$ 139,923	\$ 2,606,577	\$ 160,108	\$ 4,235,448

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 2,845,404**

Governmental funds report outlays for capital assets as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	2,423,539	
Less current year depreciation	(263,847)	
		2,159,692

Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.

Change in unavailable revenue - delinquent property taxes	(777)	
Change in unavailable revenue - special assessments	(1,876)	
		(2,653)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of debt principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.

Debt issued	(4,676,949)	
Principal payments	112,491	
		(4,564,458)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term debt	(7,273)	
Change in long-term severance benefits	(4,534)	
Change in long-term other postemployment benefits payable and related deferred outflows and inflows of resources	(317,137)	
Change in net pension liabilities and assets, and related deferred outflows and inflows of resources	37,168	
		(291,776)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 146,209**

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Business-type Activities - Enterprise Funds				Totals
	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 195,580	\$ 1,364,414	\$ 444,287	\$ -	\$ 2,004,281
Special assessments receivable	29,098	-	145,517	-	174,615
Accounts receivable	64,355	185,910	149,730	20,980	420,975
Due from other funds	-	3,884	-	-	3,884
Due from other governments	-	-	317,874	-	317,874
TOTAL CURRENT ASSETS	289,033	1,554,208	1,057,408	20,980	2,921,629
NONCURRENT ASSETS					
Capital assets					
Land and improvements	10,500	-	18,086	-	28,586
Construction in progress	42,475	-	11,716,363	-	11,758,838
Distribution system	3,497,101	1,762,240	1,490,547	-	6,749,888
Production system	2,196,668	-	-	-	2,196,668
Sewage treatment plant	-	-	4,229,607	-	4,229,607
General assets	159,969	291,475	76,141	33,608	561,193
Less accumulated depreciation	(3,826,780)	(1,110,295)	(4,168,907)	(20,165)	(9,126,147)
TOTAL NONCURRENT ASSETS	2,079,933	943,420	13,361,837	13,443	16,398,633
TOTAL ASSETS	2,368,966	2,497,628	14,419,245	34,423	19,320,262
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	6,883	4,588	6,883	-	18,354
Related to OPEB	12,854	15,810	21,302	-	49,966
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,737	20,398	28,185	-	68,320
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	146,220	804,966	398,064	9,683	1,358,933
Salaries payable	3,332	2,662	2,990	-	8,984
Accrued interest payable	1,233	-	18,824	-	20,057
Due to other funds	-	-	-	3,884	3,884
Due to other governments	2,415	4,676	-	2,405	9,496
Customer deposits	-	8,950	-	-	8,950
Notes payable - current	10,000	-	370,512	-	380,512
Bonds payable - current	30,488	-	-	-	30,488
TOTAL CURRENT LIABILITIES	193,688	821,254	790,390	15,972	1,821,304
NONCURRENT LIABILITIES					
Severance benefits	992	80	992	-	2,064
Other postemployment benefits payable	116,303	143,058	192,745	-	452,106
Notes payable	20,000	-	4,693,504	-	4,713,504
Bonds payable	126,516	-	73,484	-	200,000
Net pension liability	43,954	29,303	43,954	-	117,211
TOTAL NONCURRENT LIABILITIES	307,765	172,441	5,004,679	-	5,484,885
TOTAL LIABILITIES	501,453	993,695	5,795,069	15,972	7,306,189
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	2,615	1,743	2,615	-	6,973
NET POSITION					
Net investment in capital assets	1,930,073	943,420	8,252,193	13,443	11,139,129
Restricted for debt service	-	-	91,493	-	91,493
Restricted for capital projects	-	-	-	-	-
Restricted for other purposes	-	-	-	-	-
Unrestricted	(45,438)	579,168	306,060	5,008	844,798
TOTAL NET POSITION	\$ 1,884,635	\$ 1,522,588	\$ 8,649,746	\$ 18,451	\$ 12,075,420

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 Year Ended December 31, 2020

Business-type Activities - Enterprise Funds

	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	Totals
REVENUES					
Charges for services	\$ 413,287	\$ 1,086,218	\$ 1,015,345	\$ 200,680	\$ 2,715,530
Miscellaneous	117	981	118	-	1,216
TOTAL OPERATING REVENUES	<u>413,404</u>	<u>1,087,199</u>	<u>1,015,463</u>	<u>200,680</u>	<u>2,716,746</u>
OPERATING EXPENSES					
Source of supply	-	836,845	-	-	836,845
Personal services	97,339	56,995	97,339	-	251,673
Employee benefits	86,653	69,089	164,493	-	320,235
Contractual services	96,071	91,032	104,313	201,265	492,681
Utilities	36,602	52,630	139,502	-	228,734
Repairs and maintenance	47,401	4,142	14,396	328	66,267
Other supplies and expenses	51,668	17,655	78,419	4,333	152,075
Insurance claims and expenses	3,656	561	4,867	-	9,084
Depreciation	153,810	28,368	161,372	3,361	346,911
Miscellaneous	1,728	6,492	13,530	-	21,750
TOTAL OPERATING EXPENSES	<u>574,928</u>	<u>1,163,809</u>	<u>778,231</u>	<u>209,287</u>	<u>2,726,255</u>
OPERATING INCOME (LOSS)	<u>(161,524)</u>	<u>(76,610)</u>	<u>237,232</u>	<u>(8,607)</u>	<u>(9,509)</u>
NONOPERATING REVENUES (EXPENSES)					
Property taxes	-	-	15,610	-	15,610
Bond issue and fiscal agent fees	(360)	-	(1,732)	-	(2,092)
Interest expense	(5,157)	-	(55,750)	-	(60,907)
Loss on disposal of capital assets	-	(19,361)	-	-	(19,361)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(5,517)</u>	<u>(19,361)</u>	<u>(41,872)</u>	<u>-</u>	<u>(66,750)</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS, CAPITAL CONTRIBUTIONS, AND TRANSFERS	<u>(167,041)</u>	<u>(95,971)</u>	<u>195,360</u>	<u>(8,607)</u>	<u>(76,259)</u>
CAPITAL GRANTS, CAPITAL CONTRIBUTIONS, AND TRANSFERS					
Capital grants	-	-	840,337	-	840,337
Capital contributions	1,469	-	54,496	-	55,965
Transfers out	-	(150,000)	-	-	(150,000)
TOTAL CAPITAL GRANTS, CAPITAL CONTRIBUTIONS, AND TRANSFERS	<u>1,469</u>	<u>(150,000)</u>	<u>894,833</u>	<u>-</u>	<u>746,302</u>
CHANGE IN NET POSITION	<u>(165,572)</u>	<u>(245,971)</u>	<u>1,090,193</u>	<u>(8,607)</u>	<u>670,043</u>
TOTAL NET POSITION - JANUARY 1	<u>2,050,207</u>	<u>1,768,559</u>	<u>7,559,553</u>	<u>27,058</u>	<u>11,405,377</u>
TOTAL NET POSITION - DECEMBER 31	<u>\$ 1,884,635</u>	<u>\$ 1,522,588</u>	<u>\$ 8,649,746</u>	<u>\$ 18,451</u>	<u>\$ 12,075,420</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Totals
	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 411,343	\$ 1,071,979	\$ 1,006,526	\$ 197,147	\$ 2,686,995
Cash paid to suppliers	(172,862)	(305,682)	(434,994)	(206,027)	(1,119,565)
Cash paid to employees	(99,891)	(56,764)	(100,097)	-	(256,752)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>138,590</u>	<u>709,533</u>	<u>471,435</u>	<u>(8,880)</u>	<u>1,310,678</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(150,000)	-	-	(150,000)
Cash deficit implicitly financed	-	(3,884)	-	3,884	-
Property taxes received	-	-	15,610	-	15,610
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(153,884)</u>	<u>15,610</u>	<u>3,884</u>	<u>(134,390)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase or construction of capital assets	(158,687)	(707,153)	(1,335,588)	-	(2,201,428)
Proceeds from general obligation revenue notes	-	-	460,853	-	460,853
Fiscal agent fees	(360)	-	(1,732)	-	(2,092)
Principal paid on long-term debt	(39,488)	-	(368,512)	-	(408,000)
Interest paid on long-term debt	(5,465)	-	(55,021)	-	(60,486)
Capital grants	-	-	851,266	-	851,266
Capital contributions from special assessments	7,640	-	36,780	-	44,420
Proceeds from sale of capital assets	-	-	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(196,360)</u>	<u>(707,153)</u>	<u>(411,954)</u>	<u>-</u>	<u>(1,315,467)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(57,770)</u>	<u>(151,504)</u>	<u>75,091</u>	<u>(4,996)</u>	<u>(139,179)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>253,350</u>	<u>1,515,918</u>	<u>369,196</u>	<u>4,996</u>	<u>2,143,460</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 195,580</u>	<u>\$ 1,364,414</u>	<u>\$ 444,287</u>	<u>\$ -</u>	<u>\$ 2,004,281</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GILBERT, MINNESOTA

**STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended December 31, 2019**

Business-type Activities - Enterprise Funds

	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (161,524)	\$ (76,610)	\$ 237,232	\$ (8,607)	\$ (9,509)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	153,810	28,368	161,372	3,361	346,911
Net pension liability, deferred outflows, and deferred inflows related to pensions	(2,465)	(1,643)	(2,465)	-	(6,573)
Changes in assets and liabilities (Increase) decrease in:					
Accounts receivable	(2,061)	(17,920)	(8,937)	(3,533)	(32,451)
Increase (decrease) in:					
Accounts payable	123,074	724,266	7,014	(228)	854,126
Salaries payable	(2,106)	151	(2,312)	-	(4,267)
Due to other governments	2,415	(1,554)	-	127	988
Customer deposits	-	2,700	-	-	2,700
Severance benefits	(446)	80	(446)	-	(812)
Other postemployment benefits and related deferred inflows and outflows	27,893	51,695	79,977	-	159,565
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 138,590	\$ 709,533	\$ 471,435	\$ (8,880)	\$ 1,310,678
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Total capital asset additions	\$ 164,688	\$ -	\$ 1,365,426	\$ -	\$ 1,530,114
Contracts payable current year	(15,306)	-	(367,018)	-	(382,324)
Contracts payable prior year	9,305	-	337,180	-	346,485
Cash paid for purchase or construction of capital assets	\$ 158,687	\$ -	\$ 1,335,588	\$ -	\$ 1,494,275
Capital grants	\$ -	\$ -	\$ 840,337	\$ -	\$ 840,337
Due from other governments current year	-	-	(179,949)	-	(179,949)
Due from other governments prior year	-	-	190,878	-	190,878
Cash received from capital grants	\$ -	\$ -	\$ 851,266	\$ -	\$ 851,266
Capital contributions	\$ 1,469	\$ -	\$ 54,496	\$ -	\$ 55,965
Special assessments receivable current year	(29,098)	-	(145,517)	-	(174,615)
Special assessments receivable prior year	35,269	-	127,801	-	163,070
Cash received for capital contributions from special assessments	\$ 7,640	\$ -	\$ 36,780	\$ -	\$ 44,420
Debt proceeds from general obligation revenue notes	\$ -	\$ -	\$ 452,477	\$ -	\$ 452,477
Due from other governments current year	-	-	(137,926)	-	(137,926)
Due from other governments prior year	-	-	146,302	-	146,302
Cash received from debt proceeds from general obligation revenue notes	\$ -	\$ -	\$ 460,853	\$ -	\$ 460,853

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note.

