

CITY OF GRANT, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021



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**CITY OF GRANT, MINNESOTA
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YEAR ENDED DECEMBER 31, 2021**

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INTRODUCTORY SECTION

**CITY OF GRANT, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2021**

	<u>Term Expires:</u>
Mayor: Jeff Huber	2024
Council Members:	
John Rog	2022
Jeff Giefer	2022
Tom Carr	2024
Jeff Shafer	2024
Clerk: Kim Points	
Treasurer: Sharon Schwarze	
Attorney: Johnson Turner Legal	

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Grant, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Grant, Minnesota's basic financial statements as listed in the table of contents.

Qualified Opinion on Governmental Activities

In our opinion, except for the possible effects of the matter discussed in the *Basis for Qualified and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City as of December 31, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Each Major Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the City as of December 31, 2021, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to a Qualified Opinion on Governmental Activities

The City does not maintain detailed capital asset records including accumulated depreciation on each individual asset. Accounting principles generally accepted in the United States of America require that an amount for capital assets be based on historical cost records with depreciation on each asset. The amounts included in the financial statements are estimates that are not based on a listing of individual assets. The amount by which this departure would affect assets and net position of the governmental activities is not reasonably determinable.

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

Responsibilities of Management for the Financial Statements

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

Auditors' 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 auditors' 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 Grant'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 Grant's ability to continue as a going concern for a reasonable period of time.

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

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

Other Information

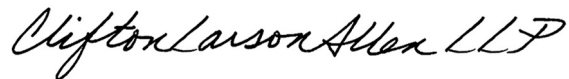
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information,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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022, on our consideration of the City of Grant, Minnesota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Grant, 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 the City of Grant, Minnesota’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2022

**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

As management of the City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

Financial Highlights

- The City's governmental activities net position increased by \$115,644. The City's governmental activities total ending net position was \$3,774,630 at year-end.
- The fund balance of the General Fund increased by \$70,963 during the year to \$2,112,883 at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements consist of the City functions that are principally supported by taxes and, to a limited extent, intergovernmental revenue. The City of Grant does not receive gas tax revenue. The governmental activities of the City include general government, public safety, and public works.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City fall under the category of governmental funds.

**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City currently maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Jasmine Avenue Improvements Fund of 2008, Road Capital Projects Fund and Debt Service Fund.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 18-36 of this report.

Government-Wide Financial Analysis

The government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the City's financial position. Over time, increases or decreases in the City's net position can be used as an indicator of the City's financial position.

The City's financial position is the product of many factors. For example, the determination of the City's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus a liberal approach to depreciation estimates, as well as capitalization policies, will produce a very significant difference in the calculated amounts. For these reasons, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to focus on the current balance.

**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

EXHIBIT 1: CITY OF GRANT'S NET POSITION - GOVERNMENTAL ACTIVITIES

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 3,673,838	\$ 3,425,703
Capital Assets, Net	1,697,493	1,614,398
Total Assets	5,371,331	5,040,101
 Deferred Outflows of Resource	 37,930	 3,906
Current Liabilities	377,506	158,319
Non-Current Liabilities	1,214,704	1,219,964
Total Liabilities	1,592,210	1,378,283
 Deferred Inflows of Resources	 42,421	 6,738
Net Position:		
Net Investment in Capital Assets	525,493	472,397
Restricted	1,138,898	1,136,045
Unrestricted	2,110,239	2,050,544
Total Net Position	\$ 3,774,630	\$ 3,658,986

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,774,630 at the close of the most recent fiscal year. Grant's recorded assets are largely in cash and investments. This cash balance is generally used to finance the City's expenses during the year. The City receives the vast majority of its income through the property tax system in two lump sums in July and December. Because nearly one-half of the annual income is received in December, cash balances appear larger at year-end.

Capital Assets are shown net of depreciation, where applicable. Roads are recorded after January 1, 2004 when a capital improvement is made.

**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

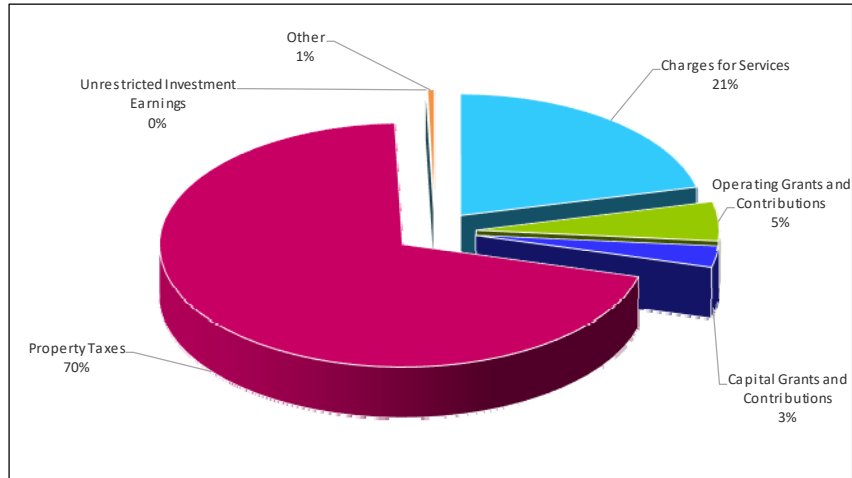
Governmental Activities. The City's net position increased by \$115,644. Key elements of this \$3,774,630 are as follows:

