

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

YEAR ENDED DECEMBER 31, 2021



Hoffman, Philipp, & Martell, PLLC

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

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**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

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## **INTRODUCTORY SECTION**

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2021**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
<b>Elected</b>		
Richard Mosher	Mayor	December 31, 2022
Gavin Nordby	Councilmember	December 31, 2022
Devin Ruud	Councilmember	December 31, 2024
Lindsay Oslund	Councilmember	December 31, 2022
Karla Byklum	Councilmember	December 31, 2024
<b>Appointed</b>		
Rose Aune	Clerk/Treasurer	Indefinite

## **FINANCIAL SECTION**

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



## Hoffman, Philipp, & Martell, PLLC

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### **INDEPENDENT AUDITOR'S REPORT**

City Council  
City of Grygla

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grygla, 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 Grygla's basic financial statements as listed in the table of contents.

##### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Grygla, as of December 31, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grygla, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Qualified Opinion on Governmental Activities***

Management has not adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the Fire Relief Association. Accounting principles generally accepted in the United States of America require that GASB Statement No. 68 be adopted for governmental activities, including Fire Relief Associations. The amount by which this departure would affect the assets, net position, and revenues of the governmental activities has not been determined.

### ***Basis for Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the

Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Grygla and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Grygla's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in 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 that raise substantial doubt about the City of Grygla's ability to continue as a going concern for a reasonable period of time.

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



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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison information on pages 43-46, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grygla's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2022 on our consideration of the City of Grygla'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 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 Grygla'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 Grygla's internal control over financial reporting and compliance.



Hoffman, Philipp, & Martell, PLLC

July 15, 2022

# "The BIGGEST Town of Its Size"

City of Grygla • 219 West Beltrami Street • PO Box 76  
Grygla, Minnesota 56727

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of the City of Grygla offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Grygla for the fiscal year ended December 31, 2021. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$966,804, of which \$489,394 is the net investment in capital assets, \$68,558 is restricted for debt service and economic development, and \$408,852 is unrestricted. The total net position of governmental activities increased by \$61,699 for the year ended December 31, 2021, primarily as a result of additional grant money received.

The total net position of business-type activities is \$88,203, of which \$38,641 is the net investment in capital assets and \$49,562 is unrestricted. The total net position of business-type activities increased by \$9,806 in 2021.

At the close of 2021, the City's governmental funds reported combined ending fund balances of \$336,729, a decrease of \$42,271 from the prior year. Of the total fund balance amount, \$68,558 is legally or contractually restricted, \$131,714 is assigned for specific purposes, and \$136,457 is noted as unassigned fund balance. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The *Statement of Activities* presents information showing how the government'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).

In the *Statement of Net Position* and the *Statement of Activities*, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, culture and recreation, and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- Business-type activities—The City charges fees to cover the costs of certain services it provides. Included here are the operations of the utilities – sewer and water.

The government-wide financial statements can be found as Exhibits 1 and 2 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 of Grygla, 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 can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level 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 of the government's short-term financing decisions. Both the *Balance Sheet – Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports three governmental fund types: General, Special Revenue, and Debt Service. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the Fire Department Special Revenue Fund, the Revolving Loan Special Revenue Fund, and the 2003 Street Project Debt Service Fund, all of which are considered to be major funds. Data from the nonmajor Community Center Special Revenue Fund and the Housing Rehabilitation Special Revenue Fund are also presented on a separate statement.

The City of Grygla adopts annual budgets for its General Fund and major special revenue funds. *Budgetary Comparison Schedules* have been provided for these funds to demonstrate compliance with their budgets.

**Proprietary Funds** The City of Grygla maintains two proprietary funds. 1) The Sewer Enterprise Fund is used to account for the operations of the City's sewer system. Financing is provided by charges to residents for services. 2) The Water Enterprise Fund is used to account for the operations of the City's water system. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the *Statement of Net Position* and the *Statement of Activities* as business-type activities. Both of the enterprise funds are considered to be major funds.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found beginning on page 24 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City also provides supplementary and other information including *Budgetary Comparison Schedules* and a *Schedule of Intergovernmental Revenue*.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$1,055,007 at the close of 2021. Approximately 50 percent of the City's net position reflects its net investment in capital assets (i.e., land, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately seven percent of the City's net position is restricted for debt service and economic development, and 43 percent of the City's net position is unrestricted. The unrestricted net position amount of \$458,414 as of December 31, 2021, may be used to meet the City's ongoing obligations to citizens.

The City's overall financial position increased from last year. Total assets increased by \$42,127 from the prior year, primarily due to the purchase of capital assets. Deferred outflows of resources related to pensions increased by \$53,559 from the prior year. Total liabilities decreased by \$18,283 from the prior year, primarily due to payments made on outstanding debt. Total deferred inflows of resources related to pensions increased by \$42,464 from the prior year. This resulted in an increased net position of \$71,505 from the prior year.

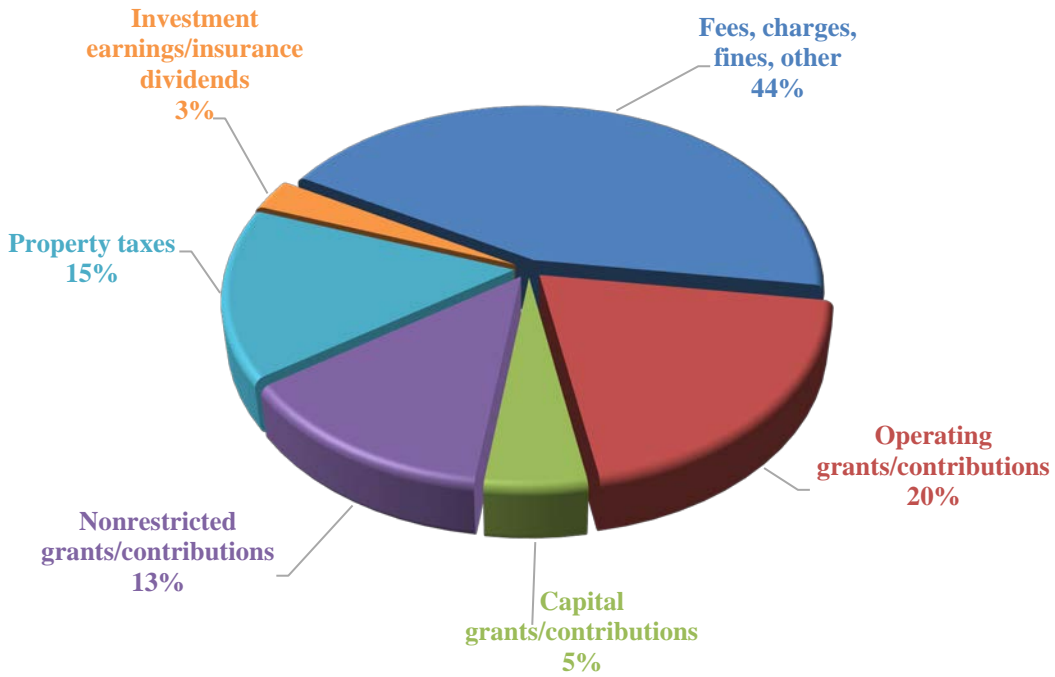
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 501,353	\$ 582,198	\$ 70,957	\$ 59,249	\$ 572,310	\$ 641,447
Capital assets	626,822	514,267	38,641	39,932	665,463	554,199
Total assets	\$ 1,128,175	\$ 1,096,465	\$ 109,598	\$ 99,181	\$ 1,237,773	\$ 1,195,646
Deferred outflows - pensions	\$ 54,828	\$ 24,835	\$ 43,080	\$ 19,514	\$ 97,908	\$ 44,349
Other liabilities	\$ 16,529	\$ 11,533	\$ 5,553	\$ 6,892	\$ 22,082	\$ 18,425
Long-term liabilities outstanding	163,591	192,363	30,574	23,742	194,165	216,105
Total liabilities	\$ 180,120	\$ 203,896	\$ 36,127	\$ 30,634	\$ 216,247	\$ 234,530
Deferred inflows - pensions	\$ 36,079	\$ 12,299	\$ 28,348	\$ 9,664	\$ 64,427	\$ 21,963
Net position						
Net investment in capital assets	\$ 489,394	\$ 353,577	\$ 38,641	\$ 39,932	\$ 528,035	\$ 393,509
Restricted amounts	68,558	38,875	-	-	68,558	38,875
Unrestricted amounts	408,852	512,653	49,562	38,465	458,414	551,118
Total net position	\$ 966,804	\$ 905,105	\$ 88,203	\$ 78,397	\$ 1,055,007	\$ 983,502