A. Financial Reporting Entity

The City of Gilbert, Minnesota, a political subdivision of the State of Minnesota, is a charter city. The charter was adopted on November 6, 1941 (amended effective January 1, 1978 and December 17, 2002). The City is governed by elected officials and operates under a council-mayor form of government.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate fund statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The description of the funds included in this report are as follows:

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following governmental funds:

CITY OF GILBERT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Governmental Funds:

The General Fund is used to account and report all financial resources not accounted for and reported in another fund.

The Community Development Revolving Loan Special Revenue Fund is used to account for and report grants received and loans disbursed to provide financing for new or existing business operations located in the City.

The Permanent Improvement and Replacement Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay including acquisition or construction of capital facilities and other capital assets within the City other than those financed by proprietary funds.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital assets other than those financed by proprietary funds.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the Statement of Net Position. The City has presented the following proprietary funds:

Major Proprietary Funds:

The Water Enterprise Fund is used to account for revenues generated from the charges for water services provided to the residential and commercial users of the City.

The Electric Enterprise Fund is used to account for revenues generated from the charges for electric services provided to the residential and commercial users of the City.

The Sewer Usage Enterprise Fund is used to account for revenues generated from the charges for wastewater treatment services provided to the residential and commercial users of the City.

The Sanitation Enterprise Fund is used to account for revenues generated from the charges for garbage services provided to the residential and commercial users of the City.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Depreciation expense can be specifically identified by program and is included in the direct expenses of each program. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Grant revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item or service is to be used and debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual and to be revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers. 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 revenues and expenses.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments purchased with a maturity of three months or less.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

- 1) Cash balances for all funds of the City are maintained on a combined basis and invested to the extent possible, in allowable short-term investments. All investments are stated at fair value.
- 2) Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.
- 3) The City has no significant inventories and records supplies and materials as expenditures when purchased.
- 4) Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- 5) Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements and proprietary fund statements.
- 6) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Outstanding balances between funds are reported as "due to/from other funds," or "advances to/from other funds."

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

- 7) Capital assets, which include land and improvements; construction in progress; infrastructure; distribution system; production system; sewage treatment plant; general assets; buildings, improvements and structures; equipment and vehicles; and furniture and fixtures are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements.

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 acquisition value at the date of donation. General infrastructure assets acquired or constructed prior to January 1, 2004, are not reported in the basic financial statements. The City maintains a threshold level of \$2,500 or more for capitalizing everything except land. The threshold for capitalizing land is \$10,000 or more. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are depreciated using the straight-line method over their estimated useful lives. When assets are no longer needed by the City, such assets are either disposed of if it is determined there is no value, or sold for an immaterial amount. Useful lives vary from 10 to 40 years for infrastructure; 10 to 40 years for distribution system; 5 to 40 years for production system; 20 years for the sewage treatment plant; 5 to 10 years for general assets; 20 to 75 years for buildings, improvements, and structures; 5 to 20 years for equipment and vehicles; and 10 to 20 years for furniture and fixtures. Capital assets not being depreciated include land and improvements and construction in progress.

- 8) Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has two items in this category, related to pensions and related to OPEB. See Notes 6, 14, and 15 for details.
- 9) Government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and resources that have been received, but not yet earned.

Delinquent property taxes receivable, less any delinquent taxes that are to be received within 60 days, are recorded as a deferred inflow of resources in the general fund because they are not available to finance the current year operations of the City. Deferred inflows of resources are also recorded in other funds and represents loans receivable and special assessments receivable.

- 10) In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are reported as deferred charges and amortized over the life of the related debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expenses in the period incurred. The long-term liabilities consists primarily of general obligation bonds, general obligation revenue notes payable, certificates of indebtedness, other postemployment benefits payable, net pension liability and severance benefits.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payment of principal and interest, along with severance pay and post-employment benefits, are recognized as expenditures when paid.

- 11) 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 GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 12) Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only three items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes, which are reported in the General Fund, and special assessments, which are reported in the General Fund, Permanent Improvement and Replacement Capital Projects Fund, and Debt Service Fund. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of deferred inflows of resources is related to pensions. The third type of deferred inflows of resources is related to OPEB. See Notes 6, 14, and 15 for details.
- 13) Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In the fund financial statements, proprietary fund equity is classified the same as in the government-wide statements. Fund balances of the governmental funds represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Fund balances of the governmental funds are classified as follows:

Nonspendable—amounts that cannot be spent either because they are in nonspendable form, such as inventory and prepaid items, or because they are legally or contractually required to be maintained intact.

Restricted—amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed—amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned—amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council or an individual or committee authorized by the City Council may assign amounts for specific purposes.

Unassigned—all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

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

G. Revenues and Expenditures

- 1) The property tax calendar in Minnesota follows the calendar year. Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Property taxes become a lien on the property the following January 1. The County generally remits taxes to the City at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits.

St. Louis County also collects special assessments throughout the year and remits them to the City in three settlements. In the government-wide and proprietary fund financial statements, special assessments revenue is recognized in the year levied and recorded as a receivable at the date they become a lien on the property. In governmental funds, revenue is recognized on a modified accrual basis; therefore special assessments not received within sixty days of year-end are reported as unavailable revenue.

Federal, state, and other revenues are reported under the legal and contractual requirements of the individual programs and are classified into essentially two types of revenues. In one, monies must be expended for the specific purpose before any amounts will be paid to the City; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure, and the resources are recorded as revenue at the time of receipt or earlier if they are available.

- 2) Employees earn vacation and sick leave based on various bargaining units and length of service. Vacation time must be used annually. Sick leave is available to employees in the event of illness related absences and is recorded as an expenditure when taken. Vested unused sick leave will be paid as severance pay upon retirement and is accrued in the government-wide and proprietary fund financial statements.
- 3) As provided in union and employment contracts, qualified employees meeting all of the service requirements may be eligible for certain other postemployment benefits from the City.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - CASH AND CASH EQUIVALENTS

The City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. This pool functions essentially as a demand account for all participating funds. Each fund's portion of this pool is displayed on the financial statements as "cash and cash equivalents". Several funds hold cash and investments separate from the cash and investment pool.

"Cash and cash equivalents" recorded are comprised of:

Petty cash	\$	650
Cash		6,269,210
Investments		<u>406,230</u>
Total	\$	<u>6,676,090</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. The City's deposit policy for custodial credit risk requires deposits to be insured by FDIC insurance and collateralized.

The City maintains deposits at financial institutions 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. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the City's deposits was \$6,269,210; the bank balance was \$6,307,084. At year end, \$284,991 of the City's deposits were covered by federal depository insurance. The remaining \$6,022,093 of deposits were collateralized with securities held by the pledging institution's agent in the City's name.

Investments

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or securities that are in the possession of an outside party. The City's investment policy requires brokers to have Securities Investor Protection Insurance (SIPC).

Credit Risk and Concentration of Credit Risk

The City's investment policy requires safety and preservation of principal as the primary objective of each investment transaction. State statutes authorize the City to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain investment companies, banker's acceptance notes, commercial paper and guaranteed investment contracts. The City places no limit on the amount the City may invest in any one issuer.

CITY OF GILBERT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

As of December 31, 2020, the City had the following investments:

	Fair Value	Rating
Minnesota Municipal Money Market (4M) Fund	\$ 62,493	Not Rated
Morgan Stanley Smith Barney Money Market Fund	343,737	Not Rated
	\$ 406,230	

The City utilizes the Minnesota Municipal Money Market (4M) Fund which is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The City minimizes interest rate risk by structuring their investments so that securities mature to meet cash requirements for ongoing operations. During 2020, the City did not invest in securities.

Fair Value of Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The City's investments of \$406,230 at December 31, 2020 are not subject to measurement.

NOTE 3 - LOANS RECEIVABLE

The City is involved in several economic/community development projects. Several businesses received loans from the City in prior years. No new loans were issued during the current year. The unpaid principal balance on these loans as of December 31, 2020 was \$101,182 and is recorded as loans receivable in the Community Development Revolving Loan Special Revenue Fund.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 368,100	\$ -	\$ -	\$ -	\$ 368,100
Construction in progress	316,288	2,405,852	-	(379,434)	2,342,706
Total capital assets, not being depreciated	684,388	2,405,852	-	(379,434)	2,710,806
Capital assets, being depreciated:					
Infrastructure	4,644,187	-	-	379,434	5,023,621
Buildings, improvements and structures	2,657,731	-	-	-	2,657,731
Equipment and vehicles	1,960,151	17,687	(40,939)	-	1,936,899
Furniture and fixtures	374,783	-	-	-	374,783
Total capital assets, being depreciated	9,636,852	17,687	(40,939)	379,434	9,993,034
Less accumulated depreciation for:					
Infrastructure	(1,169,724)	(166,818)	-	-	(1,336,542)
Buildings, improvements and structures	(1,689,030)	(33,288)	-	-	(1,722,318)
Equipment and vehicles	(1,701,054)	(59,565)	40,939	-	(1,719,680)
Furniture and fixtures	(352,381)	(4,176)	-	-	(356,557)
Total accumulated depreciation	(4,912,189)	(263,847)	40,939	-	(5,135,097)
Total capital assets, being depreciated, net	4,724,663	(246,160)	-	379,434	4,857,937
Governmental activities capital assets, net	\$ 5,409,051	\$ 2,159,692	\$ -	\$ -	\$ 7,568,743
Business-type activities					
Capital assets, not being depreciated					
Land and improvements	\$ 28,586	\$ -	\$ -	\$ -	\$ 28,586
Construction in progress	10,426,607	1,509,848	-	(177,617)	11,758,838
Total capital assets, not being depreciated	10,455,193	1,509,848	-	(177,617)	11,787,424
Capital assets, being depreciated:					
Distribution system	6,192,754	707,153	(150,019)	-	6,749,888
Production system	1,998,784	20,267	-	177,617	2,196,668
Sewage treatment plant	4,229,607	-	-	-	4,229,607
General assets	561,193	-	-	-	561,193
Total capital assets, being depreciated	12,982,338	727,420	(150,019)	177,617	13,737,356
Less accumulated depreciation for:					
Distribution system	(3,698,658)	(175,846)	130,658	-	(3,743,846)
Production system	(1,466,649)	(63,521)	-	-	(1,530,170)
Sewage treatment plant	(3,316,256)	(90,774)	-	-	(3,407,030)
General assets	(428,331)	(16,770)	-	-	(445,101)
Total accumulated depreciation	(8,909,894)	(346,911)	130,658	-	(9,126,147)
Total capital assets, being depreciated, net	4,072,444	380,509	(19,361)	177,617	4,611,209
Business-type activities capital assets, net	\$ 14,527,637	\$ 1,890,357	\$ (19,361)	\$ -	\$ 16,398,633