	Governmental Activities			
	2021	2020	Annual Change	Percent Change
REVENUES				
Program Revenues:				
Charges for Services	\$ 398,891	\$ 380,379	\$ 18,512	5 %
Operating Grants and Contributions	97,330	79,904	17,426	22
Capital Grants and Contributions	51,684	1,145,509	(1,093,825)	(95)
General Revenues:				
Property Taxes	1,321,215	1,283,338	37,877	3
Unrestricted Investment Earnings	(1,360)	18,766	(20,126)	(107)
Other	8,304	8,092	212	3
Total Revenues	<u>1,876,064</u>	<u>2,915,988</u>	<u>(1,039,924)</u>	<u>(36)</u>
EXPENSES				
General Government	189,725	282,596	(92,871)	(33)
Public Safety	551,531	529,078	22,453	4
Public Works	993,933	753,428	240,505	32
Interest on Long-Term Debt	25,231	31,685	(6,454)	N/A
Total Expenses	<u>1,760,420</u>	<u>1,596,787</u>	<u>163,633</u>	<u>10</u>
CHANGE IN NET POSITION	115,644	1,319,201	(1,203,557)	(91)
Net Position - Beginning of Year	<u>3,658,986</u>	<u>2,339,785</u>	<u>1,319,201</u>	56
NET POSITION - END OF YEAR	<u><u>\$ 3,774,630</u></u>	<u><u>\$ 3,658,986</u></u>	<u><u>\$ 115,644</u></u>	3

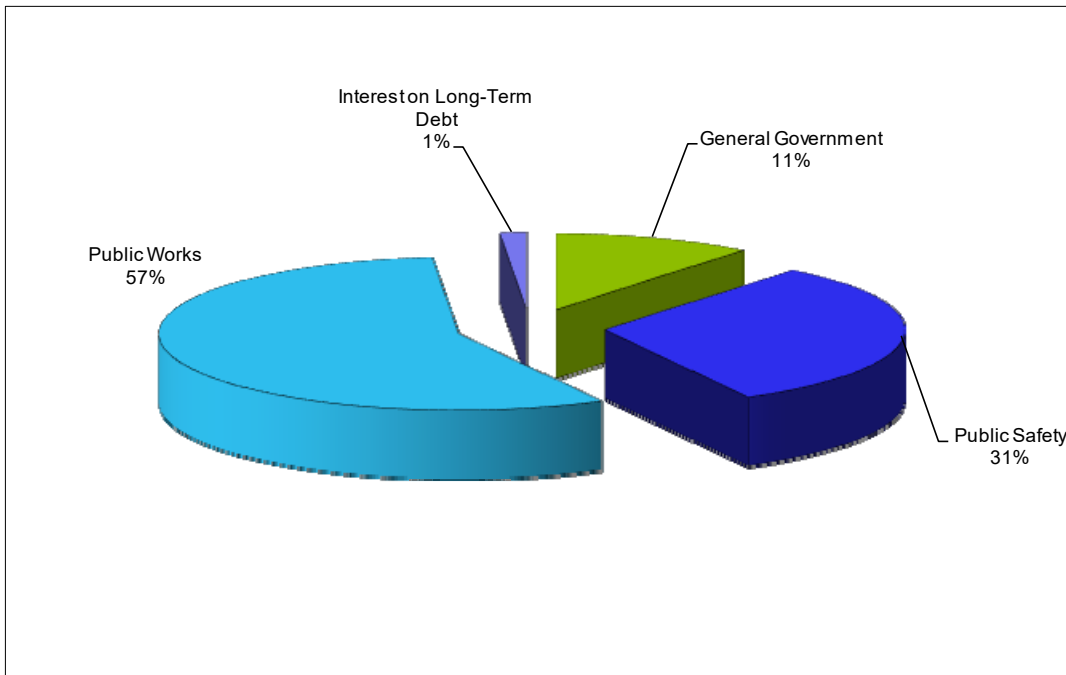
The City continues to stress minimizing General Government spending. The City has entered into a contract for some of its maintenance and snow plowing that should smooth out the year over year fluctuations in cost, thus making budgeting and expenses more predictable and keeping the levy low.

**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

The following is a graphical representation of the various sources of the City's 2021 governmental revenues of \$1,876,064:



The following is a graphical representation of the allocation of the City's 2021 governmental expenses of \$1,760,420:



**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of December 31, 2021, totals \$1,697,493 (net of accumulated depreciation). This investment in capital assets includes land, City Hall, office equipment, and roads.

Capital Assets at Year-End
(Net of Accumulated Depreciation)

	Governmental Activities	
	2021	2020
Land	\$ 173,334	\$ 142,000
Buildings and Building Improvements	137,290	59,000
Streets and Infrastructure	1,754,029	1,730,516
Equipment and Furniture	284,130	284,130
Less: Accumulated Depreciation	(651,290)	(601,248)
Capital Assets, Net	\$ 1,697,493	\$ 1,614,398

Additional information on capital assets is presented in Note 4 of this report.

Long-Term Debt. The City's outstanding debt balances at the end of 2021 are as follows:

	Governmental Activities	
	2021	2020
G.O. 2020 Improvement Bonds	\$ 1,172,000	\$ 1,172,000

Economic Factors and Next Year's Budgets and Rates

- The City Council has prepared a budget with no excess or deficit for the General Fund for 2022.
- The City is dependent upon the housing market for building permit revenue and the tax base.