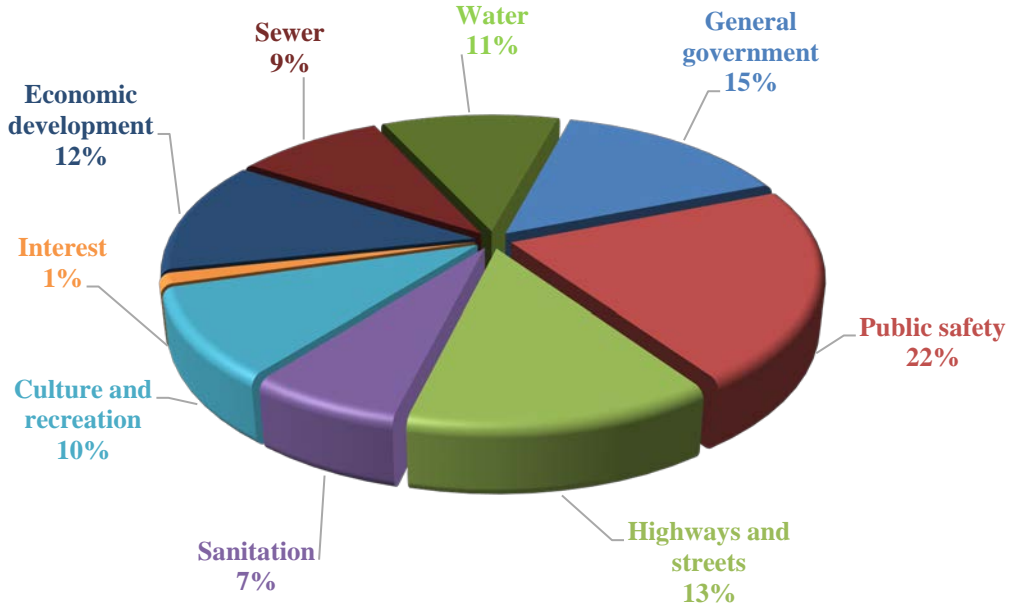
**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 110,066	\$ 151,336	\$ 122,336	\$ 94,482	\$ 232,402	\$ 245,818
Operating grants and contributions	105,427	53,374	-	-	105,427	53,374
Capital grants and contributions	26,638	20,803	-	107	26,638	20,910
General Revenues						
Property taxes	80,521	73,037	-	-	80,521	73,037
Grants and contributions not restricted to specific programs	69,797	54,485	-	-	69,797	54,485
Investment earnings	918	1,372	127	251	1,045	1,623
Insurance dividends	13,014	1,278	473	394	13,487	1,672
Transfers	21,170	(6,866)	(21,170)	6,866	-	-
Total revenues	\$ 427,551	\$ 348,819	\$ 101,766	\$ 102,100	\$ 529,317	\$ 450,919
Expenses						
General government	\$ 67,609	\$ 48,991	\$ -	\$ -	\$ 67,609	\$ 48,991
Public safety	98,360	61,398	-	-	98,360	61,398
Highways and streets	61,609	45,454	-	-	61,609	45,454
Sanitation	30,826	27,437	-	-	30,826	27,437
Culture and recreation	44,919	36,560	-	-	44,919	36,560
Economic development	57,131	625	-	-	57,131	625
Interest	5,398	6,406	-	-	5,398	6,406
Sewer	-	-	41,538	37,581	41,538	37,581
Water	-	-	50,422	58,763	50,422	58,763
Total expenses	\$ 365,852	\$ 226,871	\$ 91,960	\$ 96,344	\$ 457,812	\$ 323,215
Increase (decrease) in net position	\$ 61,699	\$ 121,948	\$ 9,806	\$ 5,756	\$ 71,505	\$ 127,704
Net position, January 1	905,105	783,157	78,397	72,641	983,502	855,798
Net position, December 31	\$ 966,804	\$ 905,105	\$ 88,203	\$ 78,397	\$ 1,055,007	\$ 983,502

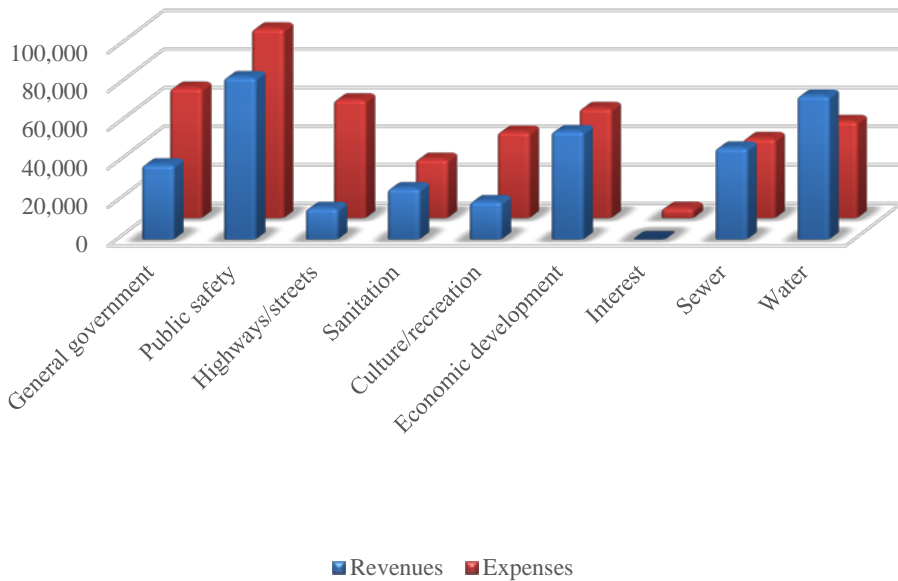
### Revenues by Source



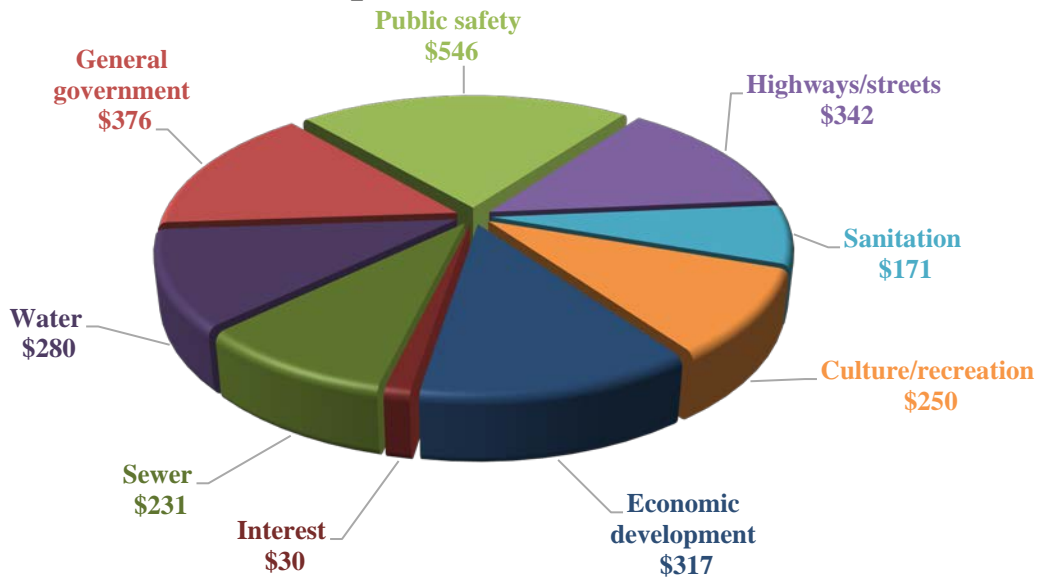
### Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 180 Population as of 2021