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 50,528
Public safety	44,306
Public works	122,828
Sanitation	2,237
Recreation	<u>43,948</u>
Total depreciation expense - governmental activities	<u>\$ 263,847</u>
 Business-type activities	
Water	\$ 153,810
Electric	28,368
Sewer usage	161,372
Sanitation	<u>3,361</u>
Total depreciation expense - business-type activities	<u>\$ 346,911</u>

NOTE 5 - LONG-TERM DEBT

The City issues general obligation bonds, revenue notes, certificates of indebtedness, and lease-purchase agreements to finance the construction of major capital facilities, improvements, and acquisition of equipment. The bonds and notes have been issued for both governmental and business-type activities and are being repaid from the applicable resources. The certificate of indebtedness and lease-purchase is being paid from the applicable general government revenue sources. For governmental activities, claims and judgments, other postemployment benefits payable and compensated absences are generally liquidated by the general fund. For business-type activities, claims and judgments, other postemployment benefits payable and compensated absences are liquidated by the appropriate enterprise fund.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Components of long-term debt are as follows:

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Governmental activities					
GO bonds payable					
GO Abatement Refunding Bonds, Series 2012C	07/16/2012	1.50-2.75%	\$ 113,000	02/01/2021	\$ 9,000
GO Refunding Bonds Series 2012A	03/01/2012	0.40-1.80%	\$ 585,000	05/01/2021	65,000
Taxable GO CIP Energy Conservation Bonds, Series 2012B	07/01/2012	1.25-3.00%	\$ 140,000	02/01/2023	40,000
GO Temporary Water and Sewer Bonds, Series 2020A	07/01/2020	0.40%	\$ 1,440,000	07/01/2022	1,440,000
GO Temporary Water and Sewer Bonds, Series 2020B	09/17/2020	0.25%	\$ 3,175,000	07/01/2022	<u>3,175,000</u>
Total GO Bonds payable					<u>4,729,000</u>
Lease-Purchase - Mower	01/30/2020	5.31%	\$ 61,949	01/01/2025	<u>50,243</u>
Governmental activities long-term debt					<u><u>4,779,243</u></u>
	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Business-type activities					
GO bonds and notes					
GO Utility Revenue Bonds, Series 2012A	03/01/2012	0.40-2.50%	\$ 365,000	05/01/2027	185,000
Taxable GO Utility Revenue Energy Conservation Bonds, Series 2012B	07/01/2012	1.25-3.00%	\$ 210,000	02/01/2023	65,000
GO Improvement Refunding Note 2018A	02/12/2018	2.98%	\$ 315,000	02/01/2024	216,000
GO Revenue Note of 2003	04/30/2003	2.88%	\$ 157,764	08/20/2023	30,000
GO Revenue Note of 2010	07/14/2010	1.00%	\$ 1,337,076	08/20/2030	702,000
GO Revenue Note of 2019	08/29/2018	1.00%	\$ 4,022,144	08/20/2038	<u>4,126,504</u>
Business-type activities long-term debt					<u><u>5,324,504</u></u>
Total long-term debt					<u><u>\$10,103,747</u></u>

Governmental funds

In 2012, the City issued \$1,025,000 in GO Refunding Bonds, Series 2012A. \$585,000 of the bonds issued were to refund the \$770,000 GO refunding improvement bonds issued in 2005 of which those proceeds were used to effect a crossover refunding of \$725,000 of the outstanding GO Improvement Bonds of 1999 issued to finance the costs of street, curb, gutter, storm sewer as well as related water and sewer improvements within the City. Principal and interest paid for the current year was \$71,730. At December 31, 2020, principal and interest to maturity in 2021 on the refunding bonds to be paid from special assessments against benefited property and ad valorem taxes on all taxable property within the City totaled \$65,585.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

In 2012, the City issued \$350,000 Taxable General Obligation Improvement Plan and Utility Revenue Bonds, Series 2012B. \$140,000 of these bonds were used to finance the energy conservation improvements to the City Hall and Library facilities. Principal and interest paid for the current year totaled \$11,350. At December 31, 2020, principal and interest to maturity in 2023 which will be funded through ad valorem taxes totaled \$41,950.

In 2012, the City issued \$113,000 GO Tax Abatement Bonds, Series 2012C to refund the \$155,000 GO Abatement Bonds issued in 2004 to finance a public improvement project. Principal and interest paid for the current year was \$15,454. At December 31, 2020, principal and interest to maturity in 2021 to be paid from ad valorem taxes totaled \$9,124.

In 2020, the City issued \$1,440,000 and \$3,175,000 General Obligation Temporary Water and Sewer Bonds, Series 2020A and 2020B, respectively. Both bonds were used to finance the construction of various improvements to the water and sewer systems in the City in anticipation of a long-term loan from the State of Minnesota's Public Facilities Authority (PFA) and grant funding from PFA, IRRRB, and CDBG. No principal or interest was paid on either of these bonds in 2020. At December 31, 2020, principal and interest to maturity on July 1, 2022 to be paid with proceeds from an anticipated long-term PFA debt issuance and grants totaled \$4,640,719 for both issues.

Enterprise funds

The City has pledged future water fund revenues, net of any normal and reasonable expenses of operations, to repay a \$157,764 GO revenue note issued in 2003. Proceeds from this note were used to connect two wells to the water treatment plant. Principal and interest paid for the current year was \$10,123. At December 31, 2020, principal and interest to maturity in 2023 to be paid from pledged future revenues totaled \$31,728.

In 2010, the City issued a \$1,337,076 GO revenue note and pledged future sewer usage fund revenues, net of any normal and reasonable expenses of operations, to repay it. Proceeds from the note were used to finance a wastewater treatment project. Principal and interest paid for the current year was \$73,680. At December 31, 2020, principal and interest on the 2010 revenue note to maturity in 2030 to be paid from pledged future revenues totaled \$741,190.

Of the \$1,025,000 GO Bonds, Series 2012A, \$236,500 of the bonds were used to finance improvements to the City's water utility system while \$128,500 of the bonds were used for improvements to the City's sewer utility system. Principal and interest paid for the current year on both issues totaled \$29,650. At December 31, 2020, principal and interest to maturity in 2027 on the bonds to be paid from net revenues of the City's municipal sewer and water utility systems totaled \$130,698 for the water bonds and \$71,028 for the sewer bonds.

Of the \$350,000 Taxable General Obligation Improvement Plan and Utility Revenue Bonds, Series 2012B, \$120,000 was used to finance the energy conservation improvements to the City's water plant and \$90,000 was used to finance the energy conservation improvements to the City's sewer plant. Principal and interest paid for the current year totaled \$27,325. At December 31, 2020, principal and interest to maturity in 2023 which will be paid from net revenues of the water and sewer systems totaled \$38,730 for the water bonds and \$29,045 for the sewer bonds.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

In 2018, the City issued \$315,000 GO improvement refunding notes, Series 2018A. The proceeds were used to pay off the 2008A improvement bonds which were used for sewer upgrades. Principal and interest paid during the year was \$59,211. At December 31, 2020, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$228,993.

In 2018, the City also issued \$1,430,389 GO Revenue Notes, Series 2019. The City issued an additional \$2,591,755 in 2019 and \$452,477 in 2020 of GO Revenue Notes. Proceeds were used to finance construction at the sewer treatment plant. Principal and interest paid for the current year totaled \$268,496. At December 31, 2020, principal and interest to maturity in 2038 to be paid from pledged future sewer revenues totaled \$4,587,985.

Long-term debt activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
General obligation bonds					
GO Abatement Refunding Bonds, Series 2012C	\$ 24,000	\$ -	\$ (15,000)	\$ 9,000	\$ 9,000
GO Refunding Bonds, Series 2012A	135,000	-	(70,000)	65,000	65,000
Taxable GO CIP Energy Conservation Bonds, Series 2012B	50,000	-	(10,000)	40,000	10,000
GO Temporary Water and Sewer Bonds, Series 2020A	-	1,440,000	-	1,440,000	-
GO Temporary Water and Sewer Bonds, Series 2020B	-	3,175,000	-	3,175,000	-
Certificates of Indebtedness Fire Truck 2015	5,785	-	(5,785)	-	-
Lease-Purchase Mower	-	61,949	(11,706)	50,243	9,036
Total governmental activities – long-term debt	\$ 214,785	\$ 4,676,949	\$ (112,491)	\$ 4,779,243	\$ 93,036
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities					
Bonds payable					
GO Utility Revenue Bonds, Series 2012A	\$ 210,000	\$ -	\$ (25,000)	\$ 185,000	\$ 25,000
Taxable GO Utility Revenue Energy Conservation Bonds, Series 2012B	90,000	-	(25,000)	65,000	25,000
GO Improvement Refunding Note 2018A	268,000	-	(52,000)	216,000	51,000
Revenue Notes payable					
GO Revenue Note of 2003	39,000	-	(9,000)	30,000	10,000
GO Revenue Note of 2010	768,000	-	(66,000)	702,000	67,000
GO Revenue Note of 2019	3,905,027	452,477	(231,000)	4,126,504	233,000
Total business-type activities long-term debt	\$ 5,280,027	\$ 452,477	\$ (408,000)	\$ 5,324,504	\$ 411,000

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 93,036	\$ 16,451	\$ 411,000	\$ 62,095	\$ 504,036	\$ 78,546
2022	4,639,516	16,562	414,000	60,238	5,053,516	76,800
2023	25,022	1,909	415,000	54,041	440,022	55,950
2024	10,554	1,152	388,000	48,154	398,554	49,306
2025	11,115	591	337,000	43,633	348,115	44,224
2026-2030	-	-	1,667,000	163,155	1,667,000	163,155
2031-2035	-	-	1,310,000	87,215	1,310,000	87,215
2036-2040	-	-	382,504	16,362	382,504	16,362
Total	<u>\$ 4,779,243</u>	<u>\$ 36,665</u>	<u>\$ 5,324,504</u>	<u>\$ 534,893</u>	<u>\$ 10,103,747</u>	<u>\$ 571,558</u>

No interest was capitalized during 2020; interest incurred and charged to expense totaled \$71,992.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. The City reports its plan OPEB plan in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the liability of the City's defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The City elected to report the value of their net OPEB liability in accordance with the Alternative Measurement Method prescribed by GASB 75 for employers with under 100 plan participants. The liability is reported on the City's government-wide financial statements.

Benefits Provided

Benefits and eligibility are established and amended through contracts with bargaining units or other employment contracts. Participants meeting certain eligibility requirements receive a direct City subsidy toward their health insurance premium.