General Fund Budgetary Highlights

Detail of the General Fund original budget, final budget, and actual revenues and expenditures can be found on pages 39-41 of this report. The City did not make any amendments to the General Fund budget during the year. Overall revenues of the General Fund were over budget by \$193,767 mostly due to two factors: the City received and used \$89,362 of Small City Assistance in 2021 which was not budgeted for, and licenses and permits revenue was \$107,817 over budget due to the City budgeting conservatively on permit revenue while there were a greater amount of development projects in 2021 compared to 2020. Expenditures in the General Fund were over budget by \$34,590 mostly due to the city deciding not to assess for 2021 road project amounts that had approximately \$11,140 in expenditures and some capital outlay amounts that were unbudgeted for \$23,226. All of these factors combined to result in a favorable General Fund budget variance of \$160,246.

**CITY OF GRANT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in 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 City of Grant, P.O. Box 577 Willernie, Minnesota 55090-577.

BASIC FINANCIAL STATEMENTS

**CITY OF GRANT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Primary Governmental Activities
ASSETS	
Cash and Investments	\$ 2,895,760
Taxes Receivable	36,676
Special Assessments Receivable	704,399
Accounts Receivable - Net	26,158
Prepays	10,845
Capital Assets:	
Nondepreciable:	
Land	173,334
Depreciable:	
Blacktop, Sidewalks, and Streets	1,891,319
Furniture and Equipment	284,130
Total Capital Assets	2,348,783
Less: Accumulated Depreciation	(651,290)
Capital Assets, Net	1,697,493
Total Assets	5,371,331
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pensions	37,930
LIABILITIES	
Accounts Payable	39,675
Salaries Payable	1,334
Escrow Accounts	88,681
Accrued Interest Payable	9,913
Unearned Revenue	237,903
Long-Term Liabilities:	
Net Pension Liability	42,704
Due Within One Year	63,000
Bonds Payable Due in More Than One Year	1,109,000
Total Liabilities	1,592,210
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pensions	42,421
NET POSITION	
Net Investment in Capital Assets	525,493
Restricted for Debt Service	1,138,898
Unrestricted	2,110,239
Total Net Position	\$ 3,774,630

See accompanying Notes to Basic Financial Statements.

**CITY OF GRANT, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2021**

ASSETS	General	Jasmine Avenue Improvements of 2008	Road Capital Projects	Debt Service	Total Governmental Funds
Cash and Investments	\$ 2,420,445	\$ -	\$ -	\$ 475,315	\$ 2,895,760
Taxes Receivable	36,676	-	-	-	36,676
Special Assessments Receivable	30,903	-	-	673,496	704,399
Prepays	10,845	-	-	-	10,845
Accounts Receivable	26,158	-	-	-	26,158
Total Assets	<u>\$ 2,525,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,148,811</u>	<u>\$ 3,673,838</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 39,554	\$ -	\$ -	\$ -	\$ 39,554
Salaries Payable	1,455	-	-	-	1,455
Deposits Payable	88,681	-	-	-	88,681
Unearned Revenue	237,903	-	-	-	237,903
Total Liabilities	<u>367,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,593</u>
 DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	15,442	-	-	-	15,442
Unavailable Revenue - Special Assessments	29,109	-	-	673,496	702,605
Total Deferred Inflows of Resources	<u>44,551</u>	<u>-</u>	<u>-</u>	<u>673,496</u>	<u>718,047</u>
 FUND BALANCES					
Nonspendable	10,845	-	-	-	10,845
Restricted:					
Debt Service	-	-	-	475,315	475,315
Unassigned	2,102,038	-	-	-	2,102,038
Total Fund Balances	<u>2,112,883</u>	<u>-</u>	<u>-</u>	<u>475,315</u>	<u>2,588,198</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,525,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,148,811</u>	<u>\$ 3,673,838</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF GRANT, MINNESOTA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,588,198

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 1,697,493

Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as deferred inflows in the governmental funds. 718,047

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

General Obligation Bonds	(1,172,000)
Accrued Interest Payable	(9,913)

The City's net pension liability and related deferred inflows and deferred outflows are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	(42,704)
Deferred Inflows of Resources - Pensions	(42,421)
Deferred Outflows of Resources - Pensions	37,930
	37,930