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

### **Governmental Funds**

At the end of 2021, the City's governmental funds reported combined ending fund balances of \$336,729. Of this amount, approximately 20 percent constitutes legally or contractually restricted fund balance, 39 percent constitutes the assigned fund balance, and 41 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$203,202. The General Fund's assigned fund balance was \$74,129, and the unassigned fund balance was \$129,073. The General Fund has no restricted fund balance. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures for 2021. Total fund balance represents 100 percent of total General Fund expenditures.

In 2021, the fund balance amount in the General Fund increased by \$56,468 as a result of additional receipt of grant revenues.

The fund balance of the Fire Department Special Revenue Fund decreased by \$137,232 in 2021, as a result of the spenddown of reserves for a new pumper truck.

The fund balance of the Revolving Loan Special Revenue Fund increased by \$28,889 in 2021, due to the receipt of loan payments.

The 2003 Street Project Debt Service Fund increased by \$1,291 in 2021, due to tax levy receipts slightly above the required debt payment.

### **Proprietary Funds**

The Sewer Enterprise Fund reported an operating income in 2021 of \$6,112, indicating that it is collecting fees at a rate above costs.

The Water Enterprise Fund reported an operating income in 2021 of \$23,619, indicating that it is collecting fees at a rate above costs.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Budget amendments for 2021 included changes in revenues and expenditures in general government, highways and streets, sanitation, culture and recreation, debt service, and capital outlay.

Actual revenues were more than overall final budgeted revenues by \$28,599, with the largest positive variance in charges for services. Actual expenditures were less than overall final budgeted expenditures by \$6,893, with the largest variance in general government and sanitation.



## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounted to \$665,463 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 20 percent. This increase was primarily due to the purchase of a new mower paid from the General Fund and a pumper paid from the Fire Department Special Revenue Fund.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 131,586	\$ 131,586	\$ -	\$ -	\$ 131,586	\$ 131,586
Infrastructure	93,339	95,932	38,641	39,932	131,980	135,864
Buildings and improvements	200,472	211,403	-	-	200,472	211,403
Machinery and equipment	201,425	75,346	-	-	201,425	75,346
Total capital assets	\$ 626,822	\$ 514,267	\$ 38,641	\$ 39,932	\$ 665,463	\$ 554,199

Additional information on the City's capital assets can be found in the notes to the financial statements.

### Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$123,500.

	Governmental Activities	
	2021	2020
G.O. Improvement and Refunding Bonds, Series 2003	\$ 64,000	\$ 78,000
Garden Valley Loan	-	10,630
G.O. Street Reconstruction Bonds, Series 2017A	59,500	73,500
	\$ 123,500	\$ 162,130

Minnesota Statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2021, overall debt of the City is below the three percent debt limit.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- The City is adjusting to the ongoing impacts of the worldwide Coronavirus pandemic. The American Rescue Plan (ARP) funding was passed by Congress into law on March 11, 2021. The City has budgeted to use the ARP funds to respond to public health emergency needs, serve the hardest hit

communities and address inequities, address negative economic impacts, and improve access to water and broadband infrastructure.

#### **OTHER INFORMATION**

- Specific unemployment statistics for the City of Grygla are not available. However, according to the Minnesota Department of Employment & Economic Development, the unemployment rate for Marshall County was 5.0 percent as of December 31, 2021. This is higher than the statewide rate of 2.6 percent and the national average rate of 3.7 percent.
- According to the League of Minnesota Cities, Grygla's 2021 population was 180, a decrease of 60 since the 2020 census of 240.
- On December 22, 2021, the City of Grygla set its 2022 revenue and expenditure budgets.

#### **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the City of Grygla 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 Grygla Clerk/Treasurer, Grygla Civic Building, P.O. Box 76, Grygla, Minnesota 56727.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 44,585	\$ -	\$ 44,585
Investments	294,314	58,156	352,470
Taxes receivable			
Current	3,881	-	3,881
Prior	8,143	-	8,143
Special assessments receivable			
Current	1,345	-	1,345
Prior	70	-	70
Accounts receivable	9,133	12,801	21,934
Notes receivable	115,251	-	115,251
Special assessments receivable - noncurrent	24,631	-	24,631
Capital assets			
Non-depreciable	131,586	-	131,586
Depreciable - net of accumulated depreciation	495,236	38,641	533,877
<b>Total Assets</b>	<b>\$ 1,128,175</b>	<b>\$ 109,598</b>	<b>\$ 1,237,773</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 54,828	\$ 43,080	\$ 97,908
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 10,974	\$ 1,894	\$ 12,868
Salaries payable	2,463	1,752	4,215
Due to other governments	3,092	1,907	4,999
<b>Long-Term Liabilities</b>			
Due within one year	30,282	510	30,792
Due in more than one year	95,046	-	95,046
Net pension liability	38,263	30,064	68,327
<b>Total Liabilities</b>	<b>\$ 180,120</b>	<b>\$ 36,127</b>	<b>\$ 216,247</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 36,079	\$ 28,348	\$ 64,427
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 489,394	\$ 38,641	\$ 528,035
Amounts restricted for			
Debt service	7,428	-	7,428
Economic development	61,130	-	61,130
Unrestricted amounts	408,852	49,562	458,414
<b>Total Net Position</b>	<b>\$ 966,804</b>	<b>\$ 88,203</b>	<b>\$ 1,055,007</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Revenues		
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions
<b>Functions/Programs</b>			
<b>Governmental activities</b>			
General government	\$ 67,609	\$ 26,142	\$ 1,250
Public safety	98,360	35,735	48,436
Highways and streets	61,609	11,252	-
Sanitation	30,826	26,592	-
Culture and recreation	44,919	2,848	7,000
Economic development	57,131	7,497	48,741
Interest	5,398	-	-
	<b>\$ 365,852</b>	<b>\$ 110,066</b>	<b>\$ 105,427</b>
<b>Business-type activities</b>			
Sewer	\$ 41,538	\$ 47,650	\$ -
Water	50,422	74,686	-
	<b>\$ 91,960</b>	<b>\$ 122,336</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 457,812</b>	<b>\$ 232,402</b>	<b>\$ 105,427</b>

**General revenues and transfers**

Property taxes  
Grants and contributions not restricted to specific programs  
Investment earnings  
Insurance dividends  
Transfers

