

**CITY OF GILBERT, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2021**

Draft

CITY OF GILBERT, MINNESOTA

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December 31, 2021

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**CITY OF GILBERT, MINNESOTA**

**ORGANIZATION  
December 31, 2021**

**CITY COUNCIL**

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

**ADMINISTRATION**

Executive Administrative Clerk	James Paulsen (Resigned 3/8/2022)
Clerk-Treasurer	Jill Zallar

**APPOINTED**

City Attorney	Bryan Lindsay
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## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Gilbert, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gilbert, Minnesota, as of and for the year ended December 31, 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gilbert, Minnesota, as of December 31, 2021, 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.

#### *Basis for Opinions*

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

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

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

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Gilbert, Minnesota's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Gilbert, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gilbert, Minnesota's basic financial statements. The combining nonmajor and individual fund financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund financial statements and schedule 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 August 12, 2022 on our consideration of the City of Gilbert, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provision 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.

Virginia, Minnesota  
August 12, 2022



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF GILBERT, MINNESOTA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

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, 2021. 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 \$5,013,606, of which \$4,571,626 is the net investment in capital assets and \$945,890 is restricted.
- Business-type activities have total net position of \$13,574,402; of which \$11,585,981 is the net investment in capital assets and \$67,376 is restricted.
- The City of Gilbert's net position increased by \$1,543,287 for the year ended December 31, 2021. Of the increase, the governmental activities' net position increased by \$44,305, while the business-type activities' net position increased by \$1,498,982.
- The net cost of governmental activities was \$1,614,175 for the current fiscal year. The net cost was funded by general revenues and transfers totaling \$2,245,448.
- Governmental funds' fund balances decreased by \$1,898,957 with the General Fund reporting a \$130,399 increase while the permanent improvement and replacement capital projects fund reported a decrease totaling \$2,045,035, which was due to expenditures related to capital projects.

#### 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, 2021

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, 2021**

**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 \$18,588,008, which is an increase from the prior year.

**Table 1  
Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,704,556	\$ 5,224,899	\$ 2,554,742	\$ 2,917,745	\$ 5,259,298	\$ 8,142,644
Capital Assets	9,227,832	7,568,743	16,940,125	16,398,633	26,167,957	23,967,376
Total assets	<u>11,932,388</u>	<u>12,793,642</u>	<u>19,494,867</u>	<u>19,316,378</u>	<u>31,427,255</u>	<u>32,110,020</u>
Deferred outflows	1,052,466	515,378	130,576	68,320	1,183,042	583,698
Long-term liabilities outstanding	6,382,606	6,876,795	5,750,720	5,895,885	12,133,326	12,772,680
Other liabilities	261,942	898,281	223,853	1,406,420	485,795	2,304,701
Total liabilities	<u>6,644,548</u>	<u>7,775,076</u>	<u>5,974,573</u>	<u>7,302,305</u>	<u>12,619,121</u>	<u>15,077,381</u>
Deferred inflows	1,326,700	564,643	76,468	6,973	1,403,168	571,616
Net Position						
Net investment in capital assets	4,571,626	2,829,500	11,585,981	11,139,129	16,157,607	13,968,629
Restricted	945,890	2,921,786	67,376	91,493	1,013,266	3,013,279
Unrestricted	<u>(503,910)</u>	<u>(781,985)</u>	<u>1,921,045</u>	<u>844,798</u>	<u>1,417,135</u>	<u>62,813</u>
Total net position	<u>\$ 5,013,606</u>	<u>\$ 4,969,301</u>	<u>\$ 13,574,402</u>	<u>\$ 12,075,420</u>	<u>\$ 18,588,008</u>	<u>\$ 17,044,721</u>

Net position of the City's governmental activities increased by 0.9 percent (\$5,013,606 compared to \$4,969,301). 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 – increased from a \$781,985 deficit at December 31, 2020 to a \$503,910 deficit at the end of this year.

Net position of the City's business-type activities increased by 12.4 percent (\$13,574,402 compared to \$12,075,420) in 2021.

**CITY OF GILBERT, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2021**

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Fees, fines, charges, and other	\$ 639,017	\$ 570,077	\$ 2,751,811	\$ 2,715,530	\$ 3,390,828	\$ 3,285,607
Operating grants and contributions	228,733	230,973	15,058	1,216	243,791	232,189
Capital grants and contributions	406,596	453,106	1,199,042	896,302	1,605,638	1,349,408
General revenues:						
Property taxes	1,456,461	1,462,934	9,928	15,610	1,466,389	1,478,544
Grants and contributions not restricted to specific programs	776,902	747,822	-	-	776,902	747,822
Unrestricted investment earnings	1,485	11,683	-	-	1,485	11,683
Gain on sale of capital assets	10,600	14,017	-	(19,361)	10,600	(5,344)
<b>Total revenues</b>	<b>3,519,794</b>	<b>3,490,612</b>	<b>3,975,839</b>	<b>3,609,297</b>	<b>7,495,633</b>	<b>7,099,909</b>
Program expenses:						
General government	676,529	792,177	-	-	676,529	792,177
Public safety	1,185,198	1,266,911	-	-	1,185,198	1,266,911
Public works	620,125	1,034,912	-	-	620,125	1,034,912
Sanitation	40,410	3,207	264,090	209,287	304,500	212,494
Culture and recreation	347,131	385,072	-	-	347,131	385,072
Interest on long-term debt	19,128	12,124	-	-	19,128	12,124
Water	-	-	590,908	580,445	590,908	580,445
Electric	-	-	1,317,519	1,163,809	1,317,519	1,163,809
Sewer usage	-	-	891,308	835,713	891,308	835,713
<b>Total program expenses</b>	<b>2,888,521</b>	<b>3,494,403</b>	<b>3,063,825</b>	<b>2,789,254</b>	<b>5,952,346</b>	<b>6,283,657</b>
Transfers	(586,968)	150,000	586,968	(150,000)	-	-
Increase in net position	44,305	146,209	1,498,982	670,043	1,543,287	816,252
Net position, January 1	4,969,301	4,823,092	12,075,420	11,405,377	17,044,721	16,228,469
Net position, December 31	\$ 5,013,606	\$ 4,969,301	\$ 13,574,402	\$ 12,075,420	\$ 18,588,008	\$ 17,044,721

**Governmental Activities**

The most significant revenues of the governmental activities are property taxes and intergovernmental revenues. Property taxes levied for general purposes amount to \$1,246,979, 35% of revenues; while property taxes levied for specific purposes and franchise taxes were \$194,901, 6% of revenue. Grants and contributions not restricted to specific programs amounts to \$776,902 or 22% of total revenue while fees, fines, charges, and other revenues are 18% of total revenues. Operating grants and contributions amounted to 7% and capital grants and contributions restricted to specific programs amounted to 12% of total revenues.

Public safety expenses are the most significant (41%), general government (23%), followed by public works (21%), culture and recreation (12%), and interest and sanitation (2%).

Governmental revenues increased \$29,182 in 2021, primarily due to increased fees, fines, charges, and other revenues reported in 2021 compared to 2020. Taxpayers paid \$1,456,461 in property taxes during the current year, which is a decrease of \$6,473 from 2020.

Governmental expenses decreased by \$605,882 in the current year. The largest decreases in expenses were recorded in the public works, public safety, and general government programs. The net cost of all governmental activities this year was \$1,614,175 compared to \$2,240,247 last year.

## CITY OF GILBERT, MINNESOTA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021

#### Business-Type Activities

Revenues of the City's business-type activities were \$3,975,838 (see Table 2). There was an increase in net position of \$1,498,982 during the year ended December 31, 2021. The factors driving these results include:

- Capital grants and contributions totaled \$1,199,042.
- Operations produced an operating loss of \$235,837 for the year ended December 31, 2021.
- Nonoperating revenues and expenses included property taxes of \$9,928, bond issue and fiscal agent fees of \$1,348, and \$59,771 of interest expense.
- Net transfers in totaled \$586,968.

#### 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, 2021, the City's governmental funds reported total ending fund balances of \$2,336,491, a decrease of \$1,898,957 in comparison with the prior year. Restricted funds, which are considered unavailable for appropriation for general operations, comprised 3%, or \$73,398 of the total ending fund balance; \$811,354 (35%) of the fund balance was committed; \$1,016,284 (43%) was assigned; and \$435,455 (19%) was unassigned.

At the end of the year, the general fund reported a fund balance of \$1,459,239, increasing \$130,399 from the prior year. General fund revenues increased by \$67,092 while general fund expenditures increased by \$206,166.

The community development revolving loan special revenue fund had no activity during the year ended December 31, 2021.

The permanent improvement and replacement capital projects fund had a decrease in revenues of \$44,713 and expenditures of \$22,628. Revenues and expenditures were similar to what was reported in 2020 due to the City being involved in multiple projects throughout both years. A transfer from the general fund of \$50,000 was also used to finance these projects.

In the other governmental funds, the fund balances increased \$15,679. The library special revenue fund reported similar revenue and expenditures from the prior year. The campground special revenue fund reported \$83,316 more charges for services revenue in 2021 than in 2020 due to the campground being closed because of the COVID-19 pandemic in 2020. The campground reported an excess of revenues over expenditures of \$14,084 which is a primary reason for the increase in the other governmental funds' fund balances. The debt service fund reported similar revenues as in 2020 while expenditures increased \$7,064. The fund reported a deficiency of revenues over expenditures of \$21,073 which was partially funded by a transfer in of \$11,050.

##### 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, 2021

The water enterprise fund accounts for water operations of the City. In 2021, the water enterprise fund reported an operating loss of \$172,369. Revenues increased from \$413,404 in 2020 to \$413,324 in 2021, while, total operating expenses increased from \$574,928 in 2020 to \$585,693 in 2021. The operating loss in 2021 of \$172,369 was higher than the operating loss reported in 2020 and was due to operating revenues remaining relative to the prior year while operating expenditures increased from the prior year.

The electric enterprise fund accounts for electric operations of the City. In 2020 operating revenues were \$1,087,199 and in 2021 operating revenues were \$1,146,485. The electric enterprise fund reported an operating loss of \$170,696 in 2021 compared to an operating loss of \$76,610 in 2020. Operating expenses increased from \$1,163,809 in 2020 to \$1,317,181 in 2021. The increase in expenditures is primarily due to an increase in electrical supply costs.