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 3,774,630**

**CITY OF GRANT, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2021**

	General	Jasmine Avenue Improvements of 2008	Road Capital Projects	Debt Service	Total Governmental Funds
REVENUES					
Taxes	\$ 1,325,358	\$ -	\$ -	\$ -	\$ 1,325,358
Special Assessments	9,657	-	-	135,341	144,998
Licenses and Permits	280,567	-	-	-	280,567
Intergovernmental	97,330	-	-	-	97,330
Charges for Services	25,117	-	-	-	25,117
Fines and Forfeits	13,025	-	-	-	13,025
Investment Earnings (Loss)	(1,360)	-	-	-	(1,360)
Franchise Fees	80,182	-	-	-	80,182
Miscellaneous	8,304	-	-	-	8,304
Total Revenues	<u>1,838,180</u>	<u>-</u>	<u>-</u>	<u>135,341</u>	<u>1,973,521</u>
EXPENDITURES					
CURRENT					
General Government	275,730	-	-	-	275,730
Public Safety	564,111	-	-	-	564,111
Public Works	818,909	-	29,999	-	848,908
CAPITAL OUTLAY					
Public Works	109,536	-	-	-	109,536
DEBT SERVICE					
Interest and Fiscal Charges	-	-	-	22,603	22,603
Total Expenditures	<u>1,768,286</u>	<u>-</u>	<u>29,999</u>	<u>22,603</u>	<u>1,820,888</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	69,894	-	(29,999)	112,738	152,633
OTHER FINANCING SOURCES (USES)					
Transfers In	1,069	-	-	-	1,069
Transfers Out	-	(1,069)	-	-	(1,069)
Total Other Financing Sources (Uses)	<u>1,069</u>	<u>(1,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	70,963	(1,069)	(29,999)	112,738	152,633
Fund Balances - Beginning of Year	<u>2,041,920</u>	<u>1,069</u>	<u>29,999</u>	<u>362,577</u>	<u>2,435,565</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,112,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,315</u>	<u>\$ 2,588,198</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF GRANT, MINNESOTA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 152,633

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	109,537
Current Year Depreciation	(50,042)
Contributed Capital	23,600

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (121,057)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	(2,628)
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Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

3,601

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 115,644

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grant, Minnesota was originally formed and operated pursuant to applicable Minnesota laws and statutes. On November 12, 1996, the City officially became the City of Grant, Minnesota. The City of Grant, Minnesota (the City) operates under the State of Minnesota Statutory Plan A form of government. The City Council, composed of an elected mayor and four elected trustees or council members, exercises legislative authority and determines all matters of policy.

Financial Reporting Entity

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements; GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant accounting policies.

The City's basic financial statements include the accounts of all City operations. For financial reporting purposes, the accompanying financial statements present those of the City (primary government) and component organizations over which the City exercises significant influence. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. Significant influence or accountability is based primarily on operational and financial relationships with the City. Component organizations are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component organization would render the financial statements of the City misleading.

Based on these criteria, there are no organizations considered to be component units of the City.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements, the statement of net position and the statement of activities (changes in net position) report information on all of the activities of the City as a whole. Governmental activities are normally supported by taxes and inter-governmental revenues. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. A fund is classified as a major fund if it is the primary operating fund of the City (General Fund) or meets certain criteria related to its assets, liabilities, deferred inflows of resources, revenues, and expenditures/expenses.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The City uses funds to report on its financial position and the results of its operations. The City segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Government resources are allocated to and accounted for in individual funds based upon the purposes for which resources are to be spent and the means by which spending activities are controlled.

Governmental funds are those funds through which most governmental functions typically are financed. The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Jasmine Avenue Improvements of 2008 Fund – The Jasmine Avenue Improvements of 2008 capital projects fund accounts for the activity relating to the Jasmine Avenue Improvements Construction project.

Road Capital Projects Fund – The Road Capital Projects fund accounts for the activity relating to the 2020 Road Improvements Construction project.

Debt Service Fund – The debt service fund accounts for revenue and expenditures related to the payments of the City's outstanding bonds.

Measurement Focus and Basis of Accounting

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

The government-wide statements are reported using the economic resources (cost of service) measurement focus and the accrual basis of accounting. The economic measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using a 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 they are susceptible to accrual. Susceptible to accrual occurs when revenues 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 pay liabilities of the current period. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Major revenues that are susceptible to accrual include property taxes, special assessments, intergovernmental revenues, charges for services and investment income. Revenue sources not susceptible to accrual are recorded only when received because they are not measurable until collected. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures for principal and interest on general long-term debt, and expenditures related to compensated absences are recorded only when payment is made.

Cash and Investments

Cash and investments include cash on hand, demand deposits, and investments.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund in the governmental fund statements, and an interfund payable in the fund with the deficit, until adequate resources are received.

Investments are stated at fair value, net asset value, or amortized cost based on the type of investment and as prescribed in GASB Statement No. 72.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 15 and December 15 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and the following January are recognized as revenue for the current year. Taxes and credits not received at the year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by a deferred inflow of resources because it is not available to finance current expenditures. Deferred inflows of resources in governmental activities are susceptible to full accrual on the government-wide statements.

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with Minnesota Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent and future special assessments receivable in governmental funds are completely offset by deferred inflows of resources. Special assessment revenue in governmental activities is susceptible to full accrual on the government-wide statements.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to Minnesota Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

**CITY OF GRANT, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, buildings and improvements, equipment, and infrastructure assets, are reported in the government-wide financial statements. All capital assets are capitalized at historical cost or estimated cost if actual cost is not available. Assets with an initial and individual cost of \$5,000 or more with an estimated useful life in excess of one year are capitalized. Donated capital assets are recorded at acquisition value at the date of donation. The City utilizes the prospective approach for accounting for infrastructure assets.

Capital assets acquired or constructed by governmental funds are recorded as expenditures in these funds. These capital assets are not capitalized in individual governmental funds but rather are reported only in the government-wide financial statements. Depreciation of capital assets is recorded as an allocated expense in the statement of activities for government-wide financial statements.