**Total general revenues and transfers**

**Change in net position**

**Net Position - January 1**

**Net Position - December 31**

**EXHIBIT 2**

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 11,529	\$ (28,688)	\$ -	\$ (28,688)
-	(14,189)	-	(14,189)
5,109	(45,248)	-	(45,248)
-	(4,234)	-	(4,234)
10,000	(25,071)	-	(25,071)
-	(893)	-	(893)
-	(5,398)	-	(5,398)
<u>\$ 26,638</u>	<u>\$ (123,721)</u>	<u>\$ -</u>	<u>\$ (123,721)</u>
\$ -	\$ -	\$ 6,112	\$ 6,112
-	-	24,264	24,264
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,376</u>	<u>\$ 30,376</u>
<u>\$ 26,638</u>	<u>\$ (123,721)</u>	<u>\$ 30,376</u>	<u>\$ (93,345)</u>
	\$ 80,521	\$ -	\$ 80,521
	69,797	-	69,797
	918	127	1,045
	13,014	473	13,487
	21,170	(21,170)	-
	<u>\$ 185,420</u>	<u>\$ (20,570)</u>	<u>\$ 164,850</u>
	\$ 61,699	\$ 9,806	\$ 71,505
	<u>905,105</u>	<u>78,397</u>	<u>983,502</u>
	<u>\$ 966,804</u>	<u>\$ 88,203</u>	<u>\$ 1,055,007</u>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General	Fire Department Special Revenue	Revolving Loan Special Revenue	2003 Street Project Debt Service	Nonmajor Other Governmental Funds (Statement 1)	Total Governmental Funds
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 38,516	\$ -	\$ -	\$ 6,069	\$ -	\$ 44,585
Investments	165,679	58,830	59,936	14	9,855	294,314
Taxes receivable						
Current	3,881	-	-	-	-	3,881
Prior	8,143	-	-	-	-	8,143
Special assessments receivable						
Current	-	-	-	1,345	-	1,345
Prior	-	-	-	70	-	70
Accounts receivable	9,133	-	-	-	-	9,133
Notes receivable	-	-	115,251	-	-	115,251
Special assessments - noncurrent	-	-	-	24,631	-	24,631
<b>Total Assets</b>	<b>\$ 225,352</b>	<b>\$ 58,830</b>	<b>\$ 175,187</b>	<b>\$ 32,129</b>	<b>\$ 9,855</b>	<b>\$ 501,353</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 8,452	\$ 1,245	\$ -	\$ -	\$ 1,277	\$ 10,974
Salaries payable	2,463	-	-	-	-	2,463
Due to other governments	3,092	-	-	-	-	3,092
<b>Total Liabilities</b>	<b>\$ 14,007</b>	<b>\$ 1,245</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,277</b>	<b>\$ 16,529</b>
<b>Deferred Inflows of Resources</b>						
Taxes	\$ 8,143	\$ -	\$ -	\$ -	\$ -	\$ 8,143
Special assessments	-	-	-	24,701	-	24,701
Notes	-	-	115,251	-	-	115,251
<b>Total Deferred Inflows of Resources</b>	<b>\$ 8,143</b>	<b>\$ -</b>	<b>\$ 115,251</b>	<b>\$ 24,701</b>	<b>\$ -</b>	<b>\$ 148,095</b>
<b>Fund Balances</b>						
Restricted for						
Debt service	\$ -	\$ -	\$ -	\$ 7,428	\$ -	\$ 7,428
Economic development	-	-	59,936	-	1,194	61,130
Assigned to						
General government	6,533	-	-	-	-	6,533
Public safety	-	57,585	-	-	-	57,585
Highways and streets	22,983	-	-	-	-	22,983
Culture and recreation	17,308	-	-	-	-	17,308
Economic development	27,305	-	-	-	-	27,305
Unassigned	129,073	-	-	-	7,384	136,457
<b>Total Fund Balances</b>	<b>\$ 203,202</b>	<b>\$ 57,585</b>	<b>\$ 59,936</b>	<b>\$ 7,428</b>	<b>\$ 8,578</b>	<b>\$ 336,729</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 225,352</b>	<b>\$ 58,830</b>	<b>\$ 175,187</b>	<b>\$ 32,129</b>	<b>\$ 9,855</b>	<b>\$ 501,353</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>336,729</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		626,822
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		148,095
<p>Deferred outflows of resources are not available resources and, therefore are not reported in the governmental funds:</p>		
Deferred outflows of resources related to pensions		54,828
<p>Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bonds payable	\$ (64,000)	
Notes payable	(59,500)	
Compensated absences payable	(1,828)	
Net pension liability	(38,263)	(163,591)
<p>Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Deferred inflows of resources related to pensions		(36,079)
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b>966,804</b>



**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Fire Department Special Revenue	Revolving Loan Special Revenue	2003 Street Project Debt Service	Nonmajor Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 77,423	\$ -	\$ -	\$ -	\$ -	\$ 77,423
Special assessments	-	-	-	18,773	-	18,773
Licenses and permits	3,018	-	-	-	-	3,018
Intergovernmental	86,435	48,436	48,741	-	7,000	190,612
Charges for services	51,631	34,893	-	-	4,975	91,499
Fines and forfeitures	3	-	-	-	-	3
Gifts and contributions	1,250	700	-	-	10,000	11,950
Investment earnings	309	475	121	-	13	918
Miscellaneous	18,955	142	36,658	-	61	55,816
<b>Total Revenues</b>	<b>\$ 239,024</b>	<b>\$ 84,646</b>	<b>\$ 85,520</b>	<b>\$ 18,773</b>	<b>\$ 22,049</b>	<b>\$ 450,012</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	\$ 63,205	\$ -	\$ -	\$ -	\$ -	\$ 63,205
Public safety	3,561	72,228	-	-	-	75,789
Highways and streets	56,540	-	-	-	-	56,540
Sanitation	30,826	-	-	-	-	30,826
Culture and recreation	26,959	-	-	-	12,980	39,939
Economic development	-	-	56,631	-	500	57,131
<b>Total Current</b>	<b>\$ 181,091</b>	<b>\$ 72,228</b>	<b>\$ 56,631</b>	<b>\$ -</b>	<b>\$ 13,480</b>	<b>\$ 323,430</b>
<b>Debt Service</b>						
Principal retirement	\$ 14,000	\$ 10,650	\$ -	\$ 14,000	\$ -	\$ 38,650
Interest	1,896	-	-	3,482	-	5,378
<b>Total Debt Service</b>	<b>\$ 15,896</b>	<b>\$ 10,650</b>	<b>\$ -</b>	<b>\$ 17,482</b>	<b>\$ -</b>	<b>\$ 44,028</b>
<b>Capital Outlay</b>						
Highways and streets	\$ 6,995	\$ -	\$ -	\$ -	\$ -	\$ 6,995
Public safety	-	139,000	-	-	-	139,000
<b>Total Capital Outlay</b>	<b>\$ 6,995</b>	<b>\$ 139,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,995</b>
<b>Total Expenditures</b>	<b>\$ 203,982</b>	<b>\$ 221,878</b>	<b>\$ 56,631</b>	<b>\$ 17,482</b>	<b>\$ 13,480</b>	<b>\$ 513,453</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 35,042</b>	<b>\$ (137,232)</b>	<b>\$ 28,889</b>	<b>\$ 1,291</b>	<b>\$ 8,569</b>	<b>\$ (63,441)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ 21,426	\$ -	\$ -	\$ -	\$ -	\$ 21,426
Transfers out	-	-	-	-	(256)	(256)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 21,426</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (256)</b>	<b>\$ 21,170</b>
<b>Net Change in Fund Balance</b>	<b>\$ 56,468</b>	<b>\$ (137,232)</b>	<b>\$ 28,889</b>	<b>\$ 1,291</b>	<b>\$ 8,313</b>	<b>\$ (42,271)</b>
<b>Fund Balance - January 1</b>	<b>146,734</b>	<b>194,817</b>	<b>31,047</b>	<b>6,137</b>	<b>265</b>	<b>379,000</b>
<b>Fund Balance - December 31</b>	<b>\$ 203,202</b>	<b>\$ 57,585</b>	<b>\$ 59,936</b>	<b>\$ 7,428</b>	<b>\$ 8,578</b>	<b>\$ 336,729</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Net change in fund balances - total governmental funds (Exhibit 5)** **\$ (42,271)**

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.