Plan Membership

At December 31, 2019 plan membership consisted of the following:

Active employees electing coverage	14
Active employees waiving coverage	5
Retirees electing coverage	<u>11</u>
	<u>30</u>

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The City and retirees make contributions toward health insurance premiums based on their employment contracts. During the year ended December 31, 2020, the City pays postemployment benefits on a pay-as-you-go method. Contributions into individual health accounts for current employees are also paid on a pay-as-you-go method. The City has not advance-funded or established a funding methodology. The City will continue to contribute towards the medical premium for grandfathered retirees and employees hired before dates specified in employee contracts. The contribution amount is either part of or the full amount of the medical premium and continues for the life of the retiree. The City will not pay any premiums for future retirees that were hired after dates specified in employee contracts.

Total OPEB Liability

The City's total OPEB liability of \$1,365,055 was measured as of December 31, 2020, and was determined by the Alternative Measurement Method prescribed by GASB Statement No. 75 for employers with under 100 plan participants.

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.75%
Expected return on plan assets	N/A
Inflation rate	2.25%
Mortality	
General Employees	Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.
Police & Fire	RP-2014 mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.
Healthcare cost trend rate	
Pre-65	6.7% for FY2020, gradually decreasing over several decades to an ultimate rate of 3.8% in FY2075 and later years.
Post-65	4.3% for FY2020, gradually decreasing over several decades to an ultimate rate of 3.8% in FY2075 and later years.

The discount rate was based on the Fidelity 20-Year Municipal GO AA Index because it meets the GASB requirements and is based on a large amount of municipal security data.

The City has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The measurement date (when assets and liabilities are measured) is December 31, 2019.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	Total OPEB Liability		
	Governmental Funds	Business-type Funds	Total
Balance at 12/31/2019	\$ 581,182	\$ 287,873	\$ 869,055
Changes for the year:			
Service cost	3,338	1,653	4,991
Interest	17,544	8,688	26,232
Differences between expected and actual experience	373,310	184,805	558,115
Changes of benefit terms	46,649	23,102	69,751
Benefit payments	(109,074)	(54,015)	(163,089)
Net changes	<u>331,767</u>	<u>164,233</u>	<u>496,000</u>
Balance at 12/31/2020	<u>\$ 912,949</u>	<u>\$ 452,106</u>	<u>\$1,365,055</u>

The discount rate used to measure the total OPEB liability was 2.75%, a decrease from the 3.31% discount rate used in the last actuarial report measured as of December 31, 2019.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate.

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Net OPEB liability	\$ 1,509,201	\$ 1,365,055	\$ 1,245,204

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 1,244,073	\$ 1,365,055	\$ 1,511,468

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized negative OPEB expense of \$659,089. At December 31, 2020, the City reported total deferred outflows of resources related to contributions between the measurement date and reporting date in the amount of \$150,863. The deferred contributions will be offset against the OPEB liability in the subsequent year.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 7 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances at December 31, 2020 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Sanitation Enterprise Fund	Electric Enterprise Fund	\$ 3,884

The interfund balances were to eliminate cash deficits.

Interfund transfers for the year ended December 31, 2020, consisted of the following:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
General	Electric Enterprise	\$ 150,000
Permanent Improvement and Replacement Capital Projects	General	50,000
Nonmajor Debt Service	General	11,350
Total All Funds		<u>\$ 211,350</u>

The transfers were made to fund project costs and debt service costs.

NOTE 8 - FUND EQUITY

Fund Balances

As of December 31, 2020, fund balances are comprised of the following:

	<u>General Fund</u>	<u>Loan Special Revenue Fund</u>	<u>Replacement Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted:					
Rehabilitation loans	\$ -	\$ 73,398	\$ -	\$ -	\$ 73,398
Debt service	-	-	-	2,523	2,523
Total Restricted	<u>-</u>	<u>73,398</u>	<u>-</u>	<u>2,523</u>	<u>75,921</u>
Committed:					
Capital outlay	-	-	2,606,577	-	2,606,577
Storefront loans	-	66,525	-	-	66,525
Library	-	-	-	112,976	112,976
Campground	-	-	-	44,609	44,609
Total Committed	<u>-</u>	<u>66,525</u>	<u>2,606,577</u>	<u>157,585</u>	<u>2,830,687</u>
Assigned:					
Cash flow	904,531	-	-	-	904,531
Compensated absences	36,323	-	-	-	36,323
Total Assigned	<u>940,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,854</u>
Unassigned	387,986	-	-	-	387,986
Total fund balances	<u>\$ 1,328,840</u>	<u>\$ 139,923</u>	<u>\$ 2,606,577</u>	<u>\$ 160,108</u>	<u>\$ 4,235,448</u>

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 - RISK MANAGEMENT

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. Risks of loss associated with workers' compensation claims are insured through participating in the League of Minnesota Cities Insurance Trust. The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operating as a common risk management and insurance program for its members. The City pays annual premiums to the Trust Fund for its insurance coverage. The City pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

NOTE 10 - TAX ABATEMENTS

The City is authorized by *Minnesota Statutes*, Section 469.1812 through 469.1815, to enter into property tax abatements for the purpose of attracting or retaining businesses. Tax abatements may not exceed ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or \$200,000, whichever is greater. Tax abatements may be granted to any business located within or promising to relocate to the City if:

- 1) the City expects its benefits of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement, or intends the abatement to phase in a property tax increase; and
- 2) finds that doing so is in the public interest because it will:
 - a. increase or preserve the tax base;
 - b. provide employment opportunities in the City;
 - c. provide or help acquire or construct public facilities;
 - d. help redevelop or renew blighted areas;
 - e. help provide access to service for residents of the City;
 - f. finance or provide public infrastructure;
 - g. phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or
 - h. stabilize the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

In 2004, the City approved a 15-year abatement for the Delta Dental development project, commencing 2006 and ending in 2021. The City will add to its levy amount for the current year the total estimated amount of the current year abatement. The amount of the abatement is pledged by the City for payment of principal and interest on the GO Tax Abatement Bonds that were issued to finance the project. In the year-ended December 31, 2020, the City abated \$9,710 in property taxes for this bonded debt.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 11 - OTHER COMMITMENTS AND CONTINGENCIES

Grants

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2020, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction Projects

The City had outstanding construction projects as of December 31, 2020. The projects were evidenced by contractual commitments with contractors and engineers.

<u>Project</u>	<u>Spent to Date</u>	<u>Commitments Remaining</u>
Wastewater Treatment Plant & Equalization Basin	\$11,716,362	\$ 24,839
Sparta Water Main Project	42,475	9,025
Sanitary Sewer Project	36,495	7,855
Project 13-856 Infrastructure Improvements	233,098	1,807,472
Lower Michigan Sanitary Sewer Project	321,051	19,699
Total All Projects	<u>\$12,349,481</u>	<u>\$ 1,868,890</u>

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. Due to the unknown breadth and duration of this pandemic, the impact of COVID-19 on the City's future operational and financial performance cannot be determined at this time and had not been reflected in the accompanying financial statements.

Electric Utility Commitments

The City of Gilbert, Minnesota has entered into several agreements with Minnesota Power relating to the City's electrical distribution system. The Electric Service Agreement provides that Minnesota Power will supply electric power and associated energy sufficient for the City to meet its electric system requirements for resale to its retail customers in its service area. This agreement is in effect until December 31, 2024 and will continue thereafter with either Minnesota Power or the City having the right to terminate the agreement upon three years written notice to the other party after December 31, 2021. The contract also provides for rate adjustments throughout the term of the contract.

The Electric Maintenance Agreement establishes the rights, duties and responsibilities with respect to Minnesota Power's performance of the electric system maintenance for the City. The City has retained the services of Minnesota Power to perform routine maintenance and upkeep, including emergency and non-emergency service calls, for the electric system owned and operated by the City of Gilbert. This agreement will terminate upon the earlier of 1) termination of the Electric Service Agreement with Minnesota Power; or 2) one year after written notice of termination by either party. The costs of these services are determined on agreed upon rates and rates will be revised annually.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 11 - OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other Commitment

The City has a contract with an area business for solid waste removal services within the City of Gilbert, Minnesota. The contractor collects and disposes of all refuse and any other waste materials as set forth by the City. This contract is in effect until December 31, 2021. The contractor charges the City an agreed upon rate times the number of residential customers. The contract provides a three percent increase for 2021.

NOTE 12 - JOINT VENTURES

Police Services

The City has entered into a joint powers agreement with the City of Biwabik, Minnesota, to provide police services for the City of Biwabik. Both cities appoint members to a joint advisory commission which will review and monitor the services to ensure the agreement is meeting the expectations of both cities. Any recommendations of the commission are strictly advisory.

The agreement sets forth the terms and conditions under which the City of Gilbert will provide police services to the City of Biwabik. The City of Gilbert has full authority and responsibility to provide services in accordance with all enabling legislation under the laws of the State of Minnesota and the ordinances of the City of Biwabik.

The agreement will continue until terminated by either city. Notification to terminate must be given by April 1 of the year the party intends to terminate. Termination will then be effective at the end of the calendar year.

In consideration of services, the City of Biwabik has agreed to pay an annual fee to the City of Gilbert. This fee is established by the Cities of Gilbert and Biwabik on an annual basis by September 7 of each year. The City of Gilbert requests payment from the City of Biwabik on a quarterly basis. During 2020, the City of Biwabik paid the City of Gilbert \$338,103 for police services.

Tri-Cities Biosolids Disposal Authority

The City is a member in a joint authority agreement with the Cities of Mountain Iron and Eveleth, Minnesota for the operation of the Tri-Cities Biosolids Disposal Authority, which owns and operates a biosolids truck for the member cities. Each city appoints one member to the Tri-Cities Biosolids Disposal Authority Board which oversees the operations.

Upon termination, if the expenses and liabilities of the Authority exceed the proceeds received from the sale, the loss shall be divided between the members on the same basis as member contributions to capital and operation cost. If upon termination, the assets of the Authority exceed its liabilities, the net proceeds from the sale thereof shall be divided between the members on the same basis as the contributions to capital and operation cost.

Each member city contributes to the budget of the Authority based on actual loads hauled during the previous year. The City of Gilbert's contribution to the Authority's budget during 2020 was \$24,873. Complete financial information can be obtained from the Tri-Cities Biosolids Disposal Authority, 413 Pierce Street, Eveleth, Minnesota 55734.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 12 - JOINT VENTURES (CONTINUED)

Biosolids Disposal Site Authority

The City is a member in a joint authority agreement with the Cities of Mountain Iron, Eveleth, and Virginia, Minnesota for the operation of the Biosolids Disposal Site Authority, which owns and manages the Biosolids Site property. Each city appoints one member to the Biosolids Disposal Site Authority Board which oversees the operations.

Upon termination, if the expenses and liabilities of the Authority exceed the proceeds received from the sale, the loss shall be divided between the members on the same basis as member contributions to capital and operation cost. If upon termination, the assets of the Authority exceed its liabilities, the net proceeds from the sale thereof shall be divided between the members on the same basis as the contributions to capital and operation cost.