Depreciation has been allocated over the estimated useful lives of the assets using the straight-line method. Prior to 2011 assets are depreciated in groups. All assets purchased in 2011 or later are depreciated individually based on the estimated useful life of the asset. Estimated useful lives of such assets are:

Assets	Years
Buildings and Structures	20 - 40
Infrastructure	25 - 40
Furniture, Fixtures, and Equipment	10

The cost of normal maintenance and repairs that do not add or increase the value of the assets or materially extend the asset lives are expensed and not capitalized.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond issue costs are expensed in the year of the bond issuance.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issue costs are reported as debt service expenditures.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned and Unavailable Revenue

Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in governmental funds in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them or when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue or deferred inflow for unavailable revenue is eliminated and revenue is recognized.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows in the government-wide financial statements and is classified into three components:

- a) Net investment in capital assets – This component consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding balance of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position – Net position with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation are reflected in this component.
- c) Unrestricted net position – All other aspects of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – constraints are established and modified by a resolution approved by the City Council.

Assigned – consists of internally imposed constraints approved by the City Council.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the City's policy to use committed first, then assigned, and finally unassigned amounts.

The City adopted a formal fund balance policy in 2012 which calls for the General fund to maintain a fund balance of 50% to 75% of total general operating expenditures. The policy did not give anyone the authority to assign fund balance and this must be done by Council action.

Pensions

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. 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.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at year-end consisted of the following:

Investments	\$ 2,710,222
Deposits Held at Banks	185,366
Petty Cash	172
Total Cash and Investments	<u>\$ 2,895,760</u>

Deposits

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The carrying value and bank balance of the City's deposits in banks at December 31, 2021 were \$185,366 and \$358,858, respectively, and were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes. The City also has \$172 in petty cash on hand.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Obligations of a school district with an original maturity not exceeding 13 months which is (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to Minn. Stat. § 126C.55.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy doesn't specifically address custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy doesn't specifically address interest rate risk. As of December 31, 2021, the City had the following investments and maturities:

Investment Type	Total	No Maturity	Less than 1 Year	1-2 Years
Negotiable Certificates of Deposit	\$ 2,037,490	\$ -	\$ 1,839,380	\$ 198,110
Money Markets	672,732	672,732	-	-
Total Investments	<u>\$ 2,710,222</u>	<u>\$ 672,732</u>	<u>\$ 1,839,380</u>	<u>\$ 198,110</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy doesn't specifically address credit risk. The City's money market fund and the City's Negotiable Certificates of Deposit were not rated at December 31, 2021. As of December 31, 2021, the City had the following investments and maturities with the following ratings:

Investment Type	Total	Unrated
Negotiable Certificates of Deposit	\$ 1,839,380	\$ 1,839,380
Money Markets	672,732	672,732
Total Investments	<u>\$ 2,512,112</u>	<u>\$ 2,512,112</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investments in a single issuer. The City does not have an investment policy which addresses the concentration of credit risk.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Fair Value Measurements

The City of Grant, Minnesota uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The City of Grant, Minnesota follows an accounting standard that defines fair value, establishes a framework for measuring the fair value, and requires expanded disclosures about fair value measurements.

In accordance with this standard, the City of Grant, Minnesota has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices on active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets are measured at fair value on a recurring basis:

Investment Type	Level 2
Negotiable Certificates of Deposit	\$ 2,037,490

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 UNAVAILABLE AND UNEARNED REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
Deferred Inflows of Resources - Unavailable Tax Revenue	\$ 15,442	\$ -
Deferred Inflows of Resources - Unavailable Special Assessments	702,605	-
Unearned Liquor Licenses	-	237,903
Total	\$ 718,047	\$ 237,903

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 142,000	\$ 31,334	\$ -	\$ -	\$ 173,334
Capital Assets, Being Depreciated:					
Buildings and Improvements	59,000	78,290	-	-	137,290
Infrastructure	1,730,516	23,513	-	-	1,754,029
Furniture, Fixtures and Equipment	284,130	-	-	-	284,130
Total Capital Assets, Being Depreciated	2,073,646	101,803	-	-	2,175,449
Less Accumulated Depreciation for:					
Buildings and Improvements	49,228	4,254	-	-	53,482
Infrastructure	279,763	45,046	-	-	324,809
Furniture and Fixtures and Equipment	272,257	742	-	-	272,999
Total Accumulated Depreciation	601,248	50,042	-	-	651,290
Total Capital Assets, Being Depreciated, Net	1,472,398	51,761	-	-	1,524,159
Governmental Activities Capital Assets, Net	\$ 1,614,398	\$ 83,095	\$ -	\$ -	\$ 1,697,493

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 5,195
Public Safety	742
Public Works	44,105
Total Depreciation Expense, Governmental Activities	\$ 50,042

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM LIABILITIES

In 2020, the City issued \$1,172,000 in General Obligation improvement bonds to finance road improvement projects. The bonds carry interest rates ranging from 2.00% to 2.08% and a final maturity date of February 1, 2036. The City has pledged future special assessments to be levied with respect to the improvements to repay the bond payable issued in 2020. Assessments were projected to produce 100% of the debt service requirements over the life of the bond. Total principal and interest remaining on the bond is \$1,359,937, payable through 2036. For the current year, principal and interest paid and total improvement assessment revenues were \$22,603 and \$135,341, respectively.