The sewer usage enterprise fund accounts for sewer operations of the City. There was an increase in operating revenues from \$1,015,463 in 2020 to \$1,020,101 in 2021. Operating expenses increased from \$778,231 in 2020 to \$835,742 in 2021. The fund reported operating income of \$184,359 compared to operating income of \$237,232 in 2020.

The sanitation enterprise fund accounts for the collection and disposal related to the City's garbage services. In 2021, this fund recorded operating revenues of \$186,959 compared to \$200,680 in 2020 and operating expenses of \$264,090 compared to \$209,287 in 2020. This led to an operating loss of \$77,131 in 2021 compared to an operating loss of \$8,607 in 2020. Increases in personal services, contractual services, repairs and maintenance, and other supplies and expenses were the primary cause of the increase in the operating loss from the prior year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During 2021, the City Council did not revise the City's general fund budget. The actual charges to appropriations (expenditures) were \$14,132 less than the final budgeted amount. The most significant positive variance occurred in the City's public works program. Resources available for appropriation were lower than the budgeted amounts by \$219,911. The City received less tax and miscellaneous revenues than expected, but received more intergovernmental revenue than was budgeted.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2021, the City had \$26,167,957 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 \$2,200,581 over last year.

**CITY OF GILBERT, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2021**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
	Land and improvements	\$ 420,120	\$ 368,100	\$ 28,586	\$ 28,586	\$ 448,706
Construction in progress	4,048,807	2,342,706	175,735	11,758,838	4,224,542	14,101,544
Infrastructure	3,543,990	3,687,079	-	-	3,543,990	3,687,079
Distribution system	-	-	3,610,811	3,006,042	3,610,811	3,006,042
Production system	-	-	603,493	666,498	603,493	666,498
Sewage treatment plant	-	-	12,419,246	822,577	12,419,246	822,577
General assets	-	-	102,254	116,092	102,254	116,092
Buildings, improvements and structures	924,097	935,413	-	-	924,097	935,413
Equipment and vehicles	276,249	217,219	-	-	276,249	217,219
Furniture and fixtures	14,569	18,226	-	-	14,569	18,226
<b>Totals</b>	<b>\$ 9,227,832</b>	<b>\$ 7,568,743</b>	<b>\$ 16,940,125</b>	<b>\$ 16,398,633</b>	<b>\$ 26,167,957</b>	<b>\$ 23,967,376</b>

This year's major additions included:

- Wastewater treatment plant and equalization basin upgrades
- Lime lagoon safety project
- 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 5 to the financial statements.

**Debt**

At year-end, the City had \$9,884,617 in long-term debt outstanding versus \$10,103,747 last year—as shown in Table 4.

In 2021, the City issued \$304,906 in GO Revenue Notes. Proceeds from the note are being used to finance construction projects at the sewer plant.



**CITY OF GILBERT, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2021**

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General obligation bonds (backed by the City)	\$ 4,645,000	\$ 4,729,000	\$ 365,000	\$ 466,000	\$ 5,010,000	\$ 5,195,000
General obligation revenue bonds and notes	-	-	4,833,410	4,858,504	4,833,410	4,858,504
Lease-Purchase, Mower	41,207	50,243	-	-	41,207	50,243
<b>Total</b>	<b>\$ 4,686,207</b>	<b>\$ 4,779,243</b>	<b>\$ 5,198,410</b>	<b>\$ 5,324,504</b>	<b>\$ 9,884,617</b>	<b>\$ 10,103,747</b>

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 \$30,000 at year end is significantly below this \$2,371,566 State-imposed limit.

Additional information on the City's long-term debt can be found in Note 6 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 2022 budget, adopting the tax levy, and setting fees that will be charged for the business-type activities. General themes when considering the 2022 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 Clerk-Treasurer, City of Gilbert, P.O. Box 548, Gilbert, Minnesota 55741.

## **BASIC FINANCIAL STATEMENTS**

CITY OF GILBERT, MINNESOTA

STATEMENT OF NET POSITION  
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,273,754	\$ 1,822,673	\$ 4,096,427
Taxes receivable	73,526	-	73,526
Special assessments receivable	14,990	135,580	150,570
Accounts receivable	3,553	439,979	443,532
Due from other governments	208,996	156,510	365,506
Loans receivable	101,182	-	101,182
Net pension asset	28,555	-	28,555
Capital assets not being depreciated			
Land and improvements	420,120	28,586	448,706
Construction in progress	4,048,807	175,735	4,224,542
Capital assets net of accumulated depreciation			
Infrastructure	3,543,990	-	3,543,990
Distribution system	-	3,610,811	3,610,811
Production system	-	603,493	603,493
Sewage treatment plant	-	12,419,246	12,419,246
General assets	-	102,254	102,254
Buildings, improvements and structures	924,097	-	924,097
Equipment and vehicles	276,249	-	276,249
Furniture and fixtures	14,569	-	14,569
<b>TOTAL ASSETS</b>	<b>11,932,388</b>	<b>19,494,867</b>	<b>31,427,255</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	960,941	62,085	1,023,026
Related to OPEB	91,525	68,491	160,016
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,052,466</b>	<b>130,576</b>	<b>1,183,042</b>
<b>LIABILITIES</b>			
Accounts payable	118,295	181,567	299,862
Salaries payable	31,733	12,986	44,719
Due to other governments	-	1,893	1,893
Customer deposits	-	7,700	7,700
Unearned revenues	109,532	-	109,532
Accrued interest payable	2,382	19,707	22,089
Noncurrent liabilities			
Due within one year			
Bonds payable, notes payable and lease-purchase	4,639,516	422,983	5,062,499
Due in more than one year			
Bonds payable, notes payable and lease-purchase	46,691	4,795,427	4,842,118
Severance benefits	39,595	808	40,403
Other postemployment benefits payable	906,154	448,742	1,354,896
Net pension liability	750,650	82,760	833,410
<b>TOTAL LIABILITIES</b>	<b>6,644,548</b>	<b>5,974,573</b>	<b>12,619,121</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	1,326,700	76,468	1,403,168
<b>NET POSITION</b>			
Net investment in capital assets	4,571,626	11,585,981	16,157,607
Restricted for:			
Debt service	32	67,376	67,408
Capital projects	622,648	-	622,648
Community development	139,923	-	139,923
Culture and recreation	183,287	-	183,287
Unrestricted	(503,910)	1,921,045	1,417,135
<b>TOTAL NET POSITION</b>	<b>\$ 5,013,606</b>	<b>\$ 13,574,402</b>	<b>\$ 18,588,008</b>

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

CITY OF GILBERT, MINNESOTA

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General government	\$ 676,529	\$ 97,184	\$ 147,644	\$ -
Public safety	1,185,198	373,629	65,678	31,442
Public works	620,125	517	-	375,000
Sanitation	40,410	-	-	154
Culture and recreation	347,131	167,687	15,411	-
Interest on long-term debt	19,128	-	-	-
<b>Total Governmental Activities</b>	<b>2,888,521</b>	<b>639,017</b>	<b>228,733</b>	<b>406,596</b>
<b>Business-type Activities</b>				
Water	590,908	413,248	76	738,261
Electric	1,317,519	1,131,579	14,906	-
Sewer usage	891,308	1,020,025	76	460,781
Sanitation	264,090	186,959	-	-
<b>Total Business-type Activities</b>	<b>3,063,825</b>	<b>2,751,811</b>	<b>15,058</b>	<b>1,199,042</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 5,952,346</b>	<b>\$ 3,390,828</b>	<b>\$ 243,791</b>	<b>\$ 1,605,638</b>

**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 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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (431,701)	\$ -	\$ (431,701)
(714,449)	-	(714,449)
(244,608)	-	(244,608)
(40,256)	-	(40,256)
(164,033)	-	(164,033)
(19,128)	-	(19,128)
<u>(1,614,175)</u>	<u>-</u>	<u>(1,614,175)</u>
-	560,677	560,677
-	(171,034)	(171,034)
-	589,574	589,574
-	(77,131)	(77,131)
-	902,086	902,086
<u>(1,614,175)</u>	<u>902,086</u>	<u>(712,089)</u>
1,246,979	-	1,246,979
194,901	9,928	204,829
14,581	-	14,581
776,902	-	776,902
1,485	-	1,485
10,600	-	10,600
<u>(586,968)</u>	<u>586,968</u>	<u>-</u>
<u>1,658,480</u>	<u>596,896</u>	<u>2,255,376</u>
44,305	1,498,982	1,543,287
<u>4,969,301</u>	<u>12,075,420</u>	<u>17,044,721</u>
<u>\$ 5,013,606</u>	<u>\$ 13,574,402</u>	<u>\$ 18,588,008</u>

CITY OF GILBERT, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2021

	General Fund	Community Development Revolving Loan Special Revenue Fund	Permanent Improvement and Replacement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,382,762	\$ 139,923	\$ 562,896	\$ 188,173	\$ 2,273,754
Taxes receivable	72,173	-	-	1,353	73,526
Special assessments receivable	-	-	11,229	3,761	14,990
Accounts receivable	3,553	-	-	-	3,553
Due from other funds	7,884	-	-	-	7,884
Due from other governments	208,996	-	-	-	208,996
Loans receivable	-	101,182	-	-	101,182
<b>TOTAL ASSETS</b>	<b>\$ 1,675,368</b>	<b>\$ 241,105</b>	<b>\$ 574,125</b>	<b>\$ 193,287</b>	<b>\$ 2,683,885</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 112,502	\$ -	\$ 1,477	\$ 4,316	\$ 118,295
Salaries payable	30,194	-	-	1,539	31,733
Due to other funds	-	-	-	7,884	7,884
Unearned revenue	8,350	101,182	-	-	109,532
<b>TOTAL LIABILITIES</b>	<b>151,046</b>	<b>101,182</b>	<b>1,477</b>	<b>13,739</b>	<b>267,444</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	65,083	-	-	-	65,083
Unavailable revenue-special assessments	-	-	11,106	3,761	14,867
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>65,083</b>	<b>-</b>	<b>11,106</b>	<b>3,761</b>	<b>79,950</b>
<b>FUND BALANCES</b>					
Restricted	-	73,398	-	-	73,398
Committed	-	66,525	561,542	183,287	811,354
Assigned	1,016,284	-	-	-	1,016,284
Unassigned reported in					
General fund	442,955	-	-	-	442,955
Debt service funds	-	-	-	(7,500)	(7,500)
<b>TOTAL FUND BALANCES</b>	<b>1,459,239</b>	<b>139,923</b>	<b>561,542</b>	<b>175,787</b>	<b>2,336,491</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,675,368</b>	<b>\$ 241,105</b>	<b>\$ 574,125</b>	<b>\$ 193,287</b>	<b>\$ 2,683,885</b>