Each member city contributes to the budget of the Authority based on the per capita reported in the 2010 Census. The City of Gilbert's contribution to the Authority's budget for 2020 was \$3,677. Complete financial information can be obtained from the Biosolids Disposal Site Authority, 413 Pierce Street, Eveleth, Minnesota 55734.

Quad Cities Joint Recreational Authority

The City is a member in a joint powers agreement with the Cities of Mountain Iron, Eveleth, and Virginia, Minnesota to cooperatively acquire property, construct a building, maintain the property and building and operate the Quad Cities Joint Recreational Authority. The Authority is governed by nine commissioners; two commissioners are appointed by each member city. One at-large commissioner is appointed by the governing board.

In the event of dissolution and following the payment of all outstanding obligations, assets of the Authority will be distributed between the members in direct proportion to their cumulative annual membership contributions. If those obligations exceed the assets of the Authority, the net deficit of the Authority will be charged to and paid by the then existing members in direct proportion to their cumulative annual membership contributions.

The City of Gilbert's contribution to the Authority's budget during 2020 was \$4,032. Complete financial information can be obtained from the Quad Cities Recreation Center, P.O. Box 707, Eveleth, Minnesota 55734.

Joint Recreation Board

The City entered into a joint powers agreement with the City of Eveleth, Independent School District No. 2154 Eveleth-Gilbert, and Town of Fayal, Minnesota to organize, manage, conduct, and operate recreational programs and facilities for their residents, constituents, and patrons. The Joint Recreation Board is governed by a nine-member board composed of two members from the City of Gilbert, three from the City of Eveleth, two from Independent School District No. 2154 Eveleth-Gilbert, and two from the Town of Fayal.

If the agreement is terminated, all real and personal property will be sold and any surplus money and property remaining after payment of all liabilities shall be returned to the parties in proportion to each party's total contribution over the three years prior to termination.

The City of Gilbert contributed \$16,159 during 2020 to the Joint Recreation Board. Complete financial information can be obtained from the Joint Recreation Board, P.O. Box 536, Eveleth, Minnesota 55734.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 12 - JOINT VENTURES (CONTINUED)

ATV/OHM/Snowmobile Trail Board

The City has entered into a joint powers agreement with the City of Eveleth, Minnesota to sponsor, construct, maintain, and manage ATV/OHM/Snowmobile and off-road vehicle trails located between the City of Eveleth and the City of Gilbert. The ATV/OHM/Snowmobile Trail Board will organize, lease real estate, construct trails on public and private property, and maintain and manage the trails between the Cities of Gilbert and Eveleth.

The ATV/OHM/Snowmobile Trail Board is governed by a five-member board composed of two members appointed by each city, with those four members appointing one member. In the event of dissolution and following the payment of all outstanding obligations, assets will be distributed between the members in a proportion commensurate with the party's representation on the Board, or as otherwise agreed upon by the parties.

The City of Gilbert contributed \$20,481 to the ATV/OHM/Snowmobile Trail Board during 2020. Complete financial information can be obtained from the ATV/OHM/Snowmobile Trail Board, City of Gilbert, P.O. Box 548, Gilbert, Minnesota 55741.

NOTE 13 - SEVERANCE BENEFITS

Upon retirement, the City provides most retirees a severance amount based on accumulated unused sick leave hours and rate of pay at the date of retirement, as established by contracts with bargaining units and other employment agreements. The agreements establish the terms for this severance amount, which may vary between bargaining units or employee groups. Severance activity for the year ended December 31, 2020 was as follows:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020
Governmental activities	\$ 31,789	\$ 4,534	\$ -	\$ 36,323
Business-type activities	2,876	-	(812)	2,064
Total	\$ 34,665	\$ 4,534	\$ (812)	\$ 38,387

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. 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.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. 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 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. 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.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months 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 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. 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 \$64,387. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$92,166. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City of Gilbert, Minnesota reported a liability of \$689,478 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 \$21,163. 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 0.0115 percent at the end of the measurement period and .0105 percent for the beginning of the period

City's proportionate share of the net pension liability	\$ 689,478
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>21,163</u>
Total	<u>\$ 710,641</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2020, the City of Gilbert, Minnesota recognized pension expense of \$61,228 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,842 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the City of Gilbert, Minnesota 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:

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,731	\$ 2,609
Changes in actuarial assumptions	-	24,044
Net collective difference between projected and actual investment earnings	16,242	-
Changes in proportion	52,561	14,364
Contributions paid to PERA subsequent to the measurement date	33,428	-
Totals	\$ 107,962	\$ 41,017

The \$33,428 reported as deferred outflows of resources related to pensions resulting from City of Gilbert, Minnesota's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2021	\$ (30,276)
2022	\$ 20,295
2023	\$ 26,840
2024	\$ 16,658

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$576,013 for its proportionate share of the Police and Fire Fund's net pension liability. 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 0.0437 percent at the end of the measurement period and 0.0483 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$99,582 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$4,172 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$3,933 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

There were no provision changes during the measurement period.

For the year ended December 31, 2020, the City of Gilbert, Minnesota recognized pension expense of \$99,582 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2020, the City reported its proportionate share of the Police and Fire Fund'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	\$ 26,622	\$ 30,672
Changes in actuarial assumptions	216,446	385,772
Net collective difference between projected and actual investment earnings	11,787	-
Changes in proportion	12,080	70,314
Contributions paid to PERA subsequent to the measurement date	50,149	-
Totals	\$ 317,084	\$ 486,758

The \$50,149 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2021	\$ (57,651)
2022	\$ (193,088)
2023	\$ 18,920
2024	\$ 19,761
2025	\$ (7,765)

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

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 were based on RP 2014 tables for all plans 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 all future years for the General Employees Plan and 1.0 percent for the Police and Fire 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 assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for the plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuation if approved by the Legislature.

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

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- 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.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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 (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100.0%	

F. Discount Rate

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

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Sensitivity Analysis				
<i>Net Pension Liability at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 1,104,993	6.50%	\$ 1,148,076
Current Discount Rate	7.50%	\$ 689,478	7.50%	\$ 576,013
1% Higher	8.50%	\$ 346,710	8.50%	\$ 102,730

H. Pension Plan Fiduciary Net Position

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

NOTE 15 - DEFINED BENEFIT PENSION PLAN - FIRE DEPARTMENT

Plan Description

The City of Gilbert, Minnesota Volunteer Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2020, the plan covered 21 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. The State of Minnesota contributed \$13,048 in fire state aid to the fund for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City made required contributions of \$153 and made a voluntary contribution of \$3,347 for a total contribution of \$3,500 to the Volunteer Firefighter Plan for the year ended December 31, 2020.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN - FIRE DEPARTMENT (CONTINUED)

Pension Costs

At December 31, 2020, the City reported a net pension asset of \$11,873 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension Liability (Asset)</u> (a-b)
Beginning Balance 12/31/19	\$ 285,658	\$ 297,412	\$ (11,754)
Changes for the Year			
Service Cost	16,094	-	16,094
TPL Interest	17,564	-	17,564
Actuarial Experience (Gains)/Losses	(4,156)	-	(4,156)
Projected Investment Earnings	-	17,845	(17,845)
Changes in Benefit Level	31,085	-	31,085
Contributions (ER/State)	-	16,548	(16,548)
Asset (Gain)/Loss	-	26,931	(26,931)
Benefit Payouts	(18,024)	(18,024)	-
PERA Administrative Fee	-	(618)	618
Net Changes	42,563	42,682	(119)
Balance End of Year 12/31/20	\$ 328,221	\$ 340,094	\$ (11,873)

The City increased benefit levels effective in the current measurement period from \$1,600 per year of service to \$1,900 per year of service.

For the year ended December 31, 2020, the City recognized pension expense of \$41,299.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial Experience Gains/Losses	\$ 7,789	\$ 11,915
Difference Between Projected and Actual Investment Earnings	-	31,926
Total	\$ 7,789	\$ 43,841

CITY OF GILBERT, MINNESOTA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 15 - DEFINED BENEFIT PENSION PLAN - FIRE DEPARTMENT (CONTINUED)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2021	\$ (11,511)
2022	\$ (8,729)
2023	\$ (9,593)
2024	\$ (6,219)
Thereafter	\$ -

Actuarial Assumptions

The total pension liability at December 31, 2020, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

No changes in actuarial assumptions were made in 2020.

Discount Rate

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 presents the City's net pension liability for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Asset	\$ 3,091	\$ 11,873	\$ 20,294

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 15 - DEFINED BENEFIT PENSION PLAN - FIRE DEPARTMENT (CONTINUED)

Plan Investments

Investment Policy:

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

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

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

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Unallocated Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2020 for the Volunteer Firefighter Fund.

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2020, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GILBERT, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,393,454	\$ 1,393,454	\$ 1,273,505	\$ (119,949)
Licenses and permits	10,950	10,950	6,368	(4,582)
Intergovernmental	824,838	824,838	987,573	162,735
Charges for services	349,853	349,853	384,967	35,114
Fines	9,400	9,400	3,909	(5,491)
Interest	6,000	6,000	11,436	5,436
Miscellaneous	261,787	261,787	97,039	(164,748)
TOTAL REVENUES	2,856,282	2,856,282	2,764,797	(91,485)
EXPENDITURES				
Current				
General government	399,210	399,210	427,962	(28,752)
Public safety	1,074,165	1,074,165	1,109,118	(34,953)
Public works	712,151	712,151	689,905	22,246
Sanitation	2,600	2,600	971	1,629
Culture and recreation	74,966	74,966	88,414	(13,448)
Miscellaneous	303,986	303,986	238,724	65,262
Debt Service				
Principal	5,839	5,839	5,786	53
Interest and other charges	27	27	29	(2)
Capital Outlay				
General government	10,000	10,000	4,969	5,031
Public safety	13,000	13,000	16,746	(3,746)
Public works	-	-	1,750	(1,750)
Miscellaneous	5,000	5,000	-	5,000
TOTAL EXPENDITURES	2,600,944	2,600,944	2,584,374	16,570
EXCESS OF REVENUES OVER EXPENDITURES	255,338	255,338	180,423	(74,915)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	150,000	150,000
Transfers out	(50,000)	(50,000)	(61,350)	(11,350)
Sale of capital assets	500	500	14,017	13,517
TOTAL OTHER FINANCING SOURCES (USES)	(49,500)	(49,500)	102,667	152,167
NET CHANGE IN FUND BALANCES	205,838	205,838	283,090	77,252
FUND BALANCE - JANUARY 1	1,045,750	1,045,750	1,045,750	-
FUND BALANCE - DECEMBER 31	\$ 1,251,588	\$ 1,251,588	\$ 1,328,840	\$ 77,252

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

COMMUNITY DEVELOPMENT REVOLVING LOAN SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current				
Economic development	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE - JANUARY 1	139,923	139,923	139,923	-
FUND BALANCE - DECEMBER 31	\$ 139,923	\$ 139,923	\$ 139,923	\$ -