Expenditures for general capital assets and infrastructure	\$ 145,995	
Current year depreciation	(33,440)	112,555

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

Change in deferred inflows of resources		
Taxes	\$ 3,414	
Special assessments	(19,089)	
Loans	(29,161)	(44,836)

The issuance of long-term debt provides current financial resources to governmental funds,  
while the repayment of the principal of long-term debt consumes the current financial resources  
of governmental funds. Neither transaction, however, has any effect on net position.

Principal repayments		
Bonds	\$ 14,000	
Notes	14,000	
Loans	10,630	38,630

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		
Compensated absences payable	\$ (546)	
Net pension liability	(8,046)	
Deferred outflows of resources related to net pension liability	29,993	
Deferred inflows of resources related to net pension liability	(23,780)	(2,379)

**Change in net position of governmental activities (Exhibit 2)** **\$ 61,699**

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021**

	Sewer Enterprise	Water Enterprise	Total
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Investments	\$ 7,727	\$ 50,429	\$ 58,156
Accounts receivable	6,032	6,769	12,801
<b>Total Current Assets</b>	<b>\$ 13,759</b>	<b>\$ 57,198</b>	<b>\$ 70,957</b>
<b>Noncurrent Assets</b>			
Capital assets			
Depreciable - net of accumulated depreciation	2,472	36,169	38,641
<b>Total Assets</b>	<b>\$ 16,231</b>	<b>\$ 93,367</b>	<b>\$ 109,598</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 21,540	\$ 21,540	\$ 43,080
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 499	\$ 1,395	\$ 1,894
Salaries payable	876	876	1,752
Due to other governments	635	1,272	1,907
Compensated absences payable	255	255	510
<b>Total Current Liabilities</b>	<b>\$ 2,265</b>	<b>\$ 3,798</b>	<b>\$ 6,063</b>
<b>Noncurrent Liabilities</b>			
Net pension liability	15,032	15,032	30,064
<b>Total Liabilities</b>	<b>\$ 17,297</b>	<b>\$ 18,830</b>	<b>\$ 36,127</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	\$ 14,174	\$ 14,174	\$ 28,348
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 2,472	\$ 36,169	\$ 38,641
Unrestricted amounts	3,828	45,734	49,562
<b>Total Net Position</b>	<b>\$ 6,300</b>	<b>\$ 81,903</b>	<b>\$ 88,203</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Sewer Enterprise	Water Enterprise	Total
<b>Operating Revenues</b>			
Charges for services	\$ 47,650	\$ 74,041	\$ 121,691
<b>Operating Expenses</b>			
Personnel services	\$ 29,523	\$ 29,245	\$ 58,768
Professional services	1,275	1,275	2,550
Repairs and maintenance	6,419	3,339	9,758
Supplies	2,078	6,077	8,155
Utilities	397	6,777	7,174
Insurance	1,126	1,231	2,357
Miscellaneous	530	1,377	1,907
Depreciation	190	1,101	1,291
<b>Total Operating Expenses</b>	<b>\$ 41,538</b>	<b>\$ 50,422</b>	<b>\$ 91,960</b>
<b>Operating Income (Loss)</b>	<b>\$ 6,112</b>	<b>\$ 23,619</b>	<b>\$ 29,731</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	\$ 22	\$ 105	\$ 127
Miscellaneous	473	645	1,118
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 495</b>	<b>\$ 750</b>	<b>\$ 1,245</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 6,607</b>	<b>\$ 24,369</b>	<b>\$ 30,976</b>
Transfers out	\$ (6,743)	\$ (14,427)	\$ (21,170)
<b>Change in Net Position</b>	<b>\$ (136)</b>	<b>\$ 9,942</b>	<b>\$ 9,806</b>
<b>Net Position - January 1</b>	<b>6,436</b>	<b>71,961</b>	<b>78,397</b>
<b>Net Position - December 31</b>	<b>\$ 6,300</b>	<b>\$ 81,903</b>	<b>\$ 88,203</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 47,819	\$ 78,437	\$ 126,256
Payments to employees	(28,277)	(28,277)	(56,554)
Payments to suppliers	(13,340)	(19,856)	(33,196)
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 6,202</u></b>	<b><u>\$ 30,304</u></b>	<b><u>\$ 36,506</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Miscellaneous	\$ -	\$ 172	\$ 172
Transfers out	(6,743)	(14,427)	(21,170)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ (6,743)</u></b>	<b><u>\$ (14,255)</u></b>	<b><u>\$ (20,998)</u></b>
<b>Cash Flows from Investing Activities</b>			
Investment earnings received	\$ 22	\$ 105	\$ 127
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>\$ (519)</u></b>	<b><u>\$ 16,154</u></b>	<b><u>\$ 15,635</u></b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>8,246</u></b>	<b><u>34,275</u></b>	<b><u>42,521</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u>\$ 7,727</u></b>	<b><u>\$ 50,429</u></b>	<b><u>\$ 58,156</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 6,112	\$ 23,619	\$ 29,731
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>			
Depreciation expense	\$ 190	\$ 1,101	\$ 1,291
Decrease (increase) in assets			
Accounts receivable	169	3,758	3,927
Increase (decrease) in liabilities			
Accounts payable	(1,495)	240	(1,255)
Salaries payable	162	162	324
Compensated absences payable	87	87	174
Due to other governments	(216)	144	(72)
Net pension liability	1,193	1,193	2,386
<b>Total adjustments</b>	<b><u>\$ 90</u></b>	<b><u>\$ 6,685</u></b>	<b><u>\$ 6,775</u></b>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 6,202</u></b>	<b><u>\$ 30,304</u></b>	<b><u>\$ 36,506</u></b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

I. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), except as described in the Basis for Qualified Opinion on Governmental Activities on page 3. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The City of Grygla has the powers, duties, and privileges granted by state law, codified in Minnesota Statutes, Chapter 412. The City operates under a Mayor-Council form of government and provides services such as general government, public safety, highways and streets, sanitation, culture and recreation, conservation of natural resources, economic development, and sewer and water utilities, as authorized by its charter.

The Grygla Fire Relief Association is organized to provide pension and other benefits to its members in accordance with Minnesota statutes. The Relief Association is a defined benefit plan type, and is required by GASB Pronouncement No. 68 to be included in the financial statements of the City.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues and transfers.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes, grants, donations, subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Fire Department Special Revenue Fund is used to account for and report the financial transactions of the City Fire Department. Financing is provided by fire protection contracts, general property taxes, and gifts and contributions assigned to fire department equipment.

The Revolving Loan Special Revenue Fund is used to account for and report the financial transactions of the revolving loans. Financing is provided by loan repayments assigned to economic development.

The 2003 Street Project Debt Service Fund is used to account for and report debt incurred for street improvements. Financing is provided by a general levy and special assessments restricted for debt service.

The City reports the following major enterprise funds:

The Sewer Enterprise Fund is used to account for operations of the sewer utility. Financing is provided by charges to residents for services.

The Water Enterprise Fund is used to account for operations of the water utility. Financing is provided by charges to residents for services.

Additionally, the City reports the following non-major fund type:

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

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers tax revenues and special assessments to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the City's deposits is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of the funds are invested by the City Clerk/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021, based on market prices. Investment earnings on cash and pooled investments are allocated to the funds with deposits. City funds also participate in pooled checking and savings accounts for operating purposes. Investment earnings on the pooled accounts for 2021 were \$918. Total investment earnings for 2021 were \$1,045.



**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

3. Receivables and Payables

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed by Marshall County in March with the first half payment due on May 15 and the second half due on October 15.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2008 through 2021 and noncurrent special assessments collectible in 2022 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

Accounts receivable consist primarily of charges for services for water and sewer utilities.