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, 2021**

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

<b>TOTAL FUND BALANCES, GOVERNMENTAL FUNDS</b>	<b>\$ 2,336,491</b>
Net pension asset used in governmental activities is not a current financial resource and therefore is not reported in the governmental funds.	28,555
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	9,227,832
Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.	79,950
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.	(2,382)
Long-term liabilities, including bonds payable, notes payable, lease purchases, other postemployment benefits, severance benefits and net pension liability are not due and payable in the current period and therefore not reported in the governmental funds.	(6,382,606)
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	960,941
Deferred inflows of resources related to pensions	(1,326,700)
Deferred outflows of resources related to OPEB	91,525
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 5,013,606</u></b>

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, 2021

	General Fund	Community Development Revolving Loan Special Revenue Fund	Permanent Improvement and Replacement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,273,361	\$ -	\$ -	\$ 189,064	\$ 1,462,425
Special assessments	-	-	2,461	-	2,461
Licenses and permits	10,847	-	-	-	10,847
Intergovernmental	1,019,109	-	375,154	15,411	1,409,674
Charges for services	380,929	-	-	158,561	539,490
Fines	9,948	-	-	976	10,924
Interest	894	-	-	591	1,485
Miscellaneous	136,801	-	-	8,150	144,951
<b>TOTAL REVENUES</b>	<b>2,831,889</b>	<b>-</b>	<b>377,615</b>	<b>372,753</b>	<b>3,582,257</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	385,163	-	-	-	385,163
Public safety	1,203,014	-	-	-	1,203,014
Public works	603,771	-	-	-	603,771
Sanitation	253	-	-	-	253
Culture and recreation	85,804	-	-	211,340	297,144
Miscellaneous	335,440	-	-	-	335,440
<b>Debt Service</b>					
Principal	-	-	-	93,036	93,036
Interest and fiscal charges	-	-	-	25,307	25,307
<b>Capital Outlay</b>					
General government	39,757	-	52,020	-	91,777
Public safety	72,718	-	-	-	72,718
Public works	62,450	-	2,390,735	-	2,453,185
Sanitation	-	-	29,895	-	29,895
Culture and recreation	-	-	-	38,441	38,441
Miscellaneous	2,170	-	-	-	2,170
<b>TOTAL EXPENDITURES</b>	<b>2,790,540</b>	<b>-</b>	<b>2,472,650</b>	<b>368,124</b>	<b>5,631,314</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>41,349</b>	<b>-</b>	<b>(2,095,035)</b>	<b>4,629</b>	<b>(2,049,057)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	150,000	-	50,000	11,050	211,050
Transfers out	(61,050)	-	-	-	(61,050)
Sale of capital assets	100	-	-	-	100
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>89,050</b>	<b>-</b>	<b>50,000</b>	<b>11,050</b>	<b>150,100</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>130,399</b>	<b>-</b>	<b>(2,045,035)</b>	<b>15,679</b>	<b>(1,898,957)</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>1,328,840</b>	<b>139,923</b>	<b>2,606,577</b>	<b>160,108</b>	<b>4,235,448</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 1,459,239</b>	<b>\$ 139,923</b>	<b>\$ 561,542</b>	<b>\$ 175,787</b>	<b>\$ 2,336,491</b>

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, 2021

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

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ (1,898,957)</b>
<p>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.</p>		
Expenditures for capital assets	2,653,733	
Less current year depreciation	<u>(268,176)</u>	
		2,385,557
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold or disposed.</p>		
		10,500
<p>Capital assets were contributed to the water enterprise fund.</p>		
		(736,968)
<p>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.</p>		
Change in unavailable revenue - delinquent property taxes	(5,965)	
Change in unavailable revenue - special assessments	<u>(1,943)</u>	
		(7,908)
<p>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.</p>		
Principal payments		93,036
<p>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.</p>		
Change in accrued interest payable on long-term debt	6,179	
Change in long-term severance benefits	(3,272)	
Change in long-term other postemployment benefits payable and related deferred outflows and inflows of resources	(2,577)	
Change in net pension liabilities and assets, and related deferred outflows and inflows of resources	<u>198,715</u>	
		<u>199,045</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ <u>44,305</u></b>

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

CITY OF GILBERT, MINNESOTA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 119,978	\$ 1,702,183	\$ 512	\$ 1,822,673
Special assessments receivable	21,973	-	113,607	-	135,580
Accounts receivable	65,623	203,162	148,181	23,013	439,979
Due from other funds	-	98,819	-	-	98,819
Due from other governments	-	-	156,510	-	156,510
<b>TOTAL CURRENT ASSETS</b>	<b>87,596</b>	<b>421,959</b>	<b>2,120,481</b>	<b>23,525</b>	<b>2,653,561</b>
<b>NONCURRENT ASSETS</b>					
Capital assets					
Land and improvements	10,500	-	18,086	-	28,586
Construction in progress	-	175,735	-	-	175,735
Distribution system	4,276,544	1,762,239	1,490,547	-	7,529,330
Production system	2,196,668	-	-	-	2,196,668
Sewage treatment plant	-	-	15,911,586	-	15,911,586
General assets	159,969	291,475	76,141	33,608	561,193
Less accumulated depreciation	(3,963,387)	(1,152,721)	(4,323,339)	(23,526)	(9,462,973)
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,680,294</b>	<b>1,076,728</b>	<b>13,173,021</b>	<b>10,082</b>	<b>16,940,125</b>
<b>TOTAL ASSETS</b>	<b>2,767,890</b>	<b>1,498,687</b>	<b>15,293,502</b>	<b>33,607</b>	<b>19,593,686</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	23,282	15,522	23,281	-	62,085
Related to OPEB	17,677	4,052	46,762	-	68,491
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>40,959</b>	<b>19,574</b>	<b>70,043</b>	<b>-</b>	<b>130,576</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	12,966	126,234	29,205	13,162	181,567
Salaries payable	6,007	972	6,007	-	12,986
Accrued interest payable	910	-	18,797	-	19,707
Due to other funds	19,694	-	-	79,125	98,819
Due to other governments	1,893	-	-	-	1,893
Customer deposits	-	7,700	-	-	7,700
Notes payable - current	10,000	-	367,983	-	377,983
Bonds payable - current	27,628	-	17,372	-	45,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>79,098</b>	<b>134,906</b>	<b>439,364</b>	<b>92,287</b>	<b>745,655</b>
<b>NONCURRENT LIABILITIES</b>					
Severance benefits	404	-	404	-	808
Other postemployment benefits payable	115,437	141,994	191,311	-	448,742
Notes payable	10,000	-	4,630,427	-	4,640,427
Bonds payable	98,888	-	56,112	-	155,000
Net pension liability	31,035	20,690	31,035	-	82,760
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>255,764</b>	<b>162,684</b>	<b>4,909,289</b>	<b>-</b>	<b>5,327,737</b>
<b>TOTAL LIABILITIES</b>	<b>334,862</b>	<b>297,590</b>	<b>5,348,653</b>	<b>92,287</b>	<b>6,073,392</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	28,675	19,117	28,676	-	76,468
<b>NET POSITION</b>					
Net investment in capital assets	2,556,635	900,994	8,118,270	10,082	11,585,981
Restricted for debt service	-	-	67,376	-	67,376
Unrestricted	(111,323)	300,560	1,800,570	(68,762)	1,921,045
<b>TOTAL NET POSITION</b>	<b>\$ 2,445,312</b>	<b>\$ 1,201,554</b>	<b>\$ 9,986,216</b>	<b>\$ (58,680)</b>	<b>\$ 13,574,402</b>