	Final Maturity Date	Interest Rate	Original Issue	Balance December 31, 2021
Governmental Activities:				
Direct Placements:				
GO Improvement Bonds 2020A	February 1, 2036	2.08%	\$ 437,000	\$ 437,000
GO Improvement Bonds 2020B	February 1, 2036	2.00%	735,000	735,000
Total			<u>\$ 1,172,000</u>	<u>\$ 1,172,000</u>

Below are the annual debt service requirements to maturity for the City:

Year Ending December 30,	G.O. Improvement Bonds		
	Principal	Interest	Total
2022	\$ 63,000	\$ 23,150	\$ 86,150
2023	70,000	21,799	91,799
2024	71,000	20,368	91,368
2025	73,000	18,907	91,907
2026	73,000	17,426	90,426
2027-2031	390,000	63,959	453,959
2032-2036	432,000	22,328	454,328
Total	<u>\$ 1,172,000</u>	<u>\$ 187,937</u>	<u>\$ 1,359,937</u>

Changes in long-term liabilities for the year ended December 31, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Placements:					
GO Improvement Bonds 2020A	\$ 437,000	\$ -	\$ -	\$ 437,000	\$ 63,000
GO Improvement Bonds 2020B	735,000	-	-	735,000	-
Total	<u>\$ 1,172,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,172,000</u>	<u>\$ 63,000</u>

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 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.

The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT) to protect the City in the event of a loss. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City pays an annual premium to LMCIT for insurance coverage. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. Settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during 2021.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

The City of Grant 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 of Grant are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)

B. Benefits Provided (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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

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% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$4,940. The City contributions were equal to the required contributions as set by state statute.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$42,704 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 nonemployer 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 of Grant totaled \$1,265. 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. At June 30, 2021, the City’s proportion share was 0.0010% at the end of the measurement period and 0.0008% for the beginning of the period.

City's Proportionate Share of the GERF			
Net Pension Liability	\$	42,704	
State's Proportionate Share of the Net Pension		1,265	
Liability Associated with the City		<u>1,265</u>	
Total	\$	<u><u>43,969</u></u>	

For the year ended December 31, 2021, the City recognized pension expense of \$1,637 for its proportionate share of the General Employees Plan’s pension expense.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 262	\$ 1,307
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,524	41,508
Changes in Assumptions	25,130	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	9,123	3,185
City Contributions Subsequent to the Measurement Date	2,470	-
Total	<u>\$ 41,509</u>	<u>\$ 46,000</u>

The \$2,470 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:

Year Ended December 31,	Pension Expenses Amount
2022	\$ (389)
2023	807
2024	2,708
2025	(10,087)

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)

E. Long-Term Expected Return on Investment

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

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

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%. 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% was deemed to be within that range of reasonableness for financial reporting purposes.

**CITY OF GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

F. Actuarial Methods and Assumptions (continued)

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

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

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

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

The following changes in actuarial assumptions 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% to 6.50%, 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 GRANT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)

G. Discount Rate

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

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:

Description	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
City's Proportionate Share of the GERF Net Pension Liability	\$ 87,095	\$ 42,704	\$ 6,279

I. Pension Plan Fiduciary Net Position

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

NOTE 8 CELL TOWER

The City receives revenue from an agreement for the lease of space at City Hall properties. The space is used for antennas and other equipment (of the lessees) necessary to provide communications. For accounting purposes, the leases are considered to be operating leases. Lease revenue for the year ended December 31, 2021 totaled \$22,947.

Amounts for future lease receipts are unavailable.

**CITY OF GRANT, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 9 INTERFUND BALANCES

The City made the following interfund transfers during the year ended December 31, 2021:

Interfund Transfers	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,069	\$ -
Jasmine Avenue Improvements of 2008	-	1,069
Total	<u>\$ 1,069</u>	<u>\$ 1,069</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

At December 31, 2021, the City is subject to legal proceedings and claims which arise in the ordinary course of business, and has been named in various legal actions. As of the date of these financial statements, it is not determinable what the outcome of these issues will be or the potential liability, if any, to the City.

The City of Grant contracts with various outside parties to provide services to the City. For 2021, the City has entered into annual contracts with the City of Stillwater and the City of Mahtomedi to provide fire services to the City of Grant. The City has also entered into an annual contract with the Washington County Sheriff's Department to provide police services for 2021. The City has agreed to pay the amount of direct costs incurred by the Washington County Sheriff's Department in providing these services. The total paid under these contracts in 2021 was \$443,078.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRANT, MINNESOTA
PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DECEMBER 31, 2021**

**GERF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Seven Measurement Dates**

	<u>Measurement Date 6/30/2021</u>	<u>Measurement Date 6/30/2020</u>	<u>Measurement Date 6/30/2019</u>	<u>Measurement Date 6/30/2018</u>	<u>Measurement Date 6/30/2017</u>	<u>Measurement Date 6/30/2016</u>	<u>Measurement Date 6/30/2015</u>
City's Proportion of the Net Pension Liability	0.0010%	0.0008%	0.0009%	0.0009%	0.0009%	0.0010%	0.0009%
City's Proportionate Share of the Net Pension Liability	\$ 42,704	\$ 47,964	\$ 49,759	\$ 49,928	\$ 57,455	\$ 81,195	\$ 46,643
State's Proportionate Share of the Net Pension Liability Associated with the City	1,265	1,435	1,500	1,818	719	-	-
Total	\$ 43,969	\$ 49,399	\$ 51,259	\$ 51,746	\$ 58,174	\$ 81,195	\$ 46,643
City's Covered Payroll	\$ 74,507	\$ 63,023	\$ 61,187	\$ 59,405	\$ 57,675	\$ 55,994	\$ 54,363
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	57.32%	76.11%	81.32%	84.05%	99.62%	145.01%	85.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

**CITY OF GRANT, MINNESOTA
PERA SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2021**

**GERF Schedule of City Contributions
Last Seven Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$ 4,940	\$ 4,797	\$ 4,656	\$ 4,522	\$ 4,389	\$ 4,262	\$ 4,138
Contributions in Relation to the Statutorily Required Contribution	(4,940)	(4,797)	(4,656)	(4,522)	(4,389)	(4,262)	(4,138)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 65,867	\$ 63,960	\$ 62,091	\$ 60,283	\$ 58,527	\$ 56,821	\$ 55,168
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a 10-year trend. Additional years will be reported as they become available.