Notes receivable consist of housing rehabilitation and revolving loans. Notes receivable are offset by deferred inflows of resources for the balance outstanding as of year-end.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

4. Capital Assets

Capital assets, which include land, infrastructure (e.g., storm sewers and water mains), buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

4. Capital Assets (Continued)

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	40
Buildings and improvements	30
Machinery and equipment	7-10

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports special assessments levied for subsequent years, delinquent property tax and special assessments receivable, and notes receivable as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of the unpaid, accumulated annual vacation balance. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund and the Sewer and Water Enterprise Funds.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

7. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources.

8. 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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the governmental activities, the pension liability is liquidated by the General Fund. For the business type activities, the pension liability is liquidated by the Sewer and Water Enterprise Funds.

9. Net Position and Fund Balance

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment of capital assets.

In the fund financial statements, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. As of December 31, 2021, the City did not have any non-spendable fund balance.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Net Position and Fund Balance (Continued)

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the City Council shall pass a resolution. As of December 31, 2021, the City did not have any committed fund balance.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Clerk/Treasurer.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The City will strive to maintain an unrestricted fund balance in the General Fund of an amount not less than 25 to 35 percent of next year’s budgeted expenditures of the General Fund. Unrestricted fund balance can be “spent down” if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by future tax levies.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when an emergency situation exists, like flooding or other natural disasters, as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The City does not identify an amount for stabilization as of December 31, 2021.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

10. Use of Estimates

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

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City’s total deposits and investments to the basic financial statements, as of December 31, 2021, are as follows:

<b>Government-wide Statement of Net Position</b>	
<i>Governmental Activities</i>	
Cash and pooled investments	\$ 44,585
Investments	294,314
<i>Business-type Activities</i>	
Investments	<u>58,156</u>
Total Cash and Investments	<u><u>\$ 397,055</u></u>
<i>Deposits and Investments</i>	
Checking accounts	\$ 30,117
Savings accounts	<u>366,938</u>
Total Deposits	<u><u>\$ 397,055</u></u>

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all City deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution’s banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that 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 financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned to it. It is the City’s policy to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2021, the City’s deposits were not exposed to custodial credit risk.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2021, for the City’s governmental and business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes receivable	\$ 12,024	\$ -
Special Assessments receivable	26,046	24,631
Accounts receivable	9,133	-
Notes receivable	115,251	90,839
Total Governmental Activities	\$ 162,454	\$ 115,470
<b>Business-Type Activities</b>		
Accounts receivable	\$ 12,801	\$ -

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 131,586	\$ -	\$ -	\$ 131,586
Capital assets being depreciated				
Infrastructure	\$ 103,711	\$ -	\$ -	\$ 103,711
Buildings and improvements	363,837	-	-	363,837
Machinery and equipment	466,046	145,995	-	612,041
Total capital assets being depreciated	\$ 933,594	\$ 145,995	\$ -	\$ 1,079,589
Less: accumulated depreciation for				
Infrastructure	\$ 7,779	\$ 2,593	\$ -	\$ 10,372
Buildings and improvements	152,434	10,931	-	163,365
Machinery and equipment	390,700	19,916	-	410,616
Total accumulated depreciation	\$ 550,913	\$ 33,440	\$ -	\$ 584,353
Total capital assets, depreciated, net	\$ 382,681	\$ 112,555	\$ -	\$ 495,236
Governmental Activities Capital Assets, Net	\$ 514,267	\$ 112,555	\$ -	\$ 626,822

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Capital asset activity for the business-type activities for the year ended December 31, 2021, was as follows:

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Infrastructure	\$ 51,638	\$ -	\$ -	\$ 51,638
Less: accumulated depreciation	<u>11,706</u>	<u>1,291</u>	<u>-</u>	<u>12,997</u>
Business-Type Activities Capital Assets, Net	<u>\$ 39,932</u>	<u>\$ (1,291)</u>	<u>\$ -</u>	<u>\$ 38,641</u>

Depreciation Expense

Depreciation expense was charged to functions of the City as follows:

<b>Governmental Activities</b>		
General government		\$ 1,076
Public safety		22,571
Highways and streets		4,813
Culture and recreation		<u>4,980</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 33,440</u>
<b>Business-Type Activities</b>		
Sewer		\$ 190
Water		<u>1,101</u>
Total Depreciation Expense - Business-Type Activities		<u>\$ 1,291</u>

B. Transfers

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

Transfer to General Fund from:		
Sewer Enterprise Fund	\$ 6,743	To cover deficit
Water Enterprise Fund	14,427	To cover deficit
Community Center Special Revenue Fund	256	To cover deficit
Total transfers to General Fund	<u>\$ 21,426</u>	

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Compensated Absences

Under the City's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 5 to 20 days per year for full-time employees. Sick leave accrual is 5 days per year for full-time employees. Leave may be accumulated to a maximum of 5 days' vacation and 45 days sick leave under the City's employment policy. Part-time employees accrue vacation and sick leave hours on a pro-rated basis. Unused accumulated vacation is paid to employees upon termination. Unvested sick leave, approximately \$3,882 at December 31, 2021, is available to employees in the event of illness-related absences and is not paid to them at termination.

2. Long-Term Debt

Governmental Activities

City of Grygla General Obligation Improvement and Refunding Bonds, Series 2003 represent debt incurred for street improvements. These bonds have an original issue amount of \$333,000. They carry a net interest rate of 2.65 to 4.95 percent and are due in annual installments from the 2003 Street Project Debt Service Fund of \$15,000 to \$17,000 through February 1, 2025. The balance due on these bonds at December 31, 2021, is \$64,000.

The Garden Valley Loan represents debt incurred to build an addition to the fire hall. This interest-free loan has an original issue amount of \$115,000 and is due in monthly installments from the Fire Department Special Revenue Fund of \$1,065 through October 30, 2021. The final installment of \$1,065 was paid in 2021 and this loan no longer carries a balance.

City of Grygla General Obligation Street Reconstruction Bond, Series 2017A represent debt incurred for street improvements. These bonds have an original issue amount of \$99,500, carry a net interest rate of 2.85 percent, and are due in annual installments from the General Fund of \$14,000 to \$15,500 through February 1, 2025. The balance due on these bonds at December 31, 2021 is \$59,500.



**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt

Governmental Activities (Continued)

Debt Service Requirements

Debt service requirements for the governmental activities for the year ended December 31, 2021, are as follows:

Year Ending December 31	G.O. Improvement and Refunding Bonds, Series 2003		G.O. Street Reconstruction Bonds, Series 2017A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 15,000	\$ 2,781	\$ 14,000	\$ 1,496	\$ 31,000	\$ 3,108
2023	16,000	2,025	15,000	1,083	31,000	1,894
2024	16,000	1,238	15,000	656	32,500	642
2025	17,000	421	15,500	221	-	-
	<u>\$ 64,000</u>	<u>\$ 6,465</u>	<u>\$ 59,500</u>	<u>\$ 3,456</u>	<u>\$ 94,500</u>	<u>\$ 5,644</u>

Changes in Long-Term Liabilities

Governmental Activities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Improvement and Refunding Bonds, Series 2003	\$ 78,000	\$ -	\$ 14,000	\$ 64,000	\$ 15,000
Garden Valley Loan	10,630	-	10,630	-	-
G.O. Street Reconstruction Bonds, Series 2017A	73,500	-	14,000	59,500	14,000
Compensated Absences	1,282	4,230	3,684	1,828	1,282
Net Pension Liability	<u>30,217</u>	<u>8,046</u>	<u>-</u>	<u>38,263</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 193,629</u>	<u>\$ 12,276</u>	<u>\$ 42,314</u>	<u>\$ 163,591</u>	<u>\$ 30,282</u>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt