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, 2021

	<b>Business-type Activities - Enterprise Funds</b>				<b>Totals</b>
	<b>Water Enterprise Fund</b>	<b>Electric Enterprise Fund</b>	<b>Sewer Usage Enterprise Fund</b>	<b>Sanitation Enterprise Fund</b>	
<b>REVENUES</b>					
Charges for services	\$ 413,248	\$ 1,131,579	\$ 1,020,025	\$ 186,959	\$ 2,751,811
Miscellaneous	76	14,906	76	-	15,058
<b>TOTAL OPERATING REVENUES</b>	<u>413,324</u>	<u>1,146,485</u>	<u>1,020,101</u>	<u>186,959</u>	<u>2,766,869</u>
<b>OPERATING EXPENSES</b>					
Source of supply	-	1,001,298	-	-	1,001,298
Personal services	132,010	78,373	127,377	14,385	352,145
Employee benefits	56,031	22,592	81,831	-	160,454
Contractual services	88,465	90,608	205,598	227,856	612,527
Utilities	71,997	51,116	120,863	-	243,976
Repairs and maintenance	40,198	2,579	39,768	9,087	91,632
Other supplies and expenses	51,368	20,939	95,644	9,395	177,346
Insurance claims and expenses	4,219	1,048	4,817	-	10,084
Depreciation	136,607	42,426	154,432	3,361	336,826
Miscellaneous	4,798	6,202	5,412	6	16,418
<b>TOTAL OPERATING EXPENSES</b>	<u>585,693</u>	<u>1,317,181</u>	<u>835,742</u>	<u>264,090</u>	<u>3,002,706</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(172,369)</u>	<u>(170,696)</u>	<u>184,359</u>	<u>(77,131)</u>	<u>(235,837)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property taxes	-	-	9,928	-	9,928
Bond issue and fiscal agent fees	(1,036)	-	(312)	-	(1,348)
Interest expense	(4,179)	(338)	(55,254)	-	(59,771)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(5,215)</u>	<u>(338)</u>	<u>(45,638)</u>	<u>-</u>	<u>(51,191)</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS, CAPITAL CONTRIBUTIONS, AND TRANSFERS</b>	<u>(177,584)</u>	<u>(171,034)</u>	<u>138,721</u>	<u>(77,131)</u>	<u>(287,028)</u>
<b>CAPITAL GRANTS, CAPITAL CONTRIBUTIONS, AND TRANSFERS</b>					
Capital grants	-	-	1,193,381	-	1,193,381
Capital contributions	738,261	-	4,368	-	742,629
Transfers out	-	(150,000)	-	-	(150,000)
<b>TOTAL CAPITAL GRANTS, CAPITAL CONTRIBUTIONS, AND TRANSFERS</b>	<u>738,261</u>	<u>(150,000)</u>	<u>1,197,749</u>	<u>-</u>	<u>1,786,010</u>
<b>CHANGE IN NET POSITION</b>	560,677	(321,034)	1,336,470	(77,131)	1,498,982
<b>TOTAL NET POSITION - JANUARY 1</b>	<u>1,884,635</u>	<u>1,522,588</u>	<u>8,649,746</u>	<u>18,451</u>	<u>12,075,420</u>
<b>TOTAL NET POSITION - DECEMBER 31</b>	<u>\$ 2,445,312</u>	<u>\$ 1,201,554</u>	<u>\$ 9,986,216</u>	<u>\$ (58,680)</u>	<u>\$ 13,574,402</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, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 412,056	\$ 1,127,983	\$ 1,021,649	\$ 184,926	\$ 2,746,614
Cash paid to suppliers	(444,493)	(1,871,269)	(585,924)	(245,270)	(3,146,956)
Cash paid to employees	(129,923)	(80,144)	(124,948)	(14,385)	(349,400)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(162,360)</u>	<u>(823,430)</u>	<u>310,777</u>	<u>(74,729)</u>	<u>(749,742)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(150,000)	-	-	(150,000)
Cash deficit implicitly financed	19,694	(94,935)	-	75,241	-
Interest paid on customer deposits	-	(338)	-	-	(338)
Property taxes received	-	-	9,928	-	9,928
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>19,694</u>	<u>(245,273)</u>	<u>9,928</u>	<u>75,241</u>	<u>(140,410)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase or construction of capital assets	(15,306)	(175,733)	(332,634)	-	(523,673)
Proceeds from general obligation revenue notes	-	-	411,530	-	411,530
Fiscal agent fees	(1,036)	-	(312)	-	(1,348)
Principal paid on long-term debt	(40,488)	-	(370,512)	-	(411,000)
Interest paid on long-term debt	(4,502)	-	(55,281)	-	(59,783)
Capital grants	-	-	1,248,122	-	1,248,122
Capital contributions from special assessments	8,418	-	36,278	-	44,696
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(52,914)</u>	<u>(175,733)</u>	<u>937,191</u>	<u>-</u>	<u>708,544</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(195,580)</u>	<u>(1,244,436)</u>	<u>1,257,896</u>	<u>512</u>	<u>(181,608)</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>195,580</u>	<u>1,364,414</u>	<u>444,287</u>	<u>-</u>	<u>2,004,281</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ -</u>	<u>\$ 119,978</u>	<u>\$ 1,702,183</u>	<u>\$ 512</u>	<u>\$ 1,822,673</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, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Enterprise Fund	Electric Enterprise Fund	Sewer Usage Enterprise Fund	Sanitation Enterprise Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (172,369)	\$ (170,696)	\$ 184,359	\$ (77,131)	\$ (235,837)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	136,607	42,426	154,432	3,361	336,826
Net pension liability, deferred outflows, and deferred inflows related to pensions	(3,258)	(2,173)	(3,256)	-	(8,687)
Changes in assets and liabilities (Increase) decrease in:					
Accounts receivable	(1,268)	(17,252)	1,548	(2,033)	(19,005)
Increase (decrease) in:					
Accounts payable	(117,948)	(678,732)	(1,841)	3,479	(795,042)
Salaries payable	2,675	(1,690)	3,017	-	4,002
Due to other governments	(522)	(4,676)	-	(2,405)	(7,603)
Customer deposits	-	(1,250)	-	-	(1,250)
Severance benefits	(588)	(81)	(588)	-	(1,257)
Other postemployment benefits and related deferred inflows and outflows	(5,689)	10,694	(26,894)	-	(21,889)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (162,360)</b>	<b>\$ (823,430)</b>	<b>\$ 310,777</b>	<b>\$ (74,729)</b>	<b>\$ (749,742)</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Total capital asset additions	\$ 736,968	\$ 175,733	\$ (34,384)	\$ -	\$ 878,317
City capital asset contributions	(736,968)	-	-	-	(736,968)
Contracts payable current year	-	-	-	-	-
Contracts payable prior year	15,306	-	367,018	-	382,324
Cash paid for purchase or construction of capital assets	\$ 15,306	\$ 175,733	\$ 332,634	\$ -	\$ 523,673
Capital grants	\$ -	\$ -	\$ 1,193,381	\$ -	\$ 1,193,381
Due from other governments current year	-	-	(125,208)	-	(125,208)
Due from other governments prior year	-	-	179,949	-	179,949
Cash received from capital grants	\$ -	\$ -	\$ 1,248,122	\$ -	\$ 1,248,122
Capital contributions	\$ 1,293	\$ -	\$ 4,368	\$ -	\$ 5,661
Special assessments receivable current year	(21,973)	-	(113,607)	-	(135,580)
Special assessments receivable prior year	29,098	-	145,517	-	174,615
Cash received for capital contributions from special assessments	\$ 8,418	\$ -	\$ 36,278	\$ -	\$ 44,696
Debt proceeds from general obligation revenue notes	\$ -	\$ -	\$ 304,906	\$ -	\$ 304,906
Due from other governments current year	-	-	(31,302)	-	(31,302)
Due from other governments prior year	-	-	137,926	-	137,926
Cash received from debt proceeds from general obligation revenue notes	\$ -	\$ -	\$ 411,530	\$ -	\$ 411,530

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, 2021

**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:

**Major Governmental Funds:**

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

CITY OF GILBERT, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.



CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2021

**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 7, 15, and 16 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 consist primarily of general obligation bonds, general obligation revenue notes payable, lease-purchases, 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, 2021

**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 7, 15, and 16 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, 2021**

**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.

**NOTE 2 – STEWARDSHIP AND ACCOUNTABILITY**

**Fund Deficits**

The following individual funds had deficit fund balances or net position at December 31, 2021:

Sanitation Enterprise Fund	\$ 58,680
Nonmajor Governmental Fund	
Debt Service Fund	\$ 7,500

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE 2 – STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)**

The Sanitation Enterprise Fund deficit net position occurred because the fund reported an operating loss and reported interfund payables of \$79,125 to cover its operating cash deficiencies. The Nonmajor Debt Service Fund deficit occurred because expenditures exceed revenues in past years and have not been fully funded.

**NOTE 3 - 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		3,689,458
Investments		<u>406,319</u>
Total	\$	<u>4,096,427</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 \$3,689,458; the bank balance was \$3,988,643. At year end, \$285,072 of the City's deposits were covered by federal depository insurance. The remaining \$3,703,571 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, 2021**

**NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)**

As of December 31, 2021, the City had the following investments:

	<u>Fair Value</u>	<u>Rating</u>
Minnesota Municipal Money Market (4M) Fund	\$ 62,501	Not Rated
Morgan Stanley Smith Barney Money Market Fund	343,818	Not Rated
	<u>\$ 406,319</u>	

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 2021, 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 \$406,319 at December 31, 2021 are not subject to measurement.

**NOTE 4 - 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, 2021 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, 2021**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
<b>Governmental activities</b>					
<b>Capital assets, not being depreciated:</b>					
Land and improvements	\$ 368,100	\$ 52,020	\$ -	\$ -	\$ 420,120
Construction in progress	2,342,706	2,443,069	-	(736,968)	4,048,807
<b>Total capital assets, not being depreciated</b>	<u>2,710,806</u>	<u>2,495,089</u>	<u>-</u>	<u>(736,968)</u>	<u>4,468,927</u>
<b>Capital assets, being depreciated:</b>					
Infrastructure	5,023,621	32,700	-	-	5,056,321
Buildings, improvements and structures	2,657,731	22,687	-	-	2,680,418
Equipment and vehicles	1,936,899	113,757	(31,611)	-	2,019,045
Furniture and fixtures	374,783	-	-	-	374,783
<b>Total capital assets, being depreciated</b>	<u>9,993,034</u>	<u>169,144</u>	<u>(31,611)</u>	<u>-</u>	<u>10,130,567</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(1,336,542)	(175,789)	-	-	(1,512,331)
Buildings, improvements and structures	(1,722,318)	(34,003)	-	-	(1,756,321)
Equipment and vehicles	(1,719,680)	(54,727)	31,611	-	(1,742,796)
Furniture and fixtures	(356,557)	(3,657)	-	-	(360,214)
<b>Total accumulated depreciation</b>	<u>(5,135,097)</u>	<u>(268,176)</u>	<u>31,611</u>	<u>-</u>	<u>(5,371,662)</u>
<b>Total capital assets, being depreciated, net</b>	<u>4,857,937</u>	<u>(99,032)</u>	<u>-</u>	<u>-</u>	<u>4,758,905</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,568,743</u>	<u>\$ 2,396,057</u>	<u>\$ -</u>	<u>\$ (736,968)</u>	<u>\$ 9,227,832</u>
<b>Business-type activities</b>					
<b>Capital assets, not being depreciated</b>					
Land and improvements	\$ 28,586	\$ -	\$ -	\$ -	\$ 28,586
Construction in progress	11,758,838	141,350	-	(11,724,453)	175,735
<b>Total capital assets, not being depreciated</b>	<u>11,787,424</u>	<u>141,350</u>	<u>-</u>	<u>(11,724,453)</u>	<u>204,321</u>
<b>Capital assets, being depreciated:</b>					
Distribution system	6,749,888	-	-	779,442	7,529,330
Production system	2,196,668	-	-	-	2,196,668
Sewage treatment plant	4,229,607	-	-	11,681,979	15,911,586
General assets	561,193	-	-	-	561,193
<b>Total capital assets, being depreciated</b>	<u>13,737,356</u>	<u>-</u>	<u>-</u>	<u>12,461,421</u>	<u>26,198,777</u>
<b>Less accumulated depreciation for:</b>					
Distribution system	(3,743,846)	(174,673)	-	-	(3,918,519)
Production system	(1,530,170)	(63,005)	-	-	(1,593,175)
Sewage treatment plant	(3,407,030)	(85,310)	-	-	(3,492,340)
General assets	(445,101)	(13,838)	-	-	(458,939)
<b>Total accumulated depreciation</b>	<u>(9,126,147)</u>	<u>(336,826)</u>	<u>-</u>	<u>-</u>	<u>(9,462,973)</u>
<b>Total capital assets, being depreciated, net</b>	<u>4,611,209</u>	<u>(336,826)</u>	<u>-</u>	<u>12,461,421</u>	<u>16,735,804</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 16,398,633</u>	<u>\$ (195,476)</u>	<u>\$ -</u>	<u>\$ 736,968</u>	<u>\$ 16,940,125</u>