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

**SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY
AND RELATED RATIOS**

Year Ended December 31, 2020

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Service cost	\$ 4,991	\$ 13,405	\$ 13,405
Interest	26,232	444	444
Differences between expected and actual experience	558,115	-	-
Changes of assumptions	69,751	134,565	-
Benefit payments paid directly	(163,089)	(148,414)	(153,838)
Net change in OPEB liability	<u>496,000</u>	<u>-</u>	<u>(139,989)</u>
Total OPEB Liability - beginning	<u>869,055</u>	<u>869,055</u>	<u>1,009,044</u>
Total OPEB Liability - ending	<u><u>\$ 1,365,055</u></u>	<u><u>\$ 869,055</u></u>	<u><u>\$ 869,055</u></u>
Payroll for measurement period	\$ 1,217,276	\$ 1,299,583	\$ 1,252,279
Net OPEB Liability as a % of employee payroll	112.14%	66.87%	69.40%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

**SCHEDULES OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND CITY'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
Year Ended December 31, 2020**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND**

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With City (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/20	0.0115%	\$ 689,478	\$ 21,163	\$ 710,641	\$ 816,560	87.03%	79.10%
6/30/19	0.0105%	\$ 580,521	\$ 17,999	\$ 598,520	\$ 732,403	81.72%	80.23%
6/30/18	0.0101%	\$ 560,308	\$ 18,324	\$ 578,632	\$ 679,342	85.18%	79.50%
6/30/17	0.0110%	\$ 702,232	\$ 8,831	\$ 711,063	\$ 708,688	100.34%	75.90%
6/30/16	0.0116%	\$ 941,862	\$ 12,247	\$ 954,109	\$ 719,187	132.66%	68.91%
6/30/15	0.0121%	\$ 627,085	\$ -	\$ 627,085	\$ 710,177	88.30%	78.19%

Note: This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

**SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/20	\$ 64,387	\$ 64,387	\$ -	\$ 858,493	7.50%
12/31/19	\$ 58,418	\$ 58,418	\$ -	\$ 778,907	7.50%
12/31/18	\$ 53,224	\$ 53,224	\$ -	\$ 709,653	7.50%
12/31/17	\$ 51,155	\$ 51,155	\$ -	\$ 682,067	7.50%
12/31/16	\$ 52,833	\$ 52,833	\$ -	\$ 704,440	7.50%
12/31/15	\$ 54,510	\$ 54,510	\$ -	\$ 726,802	7.50%

Note: This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

**SCHEDULES OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND CITY'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
Year Ended December 31, 2020**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE FUND**

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/20	0.0437%	\$ 576,013	\$ 13,561	\$ 589,574	\$ 493,661	116.68%	87.20%
6/30/19	0.0483%	\$ 514,202	\$ -	\$ 514,202	\$ 512,475	100.34%	89.30%
6/30/18	0.0466%	\$ 496,708	\$ -	\$ 496,708	\$ 491,303	101.10%	88.80%
6/30/17	0.0470%	\$ 634,556	\$ -	\$ 634,556	\$ 481,654	131.75%	85.40%
6/30/16	0.0490%	\$ 1,966,455	\$ -	\$ 1,966,455	\$ 468,574	419.67%	63.88%
6/30/15	0.0490%	\$ 556,755	\$ -	\$ 556,755	\$ 462,408	120.40%	86.61%

Note: This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

**SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES POLICES AND FIRE FUND**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/20	\$ 92,166	\$ 92,166	\$ -	\$ 520,712	17.70%
12/31/19	\$ 85,313	\$ 85,313	\$ -	\$ 509,334	16.75%
12/31/18	\$ 82,445	\$ 82,445	\$ -	\$ 508,920	16.20%
12/31/17	\$ 78,120	\$ 78,120	\$ -	\$ 482,222	16.20%
12/31/16	\$ 76,729	\$ 76,729	\$ -	\$ 473,636	16.20%
12/31/15	\$ 75,797	\$ 75,797	\$ -	\$ 467,883	16.20%

Note: This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY/ASSET
Year Ended December 31, 2020**

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
GILBERT VOLUNTEER FIRE DEPARTMENT**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability						
Service cost	\$ 16,094	\$ 10,787	\$ 12,854	\$ 14,494	\$ 11,331	\$ 11,001
Interest on the pension liability	17,564	16,042	16,883	13,107	12,331	11,878
Actuarial experience (gains)/losses	(4,156)	12,338	(21,476)	1,923	(1,200)	438
Changes in benefit level	31,085	-	-	57,857	-	-
Benefit payments	<u>(18,024)</u>	<u>(20,200)</u>	<u>(20,200)</u>	<u>(25,400)</u>	<u>-</u>	<u>(32,200)</u>
Net Change in Total Pension Liability	42,563	18,967	(11,939)	61,981	22,462	(8,883)
Total Pension Liability - Beginning	<u>285,658</u>	<u>266,691</u>	<u>278,630</u>	<u>216,649</u>	<u>194,187</u>	<u>203,070</u>
Total Pension Liability - Ending (a)	<u>\$ 328,221</u>	<u>\$ 285,658</u>	<u>\$ 266,691</u>	<u>\$ 278,630</u>	<u>\$ 216,649</u>	<u>\$ 194,187</u>
Plan Fiduciary Net Position						
Contributions:						
Fire state aid	\$ 9,869	\$ 9,483	\$ 9,414	\$ 9,378	\$ 9,544	\$ 9,562
Fire supplemental aid	2,179	2,195	2,240	2,269	2,315	2,340
Supplemental benefit reimbursement	1,000	1,000	2,000	-	1,000	1,000
Voluntary municipal contribution	3,347	2,500	-	-	-	-
Required municipal contribution	153	5,098	5,196	-	-	6,993
Net investment income	44,776	44,431	(9,875)	30,774	15,570	534
PERA administrative fee	(600)	(570)	(600)	(630)	(630)	(600)
SBI Investment Fee	(18)	(15)	(15)	(15)	(17)	(7)
Benefit Payments	<u>(18,024)</u>	<u>(20,200)</u>	<u>(20,200)</u>	<u>(25,400)</u>	<u>-</u>	<u>(32,200)</u>
Net Change in Plan Fiduciary Net Position	42,682	43,922	(11,840)	16,376	27,782	(12,378)
Plan Fiduciary Net Position - Beginning	<u>297,412</u>	<u>253,490</u>	<u>265,330</u>	<u>248,954</u>	<u>221,172</u>	<u>233,550</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 340,094</u>	<u>\$ 297,412</u>	<u>\$ 253,490</u>	<u>\$ 265,330</u>	<u>\$ 248,954</u>	<u>\$ 221,172</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (11,873)</u>	<u>\$ (11,754)</u>	<u>\$ 13,201</u>	<u>\$ 13,300</u>	<u>\$ (32,305)</u>	<u>\$ (26,985)</u>
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	103.6%	104.1%	95.1%	95.2%	114.9%	113.9%

Note: This Schedule is built prospectively until it contains ten years of data.

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

SCHEDULE OF CITY CONTRIBUTIONS
Year Ended December 31, 2020

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
GILBERT VOLUNTEER FIRE DEPARTMENT

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 153	\$ 5,098	\$5,196	\$ -	\$ -	\$ 6,993	\$ -
Actual contributions paid	153	5,098	5,196	-	-	6,993	6,780
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,780

Note: The annual required contributions of the municipality and State are determined by statute.

Note: Because all active plan members are volunteers, there is no actual payroll.

Note: The schedule is built prospectively until it contains ten years of data.

See notes to required supplementary information.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

NOTE 1 - BUDGETING

The City Clerk prepares a proposed budget for the City's funds on the same basis as the fund financial statements. The City Council adopts an annual budget for the fiscal year for the General Fund and special revenue funds.

Legal budgetary control is at the fund account level; management control is exercised at line-item levels. Budget appropriations lapse at year end, if unexpended.

Budgeted amounts are as originally adopted or as amended by the City Council. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Community Development Revolving Loan Special Revenue Fund present comparisons of budgetary data to actual results.

NOTE 2 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS

2020 Changes

Changes in Actuarial Assumptions:

- The discount rate was changed from 3.31% to 2.75% based on updated municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated to the rates used in the 7/1/2020 PERA General Employees Plan and 7/1/2020 PERA Police & Fire valuations.
- The percent of future retirees eligible for an explicit subsidy assumed to elect coverage at retirement changed to 5% to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions:

- Retiree premiums were updated to current levels.

2019 Changes

There have been no changes since the prior valuation.

2018 Changes

December 31, 2018 was City's first OPEB valuation under the new GASB 75 accounting rules. These new financial reporting requirements substantially adjust the measurement and reporting of OPEB liabilities. The new results are not directly comparable to the City's prior GASB 45 Net OPEB Obligation.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

**NOTE 3 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES
IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS**

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

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 GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

**NOTE 3 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES
IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)**

2018 Changes

Changes in Actuarial Assumptions

- The morality 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 GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

**NOTE 3 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES
IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (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.

**NOTE 4 - PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND CHANGES IN
ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS**

2020 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

NOTE 4 - PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND CHANGES IN
ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- 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.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

NOTE 4 - PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future 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 5.60 percent.
- 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 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent

OTHER INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific resources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Library Special Revenue Fund is used to account for and report the revenues to be used for the operation of the City's library.

The Campground Special Revenue Fund is used to account for and report financial resources used for the City's campground.

Debt Service Fund

Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The Debt Service Fund is used to account for and report resources accumulated and payments made for principal, interest and related costs on the City's long-term debt of governmental funds.