CITY OF GRANT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2021

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, 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% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

CITY OF GRANT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2021

General Employees Fund (Continued)

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% per year through 2044 and 2.50% per year thereafter to 1.25% 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% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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 GRANT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – STATEWIDE PLANS
DECEMBER 31, 2021

General Employees Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions:

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

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% 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% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% 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 GRANT, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 1,325,735	\$ 1,325,358	\$ (377)
Intergovernmental:			
PERA Aid	155	-	(155)
Recycling Grant	7,960	7,968	8
Small City Assistance	-	89,362	89,362
Licenses and Permits	172,750	280,567	107,817
Charges for Services:			
Cable Salary Reimbursement	2,300	2,170	(130)
Tower Rental	21,630	22,947	1,317
Fines and Forfeits	10,000	13,025	3,025
Investment Earnings	19,500	(1,360)	(20,860)
Franchise Fees	78,263	80,182	1,919
Miscellaneous	6,120	8,304	2,184
Total Revenues	<u>1,644,413</u>	<u>1,838,180</u>	<u>193,767</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and Council:			
Salaries	13,867	13,867	-
Elections	1,470	1,470	-
Total Mayor and Council	<u>15,337</u>	<u>15,337</u>	<u>-</u>
Finance:			
Clerk Salaries	65,873	65,873	-
Payroll Taxes and Benefits	9,980	9,979	1
Treasurer	7,165	7,165	-
Total Finance	<u>83,018</u>	<u>83,017</u>	<u>1</u>
Consultants:			
City Attorney	79,299	79,299	-
Audit and Accounting Fees	13,935	13,935	-
Engineering	13,770	13,770	-
Assessor	26,827	26,827	-
Total Consultants	<u>133,831</u>	<u>133,831</u>	<u>-</u>
Other Services and Charges	43,512	43,545	(33)
Total General Government	<u>275,698</u>	<u>275,730</u>	<u>(32)</u>
PUBLIC SAFETY			
Fire Protection:			
Contractual Services	295,212	295,212	-
Police Protection:			
Other Services and Charges	142,226	142,226	-
Animal Control	581	581	-
Building Inspections and Zoning	125,900	125,899	1
Other Public Safety Covid-19	-	193	(193)
Total Public Safety	<u>563,919</u>	<u>564,111</u>	<u>(192)</u>

See accompanying Notes to the RSI Note.

**CITY OF GRANT, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
EXPENDITURES (CONTINUED)			
PUBLIC WORKS			
Streets:			
Engineering	\$ 11,640	\$ 11,640	\$ -
Gravel and Road Maintenance	650,863	611,553	39,310
Snow and Ice Removal	89,035	89,035	-
Other Services and Charges	5,286	16,426	(11,140)
Total Streets	756,824	728,654	28,170
Pump House:			
Maintenance, Services, and Charges	247	247	-
City Hall:			
Utilities	1,494	1,494	-
Maintenance, Services, and Charges	60,557	21,057	39,500
Total City Hall	62,051	22,551	39,500
Recycling:			
Contractual Services	63,764	63,764	-
Miscellaneous	3,693	3,693	-
Capital Outlay	7,500	109,536	(102,036)
Total Public Works	894,079	928,445	(34,366)
Total Expenditures	1,733,696	1,768,286	(34,590)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(89,283)	69,894	159,177
OTHER FINANCING SOURCES			
Transfers In	-	1,069	1,069
NET CHANGE IN FUND BALANCE	\$ (89,283)	70,963	\$ 160,246
Fund Balance - Beginning of Year		2,041,920	
FUND BALANCE - END OF YEAR		\$ 2,112,883	

See accompanying Notes to the RSI Note.

**CITY OF GRANT, MINNESOTA
NOTE TO GENERAL FUND BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021**

The General Fund budget is legally adopted on a basis consistent with U.S. Generally Accepted Accounting Principles. The legal level of budgetary control is at the department level. The following is a listing of expenditures that exceeded budget appropriations.

EXPENDITURES	<u>Final Budget</u>	<u>Actual</u>	<u>Actual in Excess of Budget</u>
GENERAL GOVERNMENT			
Other Services and Charges	\$ 43,512	\$ 43,545	\$ (33)
PUBLIC SAFETY			
Other Public Safety Covid-19	-	193	(193)
PUBLIC WORKS			
Streets:			
Gravel and Road Maintenance	650,863	650,866	(3)
Other Services and Charges	5,286	16,426	(11,140)
City Hall:			
Maintenance, Services and Charges	60,557	68,057	(7,500)

OTHER REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, of the City of Grant, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2022. We expressed a qualified opinion on the governmental activities as the City does not maintain capital asset records including accumulated depreciation on each individual asset and expressed an unmodified opinion on each major fund.