Changes in Long-Term Liabilities (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 335	\$ 3,290	\$ 3,114	\$ 511	\$ 335
Net Pension Liability	<u>23,742</u>	<u>6,322</u>	<u>-</u>	<u>30,064</u>	<u>-</u>
Business Activities Long-Term Liabilities	<u>\$ 24,077</u>	<u>\$ 9,612</u>	<u>\$ 3,114</u>	<u>\$ 30,575</u>	<u>\$ 335</u>

3. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and notes receivable not collected soon enough after year-end to pay liabilities of the current period, special assessments levied for subsequent years, and notes receivable. Deferred inflows of resources at December 31, 2021, are summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Notes Receivable</u>	<u>Total</u>
Major governmental funds				
General	\$ 8,143	\$ -	\$ -	\$ 8,143
Debt Service	-	24,701	-	24,701
Revolving Loans	-	-	115,251	115,251
Total	<u>\$ 8,143</u>	<u>\$ 24,701</u>	<u>\$ 115,251</u>	<u>\$ 148,095</u>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Defined Benefit Pension Plan

A. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of the City of Grygla 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.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of 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.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Defined Benefit Pension Plan (Continued)

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021, and the City of Grygla was required to contribute 7.50 percent for Coordinated Plan members. The City of Grygla's contributions to the General Employees Fund for the year ended December 31, 2021, were \$6,905. The City of Grygla's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2021, the City of Grygla reported a liability of \$68,327 for its proportionate share of the General Employees Fund's net pension liability. The City of Grygla's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Grygla totaled \$2,151.

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 of Grygla's proportionate share of the net pension liability was based on the City of Grygla'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 of Grygla's proportionate share was .0016 percent at the end of the measurement period and .0009 percent for the beginning of the period.

City of Grygla's proportionate share of the net pension liability	\$ 68,327
State of Minnesota's proportionate share of the net pension liability associated with the City of Grygla	2,151
Total	\$ 70,478

There were no provision changes during the measurement period.

For the year ended December 31, 2021, the City of Grygla recognized a pension expense of \$16,232 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Grygla recognized an additional \$174 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Defined Benefit Pension Plan

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 368	\$ 1,985
Changes in actuarial assumptions	41,719	1,000
Net collective difference between projected and actual investment earnings	-	61,442
Changes in proportion	52,233	-
Contributions paid to PERA subsequent to the measurement date	3,587	-
Total	\$ 97,907	\$ 64,427

The \$3,587 reported as deferred outflows of resources related to pensions resulting from the City of Grygla’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2022	\$ 21,465
2023	\$ 15,623
2024	\$ 8,945
2025	\$ (16,140)

Total Pension Expense

The total pension expense for the General Employees Plan recognized by the City of Grygla for the year ended December 31, 2021 was \$16,406.

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:

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Defined Benefit Pension Plan

E. Long-Term Expected Return on Investment (Continued)

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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, and benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is 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:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Defined Benefit Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees 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 of Grygla’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 of Grygla 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:

<b>Sensitivity Analysis</b>			
<i>Net Pension Liability (Asset) at Different Discount Rates</i>			
	<u>General Employees Fund</u>		
1% Lower	5.50%	\$	139,353
Current Discount Rate	6.50%	\$	68,327
1% Higher	7.50%	\$	10,047

I. Pension Plan Fiduciary Net Position

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

IV. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

The City, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The City Council estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; employee health coverage; or natural disasters. The City has entered into a joint powers agreement with other Minnesota cities to form the League of Minnesota Cities Insurance Trust (LMCIT) to cover workers’ compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

IV. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 77,080	\$ 80,325	\$ 77,423	\$ (2,902)
Licenses and permits	4,950	3,050	3,018	(32)
Intergovernmental	59,300	81,550	86,435	4,885
Charges for services	25,150	25,200	51,631	26,431
Gifts and contributions	3,000	250	1,250	1,000
Fines and forfeitures	100	100	3	(97)
Investment earnings	150	150	309	159
Miscellaneous	5,275	19,800	18,955	(845)
<b>Total Revenues</b>	<b>\$ 175,005</b>	<b>\$ 210,425</b>	<b>\$ 239,024</b>	<b>\$ 28,599</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 7,900	\$ 8,025	\$ 7,813	\$ 212
City clerk/treasurer	27,925	27,025	28,360	(1,335)
Assessor	1,200	1,200	1,200	-
Professional services	2,550	2,550	2,550	-
Legal	800	925	325	600
Airport	600	600	3,490	(2,890)
Buildings and grounds	9,500	9,500	9,318	182
Insurance	6,400	6,400	5,279	1,121
Other general government	2,325	2,325	4,870	(2,545)
<b>Total general government</b>	<b>\$ 59,200</b>	<b>\$ 58,550</b>	<b>\$ 63,205</b>	<b>\$ (4,655)</b>
<b>Public safety</b>				
Fire	\$ 3,500	\$ 3,500	\$ 3,561	\$ (61)
<b>Highways and streets</b>				
Streets and alleys	\$ 59,025	\$ 53,900	\$ 45,659	\$ 8,241
Snow and ice removal	150	150	41	109
Street lighting	12,000	11,000	10,840	160
<b>Total highways and streets</b>	<b>\$ 71,175</b>	<b>\$ 65,050</b>	<b>\$ 56,540</b>	<b>\$ 8,510</b>
<b>Sanitation</b>				
Solid waste	\$ 29,650	\$ 28,350	\$ 30,826	\$ (2,476)

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (Continued)</b>				
<b>Culture and recreation</b>				
Parks	\$ 24,775	\$ 7,030	\$ 6,280	\$ 750
Fall festival	800	800	577	223
Arena	6,125	4,675	5,528	(853)
Tennis court	2,625	2,625	653	1,972
Other culture and recreation	19,130	17,095	13,921	3,174
<b>Total culture and recreation</b>	<b>\$ 53,455</b>	<b>\$ 32,225</b>	<b>\$ 26,959</b>	<b>\$ 5,266</b>
<b>Debt service</b>				
Principal retirement	\$ 13,000	\$ 14,000	\$ 14,000	\$ -
Interest	2,200	2,200	1,896	304
<b>Total debt service</b>	<b>\$ 15,200</b>	<b>\$ 16,200</b>	<b>\$ 15,896</b>	<b>\$ 304</b>
<b>Capital outlay</b>				
Highways and streets	\$ 950	\$ 7,000	\$ 6,995	\$ 5
<b>Total Expenditures</b>	<b>\$ 233,130</b>	<b>\$ 210,875</b>	<b>\$ 203,982</b>	<b>\$ 6,893</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (58,125)</b>	<b>\$ (450)</b>	<b>\$ 35,042</b>	<b>\$ 35,492</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 17,000	\$ 21,425	\$ 21,426	\$ 1
<b>Net Change in Fund Balance</b>	<b>\$ (41,125)</b>	<b>\$ 20,975</b>	<b>\$ 56,468</b>	<b>\$ 35,493</b>
<b>Fund Balance - January 1</b>	<b>146,734</b>	<b>146,734</b>	<b>146,734</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 105,609</b>	<b>\$ 167,709</b>	<b>\$ 203,202</b>	<b>\$ 35,493</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
FIRE DEPARTMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 20,500	\$ 48,425	\$ 48,436	\$ 11
Charges for services	32,000	35,000	34,893	(107)
Investment earnings	500	500	475	(25)
Gifts and contributions	12,000	700	700	-
Miscellaneous	30	150	142	(8)
<b>Total Revenues</b>	<b>\$ 65,030</b>	<b>\$ 84,775</b>	<b>\$ 84,646</b>	<b>\$ (129)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Fire	\$ 42,450	\$ 62,250	\$ 59,940	\$ 2,310
Fire relief association	12,000	27,000	12,288	14,712
<b>Total Current</b>	<b>\$ 54,450</b>	<b>\$ 89,250</b>	<b>\$ 72,228</b>	<b>\$ 17,022</b>
<b>Debt service</b>				
Principal retirement	12,780	10,650	10,650	-
<b>Capital outlay</b>				
Public safety	-	139,000	139,000	-
<b>Total Expenditures</b>	<b>\$ 67,230</b>	<b>\$ 238,900</b>	<b>\$ 221,878</b>	<b>\$ 17,022</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,200)</b>	<b>\$ (154,125)</b>	<b>\$ (137,232)</b>	<b>\$ 16,893</b>
<b>Fund Balance - January 1</b>	<b>194,817</b>	<b>194,817</b>	<b>194,817</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 192,617</b>	<b>\$ 40,692</b>	<b>\$ 57,585</b>	<b>\$ 16,893</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
REVOLVING LOAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 48,741	\$ 48,741
Investment earnings	50	50	121	71
Miscellaneous	19,390	19,390	36,658	17,268
<b>Total Revenues</b>	<b>\$ 19,440</b>	<b>\$ 19,440</b>	<b>\$ 85,520</b>	<b>\$ 66,080</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Economic development loans	19,390	19,390	56,631	(37,241)
<b>Net Change in Fund Balance</b>	<b>\$ 50</b>	<b>\$ 50</b>	<b>\$ 28,889</b>	<b>\$ 28,839</b>
<b>Fund Balance - January 1</b>	<b>31,047</b>	<b>31,047</b>	<b>31,047</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 31,097</b>	<b>\$ 31,097</b>	<b>\$ 59,936</b>	<b>\$ 28,839</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**Schedule 4**