**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
General government	\$ 50,873
Public safety	42,050
Public works	120,744
Sanitation	10,263
Recreation	<u>44,246</u>
Total depreciation expense - governmental activities	<u>\$ 268,176</u>
 <b>Business-type activities</b>	
Water	\$ 136,607
Electric	42,426
Sewer usage	154,432
Sanitation	<u>3,361</u>
Total depreciation expense - business-type activities	<u>\$ 336,826</u>

**NOTE 6 - LONG-TERM DEBT**

The City issues general obligation bonds, revenue notes, 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 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, 2021

**NOTE 6 - 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>
<b>Governmental activities</b>					
GO bonds payable					
Taxable GO CIP Energy Conservation Bonds, Series 2012B					
	07/01/2012	1.25-3.00%	\$ 140,000	02/01/2023	\$ 30,000
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					4,645,000
Lease-Purchase -					
Mower					
	01/30/2020	5.31%	\$ 61,949	01/01/2025	<u>41,207</u>
<b>Governmental activities long-term debt</b>					<u>4,686,207</u>
<b>Business-type activities</b>					
GO bonds and notes					
GO Utility Revenue Bonds, Series 2012A					
	03/01/2012	0.40-2.50%	\$ 365,000	05/01/2027	160,000
Taxable GO Utility Revenue Energy Conservation Bonds, Series 2012B					
	07/01/2012	1.25-3.00%	\$ 210,000	02/01/2023	40,000
GO Improvement Refunding Note 2018A					
	02/12/2018	2.98%	\$ 315,000	02/01/2024	165,000
GO Revenue Note of 2003					
	04/30/2003	2.88%	\$ 157,764	08/20/2023	20,000
GO Revenue Note of 2010					
	07/14/2010	1.00%	\$ 1,337,076	08/20/2030	635,000
GO Revenue Note of 2019					
	08/29/2018	1.00%	\$ 4,031,956	08/20/2038	3,903,316
GO Revenue Note of 2021					
	06/28/2021	1.00%	\$ 295,094	08/20/2041	<u>295,094</u>
<b>Business-type activities long-term debt</b>					<u>5,218,410</u>
<b>Total long-term debt</b>					<u>\$ 9,904,617</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 \$65,585. At December 31, 2021, these refunding bonds were paid off.

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 6 - 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 \$11,050. At December 31, 2021, principal and interest to maturity in 2023 which will be funded through ad valorem taxes totaled \$30,900.

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 \$9,124. At December 31, 2021, these bonds were paid off.

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 was paid in 2021 and interest paid for the current year totaled \$18,871. At December 31, 2021, 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 \$4,621,849 for both issues. These bonds were paid in full in March of 2022 and were paid with proceeds received from the issuance of \$2,070,000 General Obligation Water and Sewer Revenue Bonds, Series 2022A that were issued March 17, 2022 and proceeds from grants and other resources.

**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 \$10,864. At December 31, 2021, principal and interest to maturity in 2023 to be paid from pledged future revenues totaled \$20,864.

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 \$74,020. At December 31, 2021, principal and interest on the 2010 revenue note to maturity in 2030 to be paid from pledged future revenues totaled \$667,170.

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 \$29,225. At December 31, 2021, 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 \$111,760 for the water bonds and \$60,741 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 \$26,575. At December 31, 2021, principal and interest to maturity in 2023 which will be paid from net revenues of the water and sewer systems totaled \$23,542 for the water bonds and \$17,658 for the sewer bonds.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE 6 - 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 \$56,677. At December 31, 2021, principal and interest to maturity in 2024 to be paid from pledged future revenues totaled \$172,316.

In 2018, the City also issued \$1,430,389 GO Revenue Notes, Series 2019. The City issued an additional \$2,591,755 in 2019, \$452,477 in 2020, and \$9,812 in 2021 of GO Revenue Notes. Proceeds were used to finance construction at the sewer treatment plant. Principal and interest paid for the current year totaled \$273,422. At December 31, 2021, principal and interest to maturity in 2038 to be paid from pledged future sewer revenues totaled \$4,322,061.

In 2021, the City issued \$295,094 GO Revenue Notes, Series 2021. Proceeds were used to fund additional sanitary sewer infrastructure projects. No principal or interest was paid in 2021. At December 31, 2021, principal and interest to maturity in 2041 to be paid from pledged future sewer revenues totaled \$331,023.

Long-term debt activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
General obligation bonds					
GO Abatement Refunding Bonds, Series 2012C	\$ 9,000	\$ -	\$ (9,000)	\$ -	\$ -
GO Refunding Bonds, Series 2012A	65,000	-	(65,000)	-	-
Taxable GO CIP Energy Conservation Bonds, Series 2012B	40,000	-	(10,000)	30,000	15,000
GO Temporary Water and Sewer Bonds, Series 2020A	1,440,000	-	-	1,440,000	1,440,000
GO Temporary Water and Sewer Bonds, Series 2020B	3,175,000	-	-	3,175,000	3,175,000
Lease-Purchase Mower	50,243	-	(9,036)	41,207	9,516
<b>Total governmental activities - long-term debt</b>	<b>\$ 4,779,243</b>	<b>\$ -</b>	<b>\$ (93,036)</b>	<b>\$ 4,686,207</b>	<b>\$ 4,639,516</b>
<b>Business-type activities</b>					
Bonds payable					
GO Utility Revenue Bonds, Series 2012A	\$ 185,000	\$ -	\$ (25,000)	\$ 160,000	\$ 25,000
Taxable GO Utility Revenue Energy Conservation Bonds, Series 2012B	65,000	-	(25,000)	40,000	20,000
GO Improvement Refunding Note 2018A	216,000	-	(51,000)	165,000	56,000
Revenue Notes payable					
GO Revenue Note of 2003	30,000	-	(10,000)	20,000	10,000
GO Revenue Note of 2010	702,000	-	(67,000)	635,000	68,000
GO Revenue Note of 2019	4,126,504	9,812	(233,000)	3,903,316	235,000
GO Revenue Note of 2021	-	295,094	-	295,094	8,983
<b>Total business-type activities - long-term debt</b>	<b>\$ 5,324,504</b>	<b>\$ 304,906</b>	<b>\$ (411,000)</b>	<b>\$ 5,218,410</b>	<b>\$ 422,983</b>

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

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

Year Ending <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 4,639,516	\$ 9,714	\$ 422,983	\$ 61,627	\$ 5,062,499	\$ 71,341
2023	25,022	1,909	432,000	57,691	457,022	59,600
2024	10,554	1,152	406,000	51,634	416,554	52,786
2025	11,115	591	355,000	46,933	366,115	47,524
2026	-	-	364,000	42,946	364,000	42,946
2027-2031	-	-	1,671,000	158,830	1,671,000	158,830
2032-2036	-	-	1,445,111	82,234	1,445,111	82,234
2037-2041	-	-	122,316	6,830	122,316	6,830
<b>Total</b>	<b><u>\$ 4,686,207</u></b>	<b><u>\$ 13,366</u></b>	<b><u>\$ 5,218,410</u></b>	<b><u>\$ 508,725</u></b>	<b><u>\$ 9,904,617</u></b>	<b><u>\$ 522,091</u></b>

No interest was capitalized during 2021; interest incurred and charged to expense totaled \$76,554.

**NOTE 7 - 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	11
	<u>30</u>

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 7 - 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, 2021, 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 \$1,354,896 was measured as of December 31, 2021, 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, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00%
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, 2020.

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Changes in the Total OPEB Liability**

	Total OPEB Liability		
	Governmental Funds	Business-type Funds	Total
Balance at 12/31/2020	\$ 912,949	\$ 452,106	\$ 1,365,055
Changes for the year:			
Service cost	3,895	1,928	5,823
Interest	23,592	11,683	35,275
Differences between expected and actual experience	17,229	8,532	25,761
Change in assumptions	66,382	32,874	99,256
Changes of benefit terms	(16,996)	(8,415)	(25,411)
Benefit payments	(100,897)	(49,966)	(150,863)
Net changes	<u>(6,795)</u>	<u>(3,364)</u>	<u>(10,159)</u>
Balance at 12/31/2021	<u>\$ 906,154</u>	<u>\$ 448,742</u>	<u>\$ 1,354,896</u>

The discount rate used to measure the total OPEB liability was 2.00%, a decrease from the 2.75% discount rate used in the last actuarial report measured as of December 31, 2020.

**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 (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate.

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Net OPEB liability	\$ 1,511,550	\$ 1,354,896	\$ 1,225,501

**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 Trends Rate	1% Increase
Net OPEB liability	\$ 1,211,347	\$ 1,354,896	\$ 1,530,112

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$116,115. At December 31, 2021, the City reported total deferred outflows of resources related to contributions between the measurement date and reporting date in the amount of \$160,016. The deferred contributions will be offset against the OPEB liability in the subsequent year.

**NOTE 8 - INTERFUND BALANCES AND ACTIVITY**

The composition of interfund balances at December 31, 2021 is as follows:

Due From	Due To	Amount
General Fund	Nonmajor- Debt Service Fund	\$ 7,884
Electric Enterprise Fund	Water Enterprise Fund	19,694
	Sanitation Enterprise Fund	<u>79,125</u>
Total All Funds		<u>\$ 106,703</u>

The interfund balances were to eliminate cash deficits.