CITY OF GILBERT, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	Library Special Revenue Fund	Campground Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 115,299	\$ 50,146	\$ 1,142	\$ 166,587
Taxes receivable	-	-	1,381	1,381
Special assessments receivable	-	-	3,761	3,761
TOTAL ASSETS	\$ 115,299	\$ 50,146	\$ 6,284	\$ 171,729
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 830	\$ 5,195	\$ -	\$ 6,025
Salaries payable	1,493	-	-	1,493
Due to other governments	-	342	-	342
TOTAL LIABILITIES	2,323	5,537	-	7,860
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	3,761	3,761
FUND BALANCES				
Restricted	-	-	2,523	2,523
Committed	112,976	44,609	-	157,585
TOTAL FUND BALANCES	112,976	44,609	2,523	160,108
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 115,299	\$ 50,146	\$ 6,284	\$ 171,729

CITY OF GILBERT, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended December 31, 2020

	Library Special Revenue Fund	Campground Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 103,500	\$ -	\$ 86,707	\$ 190,207
Intergovernmental	-	15,460	-	15,460
Charges for services	1,600	73,604	-	75,204
Fines	264	-	-	264
Gifts and contributions	2,000	-	-	2,000
Interest	-	247	-	247
Miscellaneous	7,159	1,582	-	8,741
TOTAL REVENUES	<u>114,523</u>	<u>90,893</u>	<u>86,707</u>	<u>292,123</u>
EXPENDITURES				
Current				
Culture and recreation	106,338	84,422	-	190,760
Debt Service				
Principal	-	11,706	95,000	106,706
Interest and other charges	-	250	4,573	4,823
Capital Outlay				
Culture and recreation	-	92,869	-	92,869
TOTAL EXPENDITURES	<u>106,338</u>	<u>189,247</u>	<u>99,573</u>	<u>395,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,185</u>	<u>(98,354)</u>	<u>(12,866)</u>	<u>(103,035)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	11,350	11,350
Proceeds from capital leases	-	61,949	-	61,949
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>61,949</u>	<u>11,350</u>	<u>73,299</u>
NET CHANGE IN FUND BALANCES	8,185	(36,405)	(1,516)	(29,736)
FUND BALANCES - JANUARY 1	<u>104,791</u>	<u>81,014</u>	<u>4,039</u>	<u>189,844</u>
FUND BALANCES - DECEMBER 31	<u>\$ 112,976</u>	<u>\$ 44,609</u>	<u>\$ 2,523</u>	<u>\$ 160,108</u>

CITY OF GILBERT, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2020

REVENUES

Taxes

General property	\$	552,664
Fiscal disparities		287,635
Taconite production		44,589
Taconite mining effects		49,908
Taconite homestead credit		115,469
Taconite municipal aid		193,312
Franchise		15,919
Other		14,009
Total Taxes		<u>1,273,505</u>

Licenses and Permits

6,368

Intergovernmental

Federal grants		
CARES		134,482
State		
Local government aid		727,901
Small cities aid		3,868
Police training		6,586
Police aid		56,706
Other		11,288
DNR grant for fire department		1,312
DNR grant for OHV trails		32,342
County		
OHV trail grant		9,150
Safe and sober		1,968
BWCA task force grant		918
Other		
Election Grant		1,052
Total Intergovernmental		<u>987,573</u>

Charges for Services

General government		
Rent		28,200
Miscellaneous		1,630
Public safety		
City of Biwabik's share of police		338,103
Other		270
Public works		
Other		142
Sanitation		
Sale of cardboard		307
Cemetery		16,315
Total Charges for Services		<u>384,967</u>

CITY OF GILBERT, MINNESOTA

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (CONTINUED)
 Year Ended December 31, 2020

REVENUES (CONTINUED)

Fines	
Court fines	\$ 1,007
Police forfeitures	283
Trespass fines	1,155
Administrative fines	<u>1,464</u>
Total Fines	<u>3,909</u>
Interest	
Interest income	<u>11,436</u>
Miscellaneous	
Insurance recoveries	19,658
Insurance dividends	6,523
Donations	26,207
Other	<u>44,651</u>
Total Miscellaneous	<u>97,039</u>
TOTAL REVENUES	<u>2,764,797</u>

EXPENDITURES

Current

General Government	
Mayor and council	21,913
City clerk-treasurer	248,985
Elections	6,391
Legal and accounting fees	40,312
Planning and zoning	1,439
Community center	15,927
Other	<u>92,995</u>
Total General Government	<u>427,962</u>

CITY OF GILBERT, MINNESOTA

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (CONTINUED)
 Year Ended December 31, 2020

EXPENDITURES

Current (continued)

Public Safety

Police	\$ 980,056
Fire	87,362
Civil defense	32,457
Animal control	5,663
First responders	<u>3,580</u>
Total Public Safety	<u>1,109,118</u>

Public Works

Maintenance	672,426
Street lighting	<u>17,479</u>
Total Public Works	<u>689,905</u>

Sanitation

Refuse collection and disposal	718
Recycling	<u>253</u>
Total Sanitation	<u>971</u>

Culture and Recreation

Parks	3,029
Recreation center	44,663
Mesabi Trail maintenance	480
Contribution to Range Recreation Civic Center	4,032
OHV parks and trails	<u>36,210</u>
Total Culture and Recreation	<u>88,414</u>

Miscellaneous

Insurance	129,750
Employer-paid insurance	97,917
Utilities	4,252
Cemetery	5,621
Other	<u>1,184</u>
Total Miscellaneous	<u>238,724</u>

Debt Service

Principal	<u>5,786</u>
Interest and other charges	<u>29</u>

CITY OF GILBERT, MINNESOTA

GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 (CONTINUED)
 Year Ended December 31, 2020

EXPENDITURES (CONTINUED)

Capital Outlay

General Government

City hall \$ 4,969

Public Safety

Police 13,606

Fire 3,140

Total Public Safety 16,746

Public Works

Streets 1,750

TOTAL EXPENDITURES 2,584,374

EXCESS OF REVENUES OVER EXPENDITURES 180,423

OTHER FINANCING SOURCES (USES)

Transfers in 150,000

Transfers out (61,350)

Sale of capital assets 14,017

TOTAL OTHER FINANCING SOURCES (USES) 102,667

NET CHANGE IN FUND BALANCE 283,090

FUND BALANCE - JANUARY 1 1,045,750

FUND BALANCE - DECEMBER 31 \$ 1,328,840

CITY OF GILBERT, MINNESOTA

COMMUNITY DEVELOPMENT REVOLVING LOAN SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2020

REVENUES	\$	-
EXPENDITURES		<u>-</u>
NET CHANGE IN FUND BALANCE		-
FUND BALANCE - JANUARY 1		<u>139,923</u>
FUND BALANCE - DECEMBER 31	\$	<u>139,923</u>

CITY OF GILBERT, MINNESOTA

PERMANENT IMPROVEMENT AND REPLACEMENT CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 Year Ended December 31, 2020

REVENUES

Special Assessments

Principal	\$ 2,468
Interest and penalties	13
TOTAL SPECIAL ASSESSMENTS	<u>2,481</u>

Intergovernmental

Federal grants	
Community Development Block Grant	169,847
State	
Iron Range Resources	250,000
Total Intergovernmental	<u>419,847</u>

TOTAL REVENUES	<u>422,328</u>
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EXPENDITURES

Capital Outlay

Public Works

TH37 Utility Project	1,091,436
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Sanitation

Lower Michigan Sanitary Sewer Project	<u>1,403,842</u>
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TOTAL EXPENDITURES	<u>2,495,278</u>
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DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(2,072,950)</u>
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OTHER FINANCING SOURCES

Transfers in	50,000
Debt issuance	<u>4,615,000</u>
TOTAL OTHER FINANCING SOURCES	<u>4,665,000</u>

NET CHANGE IN FUND BALANCE	2,592,050
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FUND BALANCE - JANUARY 1	<u>14,527</u>
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FUND BALANCE - DECEMBER 31	<u>\$ 2,606,577</u>
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CITY OF GILBERT, MINNESOTA

LIBRARY SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 103,500	\$ 103,500	\$ 103,500	\$ -
Charges for services	-	-	1,600	1,600
Fines	-	-	264	264
Gifts and contributions	-	-	2,000	2,000
Miscellaneous	-	-	7,159	7,159
TOTAL REVENUES	103,500	103,500	114,523	11,023
EXPENDITURES				
Current				
Culture and recreation	108,430	108,430	106,338	2,092
NET CHANGE IN FUND BALANCE	(4,930)	(4,930)	8,185	13,115
FUND BALANCE - JANUARY 1	104,791	104,791	104,791	-
FUND BALANCE - DECEMBER 31	\$ 99,861	\$ 99,861	\$ 112,976	\$ 13,115

CITY OF GILBERT, MINNESOTA

LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2020

REVENUES

Taxes	
General property	\$ 103,500
Charges for Services	
Culture and recreation	
Library	1,600
Fines	
Library fines	264
Gifts and Contributions	2,000
Miscellaneous	
Other	<u>7,159</u>
TOTAL REVENUES	<u>114,523</u>

EXPENDITURES

Current

Culture and Recreation	
Personnel services	86,696
Supplies	13,975
Other services and charges	5,367
Other	<u>300</u>
TOTAL EXPENDITURES	<u>106,338</u>
NET CHANGE IN FUND BALANCE	8,185
FUND BALANCE - JANUARY 1	<u>104,791</u>
FUND BALANCE - DECEMBER 31	<u>\$ 112,976</u>

CITY OF GILBERT, MINNESOTA
CAMPGROUND SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2020

REVENUES

Intergovernmental

State

 Iron Range Resources and Rehabilitation Board \$ 15,460

Charges for Services

Culture and recreation

 Rent 13,500

 Campground fees 56,316

 Other 3,788

Total Charges for Services 73,604

Interest 247

Miscellaneous

Other

1,582

TOTAL REVENUES 90,893

EXPENDITURES

Current

Culture and Recreation

 Supplies 8,891

 Other services and charges 69,210

 Other 4,812

 Maintenance and repairs 1,509

Total Culture and Recreation 84,422

Debt Service

 Principal 11,706

 Interest and other charges 250

Total Debt Service 11,956

Capital Outlay

 Culture and recreation site improvements 92,869

TOTAL EXPENDITURES 189,247

**EXCESS OF REVENUES
OVER EXPENDITURES** (98,354)

OTHER FINANCING USES

Proceeds from capital lease 61,949

NET CHANGE IN FUND BALANCE (36,405)

FUND BALANCE - JANUARY 1 81,014

FUND BALANCE - DECEMBER 31 \$ 44,609

CITY OF GILBERT, MINNESOTA

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2020

REVENUES

Taxes

General property	\$	47,471
Fiscal disparities		27,691
Taconite homestead credit		11,117
Other		<u>428</u>

TOTAL REVENUES 86,707

EXPENDITURES

Debt Service

Principal	95,000
Interest and fiscal charges	<u>4,573</u>

TOTAL EXPENDITURES 99,573

DEFICIENCY OF REVENUES OVER EXPENDITURES (12,866)

OTHER FINANCING SOURCES

Transfers in	<u>11,350</u>
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NET CHANGE IN FUND BALANCE (1,516)

FUND BALANCE - JANUARY 1 4,039

FUND BALANCE - DECEMBER 31 \$ 2,523

CITY OF GILBERT, MINNESOTA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020**

<u>Federal Grantor/ Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through St. Louis County, Minnesota: Community Development Block Grant	14.218	\$ 169,846
U.S. DEPARTMENT OF TREASURY		
Passed through State of Minnesota: COVID-19 - Coronavirus Relief Fund	21.109	134,482
ENVIRONMENTAL PROTECTION AGENCY		
Passed through State of Minnesota: Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>452,477</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 756,805</u>

See notes to schedule of expenditures of federal awards.

CITY OF GILBERT, MINNESOTA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2020**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Gilbert, Minnesota, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Gilbert, Minnesota, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Gilbert, Minnesota.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Gilbert, Minnesota has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - CAPITALIZATION GRANT

Federal expenditures related to the Capitalization Grants for Clean Water State Revolving Funds were reimbursed by a loan and grant proceeds. The outstanding loan balance of \$4,126,504 at December 31, 2020 is comprised of \$4,336,695 funds received, \$348,117 principal payments, and \$137,926 due from other governmental units.

NOTE D – PASS-THROUGH ENTITIES

There were no pass-through entities.