In connection with our audit, we noted that the City of Grant, Minnesota failed to comply with provisions of the deposits and investments and contracting and bidding of *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the Schedule of Findings and Responses as items 2021-001 and 2021-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Grant, Minnesota failed to comply with the provisions of the conflicts of interest, public indebtedness, claims and disbursements and contracting and bid laws sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The City of Grant, Minnesota's written response to the legal compliance findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Grant, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2022





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

Honorable Mayor and
Members of the City Council
City of Grant, 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 and each major fund of the City of Grant, 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 Grant, Minnesota's basic financial statements, and have issued our report thereon dated June 20, 2022. We expressed a qualified opinion on the governmental activities as the City does not maintain capital asset records including accumulated depreciation on each individual asset and expressed an unmodified opinion on each major fund.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 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 items 2021-003 and 2021-004 that we consider to be material weaknesses.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grant, 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. 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*.

The City of Grant, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Grant, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City'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 result 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 City of Grant, Minnesota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 20, 2022

**CITY OF GRANT, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021**

Minnesota Legal Compliance Findings

2021-001

Condition: During 2021, we noted that the City did not obtain a signed broker certification from its investment broker as required by *Minnesota Statutes §118A.04*.

Criteria or Specific Requirement: *Minnesota Statutes §118A.04* requires that annually, prior to completing an initial investment transaction with each broker, the City must provide to that broker a written statement of investment restrictions, who must acknowledge receipt of investment restrictions and agree to handle the City's account in accordance with the restrictions.

Context: The City did not obtain a broker certification from its broker in 2021 to certify they were in compliance with the City's investment policy.

Effect: The City is not in compliance with Minnesota Statutes.

Cause: There was miscommunication with the broker related to the requirement.

Recommendation: We recommend that the City ensures its broker completes a broker certification annually.

Views of Responsible Officials and Planned Corrective Actions: The City will ensure there is an annual process in place.

**CITY OF GRANT, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
DECEMBER 31, 2021**

Minnesota Legal Compliance Findings (Continued)

2021-002

Condition: During 2021, we noted the City provided a \$500 gift card to its investment advisor in appreciation of his services.

Criteria or Specific Requirement: *MN Ops. Atty. Gen. 442a-17, Jan. 17, 1938; 59a-22, Nov. 23, 1966; 270 D, Aug. 12, 1977; 174E, March 24, 1970* says the city should refrain from donating money to people.

Context: The City did not refrain from donating money to a person.

Effect: The City is not in compliance with Minnesota Statutes.

Cause: The City was unaware of the restriction.

Recommendation: We recommend that the City handle something like this as part of an invoice from the investment advisor so it is payment for services instead of a donation, or include the advisor on the payroll.

Views of Responsible Officials and Planned Corrective Actions: The City will ensure they refrain from donating money to individuals in the future.

2021-003

Material Weakness – Oversight of the Financial Reporting Process

Condition: The City does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America (GAAP). As such, the City relies on the audit firm to prepare the annual financial statements and related footnote disclosures as well as assist with year-end adjustments to taxes, special assessments receivable and deferred inflow balances, as well as to assist with entries to establish fund integrity between the General Fund and the Capital Project and Debt Service Funds.

Criteria: Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting financial statements to correct material misstatements.

Effect: The design of the internal controls over the financial reporting process could affect the ability of the City to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP.

Cause: The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP. The City relies on the audit firm to prepare the annual financial statements, related footnote disclosures, and to verify balances are correct at year-end. However, they have reviewed and approved the annual financial statements and related footnote disclosure.

Recommendation: We recommend the City continued to evaluate its internal control processes to determine if additional internal control procedures should be implemented to modify year-end reconciling procedures.

Management Response: Due to the small size of the City's staff and the additional costs necessary to ensure proper controls are in place, the City has decided that the costs of implementing necessary controls for preparing the City's financial statements outweigh the benefits that would be derived. Nevertheless, the City is continually reviewing the situation and establishes controls that the City believes will aid in the fair presentation of the financial statements without significant increases in the costs of implementing these controls.

2021-004

Material Weakness – Limited Segregation of Duties

Condition: We noted during testing that the City has not properly segregated duties over certain areas, such as the posting of adjusting journal entries and processing and depositing of receipts. The City Council and management should be aware of this condition and should seek to adequately segregate duties which would reduce the chance of misstatement of the financials due to error or fraud.

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. We noted that not all classes of transactions are segregated such that no one person has individual responsibility over them.

Effect: Lack of segregation of duties increases the possibility that error or irregularities in the financial statements may occur and not be detected in the normal course of business and on a timely basis.

Cause: The City has limited personnel to utilize in developing accounting policies to adequately segregate financial responsibilities.

Recommendation: We recommend that the City continue to evaluate its internal control structure to determine if additional procedures implemented or personnel added to ensure that controls are properly in place and accounting functions are properly segregated.

Management's Response: Due to the small size of the City's staff and the additional costs necessary to ensure proper controls are in place, the City has decided that costs of implementing the necessary controls outweigh the benefits that would be derived. Nevertheless, the City is continually reviewing the situation and establishes controls that the City believes will aid in the segregation of duties without significantly increasing the costs of implementing those controls.

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