Interfund transfers for the year ended December 31, 2021, consisted of the following:

Transfer in	Transfer out	Amount
General	Electric Enterprise	\$150,000
Permanent Improvement and Replacement Capital Projects	General	50,000
Nonmajor Debt Service	General	<u>11,050</u>
Total All Funds		<u>\$ 211,050</u>

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

Net transfers of \$586,968 reported in the Statement of Activities is comprised of the \$150,000 transfer from the Electric Enterprise fund to the General Fund and a \$736,968 transfer from the Permanent Improvement and Replacement Capital Projects Fund to the Water Enterprise fund for capital asset contributions.



**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 9 - FUND EQUITY**

**Fund Balances**

As of December 31, 2021, fund balances are comprised of the following:

	General Fund	Community Development Revolving Loan Special Revenue Fund	Permanent Improvement and Replacement Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Restricted:</b>					
Rehabilitation loans	\$ -	\$ 73,398	\$ -	\$ -	\$ 73,398
<b>Committed:</b>					
Capital outlay	-	-	561,542	-	561,542
Storefront loans	-	66,525	-	-	66,525
Library	-	-	-	124,594	124,594
Campground	-	-	-	58,693	58,693
Total Committed	-	66,525	561,542	183,287	811,354
<b>Assigned:</b>					
Cash flow	976,689	-	-	-	976,689
Compensated absences	39,595	-	-	-	39,595
Total Assigned	1,016,284	-	-	-	1,016,284
<b>Unassigned</b>	442,955	-	-	(7,500)	435,455
<b>Total fund balances</b>	<b>\$ 1,459,239</b>	<b>\$ 139,923</b>	<b>\$ 561,542</b>	<b>\$ 175,787</b>	<b>\$ 2,336,491</b>

**NOTE 10 - 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.

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 11 - 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, 2021, the City abated \$9,710 in property taxes for this bonded debt. The bonds associated with this property were paid off in 2021.

**NOTE 12 - 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, 2021, 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.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 12 - OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

**Construction Projects**

The City had outstanding construction projects as of December 31, 2021. The projects were evidenced by contractual commitments with contractors and engineers.

<u>Project</u>	<u>Spent to Date</u>	<u>Commitments Remaining</u>
Project 13-856 Infrastructure Improvements	<u>\$ 1,765,847</u>	<u>\$ 240,742</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.

**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.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE 13 - 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 2021, the City of Biwabik paid the City of Gilbert \$345,214 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 2021 was \$14,485. Complete financial information can be obtained from the Tri-Cities Biosolids Disposal Authority, 413 Pierce Street, Eveleth, Minnesota 55734.

**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.

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 13 - JOINT VENTURES (CONTINUED)**

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 2021 was \$3,955. 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 2021 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. 2909 Rock Ridge Public Schools, 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. 2909 Rock Ridge Public Schools, 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 \$15,484 during 2021 to the Joint Recreation Board. Complete financial information can be obtained from the Joint Recreation Board, P.O. Box 536, Eveleth, Minnesota 55734.

**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.

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 13 - JOINT VENTURES (CONTINUED)**

The City of Gilbert did not make any contributions to the ATV/OHM/Snowmobile Trail Board during 2021. Complete financial information can be obtained from the ATV/OHM/Snowmobile Trail Board, City of Gilbert, P.O. Box 548, Gilbert, Minnesota 55741.

**NOTE 14 - 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, 2021 was as follows:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
Governmental activities	\$ 36,323	\$ 3,272	\$ -	\$ 39,595
Business-type activities	2,064	-	(1,256)	808
Total	\$ 38,387	\$ 3,272	\$ (1,256)	\$ 40,403

**NOTE 15 - 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.

**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.

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

**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. The postretirement increase is 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. 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.

**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 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$60,121. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**2. Police and Fire Fund Contributions**

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$98,309. 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, 2021, the City of Gilbert, Minnesota reported a liability of \$486,830 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 \$14,806.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0114 percent at the end of the measurement period and .0115 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 486,830
State of Minnesota's proportionate share of the net pension liability associated with the City	14,806
Total	\$ 501,636

There were no provision changes during the measurement period.

For the year ended December 31, 2021, the City of Gilbert, Minnesota recognized pension expense of \$40,900 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,195 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Differences between expected and actual economic experience</b>	\$ 2,754	\$ 14,913
<b>Changes in actuarial assumptions</b>	297,249	10,564
<b>Net collective difference between projected and actual investment earnings</b>	-	419,836
<b>Changes in proportion</b>	33,191	4,497
<b>Contributions paid to PERA subsequent to the measurement date</b>	32,019	-
<b>Totals</b>	\$ 365,213	\$ 449,810



**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The \$32,019 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>Pension Expense Amount</b>
2022	\$ (1,509)
2023	\$ 5,036
2024	\$ (5,147)
2025	\$ (114,996)

**2. Police and Fire Fund Pension Costs**

At December 31, 2021, the City reported a liability of \$346,580 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0449 percent at the end of the measurement period and 0.0437 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. 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 supplemental 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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, 2021, the City recognized pension expense of \$17,248 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an \$4,041 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 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 supplemental state aid. The City recognized \$2,843 for the year ended December 31, 2021 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.

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

There were no provision changes during the measurement period.

At December 31, 2021, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Differences between expected and actual economic experience</b>	\$ 66,823	\$ -
<b>Changes in actuarial assumptions</b>	509,382	198,857
<b>Net collective difference between projected and actual investment earnings</b>	-	664,824
<b>Changes in proportion</b>	22,241	47,865
<b>Contributions paid to PERA subsequent to the measurement date</b>	54,431	-
<b>Totals</b>	<b>\$ 652,877</b>	<b>\$ 911,546</b>

The \$54,431 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>Pension Expense Amount</b>
2022	\$ (259,358)
2023	\$ (47,350)
2024	\$ (46,509)
2025	\$ (74,036)
2026	\$ 114,153

**Total Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2021 was \$(25,036).

**E. Long-Term Expected Return on Investment**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100.0%	

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Actuarial Methods and Assumptions**

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

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumptions changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020 and assumption changes were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

**General Employees Fund**

**Changes in Actuarial Assumptions:**

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**Changes in Plan Provisions:**

- There were no changes in plan provisions since the previous valuation.

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net 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.

**H. Pension Liability Sensitivity**

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

CITY OF GILBERT, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity Analysis				
Net Pension Liability at Different Discount Rates				
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 992,887	5.50%	\$ 1,100,334
Current Discount Rate	6.50%	\$ 486,830	6.50%	\$ 346,580
1% Higher	7.50%	\$ 71,581	7.50%	\$ 271,311

I. Pension Plan Fiduciary Net Position

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

NOTE 16 - 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, 2021, the plan covered 19 active firefighters and 2 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 \$13,288 in fire state aid to the fund for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. The City wasn't obligated to make a required contribution but they did make a voluntary contribution of \$3,500 to the Volunteer Firefighter Plan for the year ended December 31, 2021.

Pension Costs

At December 31, 2021, the City reported a net pension asset of \$28,555 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2021. 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.

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 16 - DEFINED BENEFIT PENSION PLAN - FIRE DEPARTMENT (CONTINUED)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a-b)</b>
Beginning Balance 12/31/20	\$ 328,221	\$ 340,094	\$ (11,873)
Changes for the Year			
Service Cost	14,827	-	14,827
TPL Interest	20,365	-	20,365
Actuarial Experience (Gains)/Losses	(2,857)	-	(2,857)
Projected Investment Earnings	-	20,406	(20,406)
Changes in Benefit Level	-	-	-
Contributions (ER/State)	-	16,788	(16,788)
Asset (Gain)/Loss	-	12,563	(12,563)
Benefit Payouts	(7,260)	(7,260)	-
PERA Administrative Fee	-	(740)	740
Net Changes	25,075	41,757	(16,682)
Balance End of Year 12/31/21	\$ 353,296	\$ 381,851	\$ (28,555)

The City increased benefit levels effective in the current measurement period from \$1,900 per year of service to \$1,800 per year of service.

For the year ended December 31, 2021, the City recognized pension expense of \$12,442.

At December 31, 2021, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actuarial Experience Gains/Losses	\$ 4,936	\$ 9,075
Difference Between Projected and Actual Investment Earnings	-	32,737
<b>Total</b>	<b>\$ 4,936</b>	<b>\$ 41,812</b>

**CITY OF GILBERT, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 16 - 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
2022	\$ (11,814)
2023	\$ (12,677)
2024	\$ (9,301)
2025	\$ (3,084)
Thereafter	\$ -

**Actuarial Assumptions**

The total pension liability at December 31, 2021, 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 2021.

**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	\$ 19,607	\$ 28,555	\$ 37,111

**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 16 - 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 investments 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2021 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, 2021, 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](http://www.mnpera.org).



**CITY OF GILBERT, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 17 - SUBSEQUENT EVENT**

On March 17, 2022 the City issued \$2,070,000 General Obligation Water and Sewer Revenue Bonds, Series 2022A to provide long-term financing for the Phase I & II Utility Project by refunding GO Temporary Water and Sewer Bonds, Series 2020A and 2020B. The refunding bonds carry interest rates from 2 to 3 percent and payments will be made semiannually beginning on August 1, 2022 until final maturity on February 1, 2042.