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the City Council
City of Gilbert, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gilbert, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Gilbert, Minnesota's basic financial statements, and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Gilbert, Minnesota's internal control over financial reporting (internal control) as the basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gilbert, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gilbert, Minnesota's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2020-001, 2020-002, and 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gilbert, Minnesota'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 amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Gilbert, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, 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.

Other Matters

We noted certain matters that we reported to management of City of Gilbert, Minnesota in a separate letter dated September 2, 2021, included under this cover.

City of Gilbert, Minnesota's Response to Findings

City of Gilbert, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Gilbert, Minnesota'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Virginia, Minnesota
September 2, 2021



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council
City of Gilbert, Minnesota

Report on Compliance for Each Major Federal Program

We have audited City of Gilbert, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Gilbert, Minnesota's major federal program for the year ended December 31, 2020. City of Gilbert, Minnesota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Gilbert, Minnesota's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Gilbert, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Gilbert, Minnesota's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Gilbert, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of City of Gilbert, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Gilbert, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Gilbert, Minnesota's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-004, that we consider to be material weaknesses.

City of Gilbert, Minnesota's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. City of Gilbert, Minnesota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Walker, Miray & Helme, LLC

Virginia, Minnesota
September 2, 2021

CITY OF GILBERT, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2020

Section I – Financial Statement Prior Audit Findings

FINDING 2019-001. SEGREGATION OF DUTIES

Summary of Condition

Due to the limited number of personnel within the City's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. A reduction in the limited number of personnel further weakened controls relating to segregation of duties.

Summary of Corrective Action Previously Reported

The City Clerk will continue to monitor all transactions and the City's administration will structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

Current Status

Ongoing.

FINDING 2019-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Summary of Condition

Management requested that the auditor prepare a draft of the City's financial statements, including related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not possess the technical expertise to comply with governmental accounting standards.

Summary of Corrective Action Previously Reported

Management determined that the cost and training involved to review or prepare the City's financial statements exceeded the benefit that would result.

Current Status

Ongoing.

Section II – Federal Award Prior Audit Findings and Questioned Costs

FINDING 2019-003. SEGREGATION OF DUTIES

Summary of Condition

Due to the limited number of personnel within the City's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported

The City Council should be aware of this condition, attempt to segregate duties as much as possible and provide oversight to partially compensate for this deficiency.

CITY OF GILBERT, MINNESOTA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2020**

FINDING 2019-003. SEGREGATION OF DUTIES (CONTINUED)

Current Status

The City Clerk continues to monitor all transactions and the City's administration is structuring the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

FINDING 2019-004. NONCOMPLIANCE OF CASH MANAGEMENT – REIMBURSEMENT FROM TWO SOURCES

Summary of Condition

The same invoices/expenditures were submitted for reimbursement from the Iron Range Resources and Rehabilitation Board (IRRRB) and from Capitalization Grants for Clean Water State Revolving Funds. The funding was received in 2020 and would have affected the receivable for the year ended December 31, 2019.

Summary of Corrective Action Previously Reported

The City will submit new invoices/expenditure backup to the IRRRB for expenditures that were not already reimbursed by the Capital Grants for Clean Water State Revolving Funds debt proceeds. The City will get the correct expenditure backup to the IRRRB in 2020. The council will update procedures to ensure their controls will prevent similar reporting errors.

Current Status

Resolved. The City's Executive Administrative Clerk corrected this finding internally with approval from the IRRRB by allocating additional 2020 unreimbursed expenditures to the IRRRB grant.

CITY OF GILBERT, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? yes X none reported

Type of auditor's report issued on compliance
for major federal programs: unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

CITY OF GILBERT, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2020

Section II - Financial Statement Findings

2020-001. SEGREGATION OF DUTIES

Criteria

The concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal accounting control point of view.

Condition

Due to the limited number of personnel within the City's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

Effect

Because of the weakness in segregation of duties, the City has not provided adequate internal control over its transactions.

Cause

This occurred because of staffing limitations caused by fiscal constraints.

Recommendations

The City Council should constantly be aware of this condition, attempt to segregate duties as much as possible, and provide oversight to partially compensate for this deficiency.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the audit finding. The City Clerk will continue to monitor all transactions and the City's administration will structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

2020-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Criteria and Condition

As part of the audit, management requested that the auditor prepare a draft of the City's financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management does not possess the technical expertise to comply with governmental accounting standards.

Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Cause

This occurred because of staffing limitations caused by fiscal constraints.

Recommendations

In order to provide controls over the financial statement preparation services at an appropriate level, we suggest management establish effective review policies and procedures.

CITY OF GILBERT, MINNESOTA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2020**

2020-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS (CONTINUED)

Views of Responsible Officials and Planned Corrective Action

Management agrees with the audit finding. Management has determined that the cost and training involved to review or prepare the City's financial statements exceeds the benefit that would result.

2020-003. BANK RECONCILIATIONS, RECORDING RECEIPTS, AND RECORDING DISBURSEMENTS

Criteria

Receipts and disbursements should be recorded timely, in the correct period, and in the correct account code so bank accounts can be reconciled to the general ledger monthly. Reconciliations should be reported to the Council for review at monthly meetings.

Condition

Bank accounts did not reconcile to the general ledger monthly for the year ended December 31, 2020. Some revenues and expenditures were not posted to the general ledger, were posted to the incorrect period, or were posted to the incorrect account code.

Effect

Because receipts, disbursements, and bank reconciliations were not reconciled to the general ledger timely, the City of Gilbert had not provided adequate control over the City's cash and accounting records. Since some receipts and disbursements were not posted to the general ledger, posted to the correct period, or were posted to the incorrect account code, accounting records throughout the year did not properly reflect the City's activity.

Cause

This occurred because of a failure to properly record monthly transactions to the general ledger and reconcile them with bank statements in a timely manner.

Recommendations

We recommend bank reconciliations be completed and reviewed on a monthly basis (within two weeks after receipt of the bank statement is reasonable) and reviewed by a council member to ensure the bank properly reconciles to the general ledger. Receipts and disbursements should be properly recorded/posted to the general ledger as soon as reasonably possible so accounting records reflect current activity and so bank accounts can be reconciled timely.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the audit finding. Monthly transactions will be recorded timely to the correct account code and to the correct period. Bank reconciliations will be completed on a monthly basis and reviewed by the City Council to ensure bank statements have been properly reconciled to the general ledger.

CITY OF GILBERT, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2020

Section III - Federal Award Findings and Questioned Costs

2020-004. SEGREGATION OF DUTIES

ENVIRONMENTAL PROTECTION AGENCY

Capitalization Grants for Clean Water State Revolving Funds CFDA No. 66.458 – Grant Period
– Year ended December 31, 2020 – Passed through State of Minnesota

Criteria

The concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal accounting control point of view.

Condition

Due to the limited number of personnel within the City's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

Effect

Because of the weakness in segregation of duties, the City has not provided adequate internal control over its transactions.

Cause

This occurred because of staffing limitations caused by fiscal constraints.

Recommendations

The City Council should constantly be aware of this condition, attempt to segregate duties as much as possible and provide oversight to partially compensate for this deficiency.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the audit finding. The City Clerk will continue to monitor all transactions and the City's administration will structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

**REPRESENTATION OF
CITY OF GILBERT, MINNESOTA**

**CORRECTIVE ACTION PLAN
Year Ended December 31, 2020**

Finding Number: 2020-001

Finding Title: SEGREGATION OF DUTIES

Name of Contact Person Responsible for Corrective Action

James Paulsen, Executive Administrative Clerk

Corrective Action Planned

Management agrees with the audit finding. The City Clerk will continue to monitor all transactions and the City's administration will structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

Anticipated Completion Date

Ongoing.

Finding Number: 2020-002

Finding Title: LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Name of Contact Person Responsible for Corrective Action

James Paulsen, Executive Administrative Clerk

Corrective Action Planned

Management has determined that the cost and training involved to review or prepare the City's financial statements exceeds the benefit that would result.

Anticipated Completion Date

Ongoing.

Finding Number: 2020-003

Finding Title: BANK RECONCILIATIONS, RECORDING RECEIPTS, AND RECORDING DISBURSEMENTS

Name of Contact Person Responsible for Corrective Action

James Paulsen, Executive Administrative Clerk

Corrective Action Planned

Monthly transactions will be recorded timely to the correct account code and to the correct period. Bank reconciliations will be completed on a monthly basis and reviewed by the City Council to ensure bank statements have been properly reconciled to the general ledger.

Anticipated Completion Date

September 30, 2021

**REPRESENTATION OF
CITY OF GILBERT, MINNESOTA**

**CORRECTIVE ACTION PLAN
Year Ended December 31, 2020**

Finding Number: 2020-004

Finding Title: SEGREGATION OF DUTIES

Name of Contact Person Responsible for Corrective Action

James Paulsen, Executive Administrative Clerk

Corrective Action Planned

Management agrees with the audit finding. The City Clerk will continue to monitor all transactions and the City's administration will structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

Anticipated Completion Date

Ongoing.



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MANAGEMENT LETTER

To the City Council
City of Gilbert, Minnesota

In planning and performing our audit of the financial statements of City of Gilbert, Minnesota, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Gilbert, Minnesota's internal control over financial reporting (internal control) as a basis for designing auditing 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated September 2, 2021, included under this cover, contains our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated September 2, 2021, on the financial statements of City of Gilbert, Minnesota.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. Activity that should have been posted to the general ledger was not posted as of the time of the audit or was posted to the incorrect period. Additionally, cash allocations are required to be done in the Civic (accounting) software when journal entries or transactions are posted to the general ledger. The city's Civic software vendor helped rectify these errors in the accounting software, however, it did take additional time to correct these errors. We suggest City staff work with their Civic software vendor to ensure accounting information is properly recorded and posted to the Civic software in a timely manner.

2. A significant amount of receipts were coded to an "other revenue" account code which then required journal entries to reclassify the receipts to the proper account code. We suggest the City review their receipt procedures to ensure receipts get posted to the proper revenue account code.
3. Grant expenditures (specifically CARES grant expenditures) were not reconciled to the general ledger. We suggest the City track grant activity on a spreadsheet and review grant documentation procedures to ensure grant activity is properly reflected in the accounting records and can be easily traced back to source documentation (invoices).
4. The Water Enterprise, Electric Enterprise, and Sanitation Enterprise Funds all recorded operating losses during the year. Revenues were insufficient to cover operating expenses. Management should review the funds' activity and consider the need to raise rates to ensure the enterprise funds are self-sufficient.
5. The City has not updated their Internal Control Procedures Policy in many years. Since it was last updated, there have been changes that are not reflected in the procedures policy. We suggest the Internal Control Procedures Policy be updated to reflect current procedures.
6. The City's loans receivable balance has had very minimal change for the past 5 years. We suggest the City review the loans that remain outstanding and determine if any loans should be considered uncollectible.

This communication is intended solely for the information and use of management, the City Council and the State of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Walker, Giroux & Helne, LLC

Virginia, Minnesota
September 2, 2021