**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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,578,843	\$ 1,578,843	\$ 1,273,361	\$ (305,482)
Licenses and permits	10,950	10,950	10,847	(103)
Intergovernmental	835,888	835,888	1,019,109	183,221
Charges for services	355,003	355,003	380,929	25,926
Fines	9,100	9,100	9,948	848
Interest	9,000	9,000	894	(8,106)
Miscellaneous	253,016	253,016	136,801	(116,215)
<b>TOTAL REVENUES</b>	<b>3,051,800</b>	<b>3,051,800</b>	<b>2,831,889</b>	<b>(219,911)</b>
<b>EXPENDITURES</b>				
Current				
General government	395,635	395,635	385,163	10,472
Public safety	1,129,235	1,129,235	1,203,014	(73,779)
Public works	736,720	736,720	603,771	132,949
Sanitation	2,000	2,000	253	1,747
Culture and recreation	73,266	73,266	85,804	(12,538)
Miscellaneous	345,616	345,616	335,440	10,176
Capital Outlay				
General government	10,000	10,000	39,757	(29,757)
Public safety	35,200	35,200	72,718	(37,518)
Public works	72,000	72,000	62,450	9,550
Miscellaneous	5,000	5,000	2,170	2,830
<b>TOTAL EXPENDITURES</b>	<b>2,804,672</b>	<b>2,804,672</b>	<b>2,790,540</b>	<b>14,132</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>247,128</b>	<b>247,128</b>	<b>41,349</b>	<b>(205,779)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	150,000	150,000
Transfers out	(50,000)	(50,000)	(61,050)	(11,050)
Sale of capital assets	1,500	1,500	100	(1,400)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(48,500)</b>	<b>(48,500)</b>	<b>89,050</b>	<b>137,550</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>198,628</b>	<b>198,628</b>	<b>130,399</b>	<b>(68,229)</b>
<b>FUND BALANCE - JANUARY 1</b>	<b>1,328,840</b>	<b>1,328,840</b>	<b>1,328,840</b>	<b>-</b>
<b>FUND BALANCE - DECEMBER 31</b>	<b>\$ 1,527,468</b>	<b>\$ 1,527,468</b>	<b>\$ 1,459,239</b>	<b>\$ (68,229)</b>

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Current				
Economic development	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCE - JANUARY 1</b>	139,923	139,923	139,923	-
<b>FUND BALANCE - DECEMBER 31</b>	\$ 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, 2021**

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>Total OPEB Liability</b>				
Service cost	\$ 5,823	\$ 4,991	\$ 13,405	\$ 13,405
Interest	35,275	26,232	444	444
Differences between expected and actual experience	25,761	558,115	-	-
Changes of assumptions	99,256	69,751	134,565	-
Change of benefit terms	(25,411)	-	-	-
Benefit payments paid directly	<u>(150,863)</u>	<u>(163,089)</u>	<u>(148,414)</u>	<u>(153,838)</u>
<b>Net change in OPEB liability</b>	<b>(10,159)</b>	<b>496,000</b>	<b>-</b>	<b>(139,989)</b>
<b>Total OPEB Liability - beginning</b>	<u>1,365,055</u>	<u>869,055</u>	<u>869,055</u>	<u>1,009,044</u>
<b>Total OPEB Liability - ending</b>	<u><b>\$ 1,354,896</b></u>	<u><b>\$ 1,365,055</b></u>	<u><b>\$ 869,055</b></u>	<u><b>\$ 869,055</b></u>
<b>Payroll for measurement period</b>	<b>\$ 1,217,275</b>	<b>\$ 1,217,276</b>	<b>\$ 1,299,583</b>	<b>\$ 1,252,279</b>
<b>Net OPEB Liability as a % of employee payroll</b>	<b>111.31%</b>	<b>112.14%</b>	<b>66.87%</b>	<b>69.40%</b>

**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, 2021**

**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 the City (b)	Employer'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
6/30/21	0.0114%	\$ 486,830	\$ 14,806	\$ 501,636	\$ 820,373	61.15%	87.00%
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)
12/31/21	\$ 60,121	\$ 60,121	\$ -	\$ 801,613	7.50%
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, 2021**

**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 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
6/30/21	0.0449%	\$ 346,580	\$ 15,608	\$ 362,188	\$ 531,226	65.24%	93.70%
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 POLICE 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)
12/31/21	\$ 98,309	\$ 98,309	\$ -	\$ 555,418	17.70%
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, 2021**

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

	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ 14,827	\$ 16,094	\$ 10,787	\$ 12,854	\$ 14,494	\$ 11,331	\$ 11,001
Interest on the pension liability	20,365	17,564	16,042	16,883	13,107	12,331	11,878
Actuarial experience (gains)/losses	(2,857)	(4,156)	12,338	(21,476)	1,923	(1,200)	438
Changes in benefit level	-	31,085	-	-	57,857	-	-
Benefit payments	<u>(7,260)</u>	<u>(18,024)</u>	<u>(20,200)</u>	<u>(20,200)</u>	<u>(25,400)</u>	<u>-</u>	<u>(32,200)</u>
<b>Net Change in Total Pension Liability</b>	25,075	42,563	18,967	(11,939)	61,981	22,462	(8,883)
<b>Total Pension Liability - Beginning</b>	<u>328,221</u>	<u>285,658</u>	<u>266,691</u>	<u>278,630</u>	<u>216,649</u>	<u>194,187</u>	<u>203,070</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 353,296</u>	<u>\$ 328,221</u>	<u>\$ 285,658</u>	<u>\$ 266,691</u>	<u>\$ 278,630</u>	<u>\$ 216,649</u>	<u>\$ 194,187</u>
<b>Plan Fiduciary Net Position</b>							
Contributions:							
Fire state aid	\$ 10,154	\$ 9,869	\$ 9,483	\$ 9,414	\$ 9,378	\$ 9,544	\$ 9,562
Fire supplemental aid	2,134	2,179	2,195	2,240	2,269	2,315	2,340
Supplemental benefit reimbursement	1,000	1,000	1,000	2,000	-	1,000	1,000
Voluntary municipal contribution	3,500	3,347	2,500	-	-	-	-
Required municipal contribution	-	153	5,098	5,196	-	-	6,993
Net Investment Income	32,969	44,776	44,431	(9,875)	30,774	15,570	534
PERA administrative fee	(720)	(600)	(570)	(600)	(630)	(630)	(600)
SBI Investment Fee	(20)	(18)	(15)	(15)	(15)	(17)	(7)
Benefit Payments	<u>(7,260)</u>	<u>(18,024)</u>	<u>(20,200)</u>	<u>(20,200)</u>	<u>(25,400)</u>	<u>-</u>	<u>(32,200)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	41,757	42,682	43,922	(11,840)	16,376	27,782	(12,378)
<b>Plan Fiduciary Net Position - Beginning</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>	<u>233,550</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 381,851</u>	<u>\$ 340,094</u>	<u>\$ 297,412</u>	<u>\$ 253,490</u>	<u>\$ 265,330</u>	<u>\$ 248,954</u>	<u>\$ 221,172</u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<u>\$ (28,555)</u>	<u>\$ (11,873)</u>	<u>\$ (11,754)</u>	<u>\$ 13,201</u>	<u>\$ 13,300</u>	<u>\$ (32,305)</u>	<u>\$ (26,985)</u>
<b>Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability</b>	108.1%	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, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ -	\$ 153	\$ 5,098	\$ 5,196	\$ -	\$ -	\$ 6,993	\$ -
Actual contributions paid	<u>3,500</u>	<u>3,500</u>	<u>7,598</u>	<u>5,196</u>	<u>-</u>	<u>-</u>	<u>6,993</u>	<u>6,780</u>
Contribution deficiency/(excess)	<u>\$ (3,500)</u>	<u>\$ (3,347)</u>	<u>\$ (2,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,780)</u>

**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, 2021**

**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**

***2021 Changes***

Changes in Actuarial Assumptions:

- The discount rate was changed from 2.75 percent to 2.00 percent based on updated municipal bond rates.

Changes in Plan Provisions:

- No changes.

***2020 Changes***

Changes in Actuarial Assumptions:

- The discount rate was changed from 3.31 percent to 2.75 percent 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 a explicit subsidy assumed to elect coverage at retirement changed to 5 percent to reflect recent plan experience.
- The inflation assumption was changed from 2.75 percent to 2.25 percent 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.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2021

**NOTE 2 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

***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.

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

***2021 Changes***

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

***2020 Changes***

Changes in Actuarial Assumptions

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

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2021

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

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

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

- The morality 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.

**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.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2021

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

**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.

**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.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2021

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

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

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.

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018 Changes**

Changes in Actuarial Assumptions

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

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2021

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

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.
- 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.

CITY OF GILBERT, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2021

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

- 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 increases 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



**SUPPLEMENTARY 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, 2021**

	<b>Library Special Revenue Fund</b>	<b>Campground Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 126,713	\$ 61,460	\$ -	\$ 188,173
Taxes receivable	-	-	1,353	1,353
Special assessments receivable	-	-	3,761	3,761
<b>TOTAL ASSETS</b>	<b>\$ 126,713</b>	<b>\$ 61,460</b>	<b>\$ 5,114</b>	<b>\$ 193,287</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 580	\$ 2,767	\$ 969	\$ 4,316
Salaries payable	1,539	-	-	1,539
Due to other funds	-	-	7,884	7,884
<b>TOTAL LIABILITIES</b>	<b>2,119</b>	<b>2,767</b>	<b>8,853</b>	<b>13,739</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-special assessments	-	-	3,761	3,761
<b>FUND BALANCES</b>				
Committed	124,594	58,693	-	183,287
Unassigned	-	-	(7,500)	(7,500)
<b>TOTAL FUND BALANCES</b>	<b>124,594</b>	<b>58,693</b>	<b>(7,500)</b>	<b>175,787</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 126,713</b>	<b>\$ 61,460</b>	<b>\$ 5,114</b>	<b>\$ 193,287</b>

**CITY OF GILBERT, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2021**

	<b>Library Special Revenue Fund</b>	<b>Campground Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 103,500	\$ -	\$ 85,564	\$ 189,064
Intergovernmental	-	15,411	-	15,411
Charges for services	1,612	156,949	-	158,561
Fines	976	-	-	976
Interest	-	591	-	591
Miscellaneous	6,892	1,258	-	8,150
<b>TOTAL REVENUES</b>	<b>112,980</b>	<b>174,209</b>	<b>85,564</b>	<b>372,753</b>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	101,362	109,978	-	211,340
Debt Service				
Principal	-	9,036	84,000	93,036
Interest and other charges	-	2,670	22,637	25,307
Capital Outlay				
Culture and recreation	-	38,441	-	38,441
<b>TOTAL EXPENDITURES</b>	<b>101,362</b>	<b>160,125</b>	<b>106,637</b>	<b>368,124</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>11,618</b>	<b>14,084</b>	<b>(21,073)</b>	<b>4,629</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	11,050	11,050
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,618</b>	<b>14,084</b>	<b>(10,023)</b>	<b>15,679</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>112,976</b>	<b>44,609</b>	<b>2,523</b>	<b>160,108</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 124,594</b>	<b>\$ 58,693</b>	<b>\$ (7,500)</b>	<b>\$ 175,787</b>

CITY OF GILBERT, MINNESOTA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Year Ended December 31, 2021

REVENUES

**Taxes**

General property	\$ 575,570
Fiscal disparities	267,962
Taconite production	24,717
Taconite mining effects	50,301
Taconite homestead credit	120,836
Taconite municipal aid	192,029
Franchise	14,581
Other	27,365
<b>Total Taxes</b>	<u>1,273,361</u>

**Licenses and Permits**

10,847

**Intergovernmental**

Federal grants	
CARES	97,261
CDBG	33,191
Fire assistance grant	13,976
State	
Local government aid	733,182
Small cities aid	39,020
Police training	6,182
Police aid	55,155
Iron Range Resources	11,399
DNR grant for fire department	1,753
DNR grant for OHV trails	17,466
County	
OHV trail grant	9,147
Safe and sober	1,377
<b>Total Intergovernmental</b>	<u>1,019,109</u>

**Charges for Services**

General government	
Rent	15,000
Miscellaneous	1,415
Public safety	
City of Biwabik's share of police	345,214
Other	825
Cemetery	18,475
<b>Total Charges for Services</b>	<u>380,929</u>

CITY OF GILBERT, MINNESOTA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(CONTINUED)  
Year Ended December 31, 2021

REVENUES (CONTINUED)

<b>Fines</b>	
Court fines	\$ 6,304
Trespass fines	1,050
Administrative fines	<u>2,594</u>
<b>Total Fines</b>	<u>9,948</u>
<b>Interest</b>	
Interest income	<u>894</u>
<b>Miscellaneous</b>	
Insurance recoveries	108,221
Donations	10,493
Other	<u>18,087</u>
<b>Total Miscellaneous</b>	<u>136,801</u>
<b>TOTAL REVENUES</b>	<u>2,831,889</u>

EXPENDITURES

Current

<b>General Government</b>	
Mayor and council	24,650
City clerk-treasurer	261,683
Elections	458
Legal and accounting fees	38,738
Planning and zoning	3,761
Community center	18,203
Other	<u>37,670</u>
<b>Total General Government</b>	<u>385,163</u>

CITY OF GILBERT, MINNESOTA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(CONTINUED)  
Year Ended December 31, 2021

EXPENDITURES

Current (continued)

<b>Public Safety</b>	
Police	\$ 1,072,528
Fire	120,652
Animal control	6,449
First responders	3,385
<b>Total Public Safety</b>	<u>1,203,014</u>
<b>Public Works</b>	
Maintenance	582,535
Street lighting	21,236
<b>Total Public Works</b>	<u>603,771</u>
<b>Sanitation</b>	
Recycling	<u>253</u>
<b>Culture and Recreation</b>	
Recreation center	63,825
Mesabi Trail maintenance	480
Contribution to Range Recreation Civic Center	4,032
OHV parks and trails	17,467
<b>Total Culture and Recreation</b>	<u>85,804</u>
<b>Miscellaneous</b>	
Insurance	132,434
Employer-paid insurance	193,558
Utilities	2,365
Cemetery	6,560
Other	523
<b>Total Miscellaneous</b>	<u>335,440</u>

**CITY OF GILBERT, MINNESOTA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(CONTINUED)  
Year Ended December 31, 2021**

**EXPENDITURES (CONTINUED)**

**Capital Outlay**

**General Government**

Community center	\$ 33,821	
City hall	5,936	
<b>Total General Government</b>	39,757	

**Public Safety**

Police	66,419	
Fire	6,299	
<b>Total Public Safety</b>	72,718	

**Public Works**

Streets	62,450	
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**Miscellaneous**

Cemetery	2,170	
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<b>TOTAL EXPENDITURES</b>	<b>2,790,540</b>	
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<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>41,349</b>	
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**OTHER FINANCING SOURCES (USES)**

Transfers in	150,000	
Transfers out	(61,050)	
Sale of capital assets	100	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>89,050</b>	

<b>NET CHANGE IN FUND BALANCE</b>	<b>130,399</b>	
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<b>FUND BALANCE - JANUARY 1</b>	<b>1,328,840</b>	
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<b>FUND BALANCE - DECEMBER 31</b>	<b>\$ 1,459,239</b>	
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CITY OF GILBERT, MINNESOTA

COMMUNITY DEVELOPMENT REVOLVING LOAN SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Year Ended December 31, 2021

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, 2021**

**REVENUES**

**Special Assessments**

Principal	\$ <u>2,461</u>
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**Intergovernmental**

Federal grants	
Community Development Block Grant	154
State	
Iron Range Resources	<u>375,000</u>
<b>Total Intergovernmental</b>	<u>375,154</u>

<b>TOTAL REVENUES</b>	<u>377,615</u>
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**EXPENDITURES**

**Capital Outlay**

**General Government**

Other	52,020
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**Public Works**

TH37 Utility Project	2,390,735
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**Sanitation**

Lower Michigan Sanitary Sewer Project	<u>29,895</u>
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<b>TOTAL EXPENDITURES</b>	<u>2,472,650</u>
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<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(2,095,035)
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**OTHER FINANCING SOURCES**

Transfers in	<u>50,000</u>
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<b>NET CHANGE IN FUND BALANCE</b>	(2,045,035)
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<b>FUND BALANCE - JANUARY 1</b>	<u>2,606,577</u>
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<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 561,542</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 103,500	\$ 103,500	\$ 103,500	\$ -
Charges for services	-	-	1,612	1,612
Fines	-	-	976	976
Miscellaneous	-	-	6,892	6,892
<b>TOTAL REVENUES</b>	<b>103,500</b>	<b>103,500</b>	<b>112,980</b>	<b>9,480</b>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	108,430	108,430	101,362	7,068
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,930)</b>	<b>(4,930)</b>	<b>11,618</b>	<b>16,548</b>
<b>FUND BALANCE - JANUARY 1</b>	<b>112,976</b>	<b>112,976</b>	<b>112,976</b>	<b>-</b>
<b>FUND BALANCE - DECEMBER 31</b>	<b>\$ 108,046</b>	<b>\$ 108,046</b>	<b>\$ 124,594</b>	<b>\$ 16,548</b>

**CITY OF GILBERT, MINNESOTA**  
**LIBRARY SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2021**

**REVENUES**

<b>Taxes</b>	
General property	\$ 103,500
<b>Charges for Services</b>	
Culture and recreation	
Library	1,612
<b>Fines</b>	
Library fines	976
<b>Miscellaneous</b>	
Other	<u>6,892</u>
<b>TOTAL REVENUES</b>	<u>112,980</u>

**EXPENDITURES**

**Current**

<b>Culture and Recreation</b>	
Personnel services	84,923
Supplies	12,788
Other services and charges	3,351
Other	<u>300</u>
<b>TOTAL EXPENDITURES</b>	<u>101,362</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,618
<b>FUND BALANCE - JANUARY 1</b>	<u>112,976</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 124,594</u>

**CITY OF GILBERT, MINNESOTA**  
**CAMPGROUND SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2021**

**REVENUES**

**Intergovernmental**

State

    Iron Range Resources and Rehabilitation Board \$ 15,411

**Charges for Services**

Culture and recreation

    Rent 21,016

    Campground fees 123,264

    Other 12,669

**Total Charges for Services** 156,949

**Interest**

591

**Miscellaneous**

Other

1,258

**TOTAL REVENUES** 174,209

**EXPENDITURES**

**Current**

**Culture and Recreation**

Campground

    Personal services 3,917

    Supplies 12,302

    Other services and charges 91,728

    Other 529

    Maintenance and repairs 1,502

**Total Culture and Recreation** 109,978

**Debt Service**

    Principal 9,036

    Interest and other charges 2,670

**Total Debt Service** 11,706

**Capital Outlay**

    Culture and recreation site improvements 38,441

**TOTAL EXPENDITURES** 160,125

**NET CHANGE IN FUND BALANCE** 14,084

**FUND BALANCE - JANUARY 1** 44,609

**FUND BALANCE - DECEMBER 31** \$ 58,693

CITY OF GILBERT, MINNESOTA

DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Year Ended December 31, 2021

REVENUES

<b>Taxes</b>	
General property	\$ 50,587
Fiscal disparities	23,828
Taconite homestead credit	10,742
Other	<u>407</u>
<b>TOTAL REVENUES</b>	<u>85,564</u>

EXPENDITURES

<b>Debt Service</b>	
Principal	84,000
Interest and fiscal charges	<u>22,637</u>
<b>TOTAL EXPENDITURES</b>	<u>106,637</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(21,073)
<b>OTHER FINANCING SOURCES</b>	
Transfers in	<u>11,050</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,023)
<b>FUND BALANCE - JANUARY 1</b>	<u>2,523</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ (7,500)</u>

**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, 2021, 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 August 12, 2022.

**Report on 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

**Report on 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 August 12, 2022, included under this cover.

**City of Gilbert, Minnesota's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
August 12, 2022



**CITY OF GILBERT, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2021**

**FINDING 2020-001. 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 2020-002. 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.

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

**Summary of Condition**

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

**Summary of Corrective Action Previously Reported**

Monthly transactions would be recorded timely to the correct account code and to the correct period. Bank reconciliations would be completed on a monthly basis and reviewed by the City Council.

**Current Status**

Ongoing.

**CITY OF GILBERT, MINNESOTA**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2021**

**2021-001. 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.

**2021-002. 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 RESPONSES (CONTINUED)  
Year Ended December 31, 2021**

**2021-002. 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.

**2021-003. 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, 2021. 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.

**REPRESENTATION OF  
CITY OF GILBERT, MINNESOTA**

**CORRECTIVE ACTION PLAN  
Year Ended December 31, 2021**

**Finding Number: 2021-001**

**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: 2021-002**

**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: 2021-003**

**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, 2022

Get signed copy on letterhead

## 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, 2021, 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 August 12, 2022, 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 August 12, 2022, 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 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.
7. The City had multiple old outstanding checks listed on the December 31, 2021 bank reconciliation. Minnesota statutes require unclaimed or uncashed checks held for more than three years (or one year for unpaid compensation) be paid to the state commissioner of commerce. We recommend that the outstanding check list be reviewed on a regular basis and that checks be reissued, if necessary, or sent to the state.

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.

Virginia, Minnesota  
August 12, 2022