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2021	\$ 6,905	\$ 6,905	\$ -	\$ 92,053	7.5%
December 31, 2020	\$ 6,685	\$ 6,685	\$ -	\$ 89,134	7.5%
December 31, 2019	\$ 6,399	\$ 6,399	\$ -	\$ 85,329	7.5%
December 31, 2018	\$ 5,743	\$ 5,743	\$ -	\$ 76,578	7.5%
December 31, 2017	\$ 6,126	\$ 6,126	\$ -	\$ 81,680	7.5%
December 31, 2016	\$ 5,852	\$ 5,852	\$ -	\$ 78,300	7.5%
December 31, 2015	\$ 5,432	\$ 5,432	\$ -	\$ 72,426	7.5%

*Note: This schedule is intended to present 10 years and will be completed as information becomes available.*

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

Schedule 5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<u>Fiscal Year Ending</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2021	0.0016%	\$ 68,327	\$ 174	\$ 68,501	\$ 89,607	63.16%	87.00%
June 30, 2020	0.0009%	\$ 53,959	\$ 156	\$ 54,115	\$ 88,180	61.19%	79.06%
June 30, 2019	0.0014%	\$ 77,403	\$ 175	\$ 77,578	\$ 79,993	96.76%	80.23%
June 30, 2018	0.0009%	\$ 49,928	\$ 1,762	\$ 51,690	\$ 75,277	66.33%	79.53%
June 30, 2017	0.0017%	\$ 108,527	\$ 39	\$ 108,566	\$ 77,289	140.42%	75.90%
June 30, 2016	0.0008%	\$ 64,956	\$ 250	\$ 65,206	\$ 76,975	84.39%	68.90%
June 30, 2015	0.0012%	\$ 62,190	\$ -	\$ 62,190	\$ 73,214	84.94%	78.20%

*Note: This schedule is intended to present 10 years and will be completed as information becomes available.*

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

In September of each year, the City Council drafts a preliminary budget after giving interested citizens a reasonable opportunity to be heard. The final budget is approved in December and a certified levy is sent to Marshall County. Truth in taxation requires that a final levy may not exceed a preliminary levy.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

II. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2021:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>General Fund</b>			
<i>General government</i>			
City clerk/treasurer	\$ 28,360	\$ 27,025	\$ (1,335)
Airport	3,490	600	(2,890)
Other general government	4,870	2,325	(2,545)
<i>Public safety</i>			
Fire	3,561	3,500	(61)
<i>Sanitation</i>			
Solid waste	30,826	28,350	(2,476)
<i>Culture and recreation</i>			
Arena	5,528	4,675	(853)
<b>Revolving Loan Special Revenue Fund</b>			
<i>Economic development</i>			
Economic development loans	56,631	19,390	(37,241)

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommend by PERA and adopted by the City Council. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:



**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)

**General Employees Fund**

2021 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

2020 Changes

*Changes in Actuarial Assumptions*

- The price inflation assumption was decreased from 2.50% 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 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 were changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

*Changes in Plan Provisions*

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

2019 Changes

*Changes in Actuarial Assumptions*

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

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Notes to the Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund**

2019 Changes (Continued)

*Changes in Plan Provisions*

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

2018 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

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

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

III. Notes to the Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund (Continued)**

2016 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions:*

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

**SUPPLEMENTARY INFORMATION**

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

The Community Center Special Revenue Fund is used to account for and report the financial transactions of the Community Center. Financing is provided through charges for services.

The Housing Rehabilitation Special Revenue Fund is used to account for and report the financial transactions of the rehabilitation loans. Financing is provided by loan repayments committed to economic development.

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2021**

	Community Center Special Revenue	Housing Rehabilitation Special Revenue	Total (Exhibit 3)
<b><u>Assets</u></b>			
Investments	\$ 8,661	\$ 1,194	\$ 9,855
<b><u>Liabilities, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,277	\$ -	\$ 1,277
<b>Fund Balances</b>			
Restricted for economic development	\$ -	\$ 1,194	\$ 1,194
Unassigned	7,384	-	7,384
<b>Total Fund Balances</b>	<b>\$ 7,384</b>	<b>\$ 1,194</b>	<b>\$ 8,578</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,661</b>	<b>\$ 1,194</b>	<b>\$ 9,855</b>

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**Statement 2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Community Center Special Revenue	Housing Rehabilitation Special Revenue	Total (Exhibit 5)
<b>Revenues</b>			
Intergovernmental	\$ 7,000	\$ -	\$ 7,000
Charges for services	4,975	-	4,975
Gifts and contributions	10,000	-	10,000
Investment earnings	10	3	13
Miscellaneous	61	-	61
	<b>\$ 22,046</b>	<b>\$ 3</b>	<b>\$ 22,049</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$ 12,980	\$ -	\$ 12,980
Economic development	-	500	500
	<b>\$ 12,980</b>	<b>\$ 500</b>	<b>\$ 13,480</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ 9,066</b>	<b>\$ (497)</b>	<b>\$ 8,569</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(256)	-	(256)
<b>Net Change in Fund Balance</b>	<b>\$ 8,810</b>	<b>\$ (497)</b>	<b>\$ 8,313</b>
<b>Fund Balance - January 1</b>	<b>(1,426)</b>	<b>1,691</b>	<b>265</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,384</b>	<b>\$ 1,194</b>	<b>\$ 8,578</b>

## **OTHER SCHEDULES**



**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**Schedule 6**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Shared Revenue**

**State**

Fire state aid	\$	12,288
Local government aid		56,070
Small cities assistance		<u>13,727</u>

**Total Shared Revenue**

**\$ 82,085**

**Grants**

**Local**

Beltrami County	\$	10,000
Marshall County		<u>17,000</u>

**Total Local Grants**

**\$ 27,000**

**State**

**Minnesota Department of**

Natural Resources	\$	5,813
Public Safety		10,335
Transportation		<u>5,109</u>

**Total State Grants**

**\$ 21,257**

**Federal**

**Department of**

Treasury	\$	11,529
Housing and Urban Development		<u>48,741</u>

**Total Federal Grants**

**\$ 60,270**

**Total Grants**

**\$ 108,527**

**Total Intergovernmental Revenue**

**\$ 190,612**

## **MANAGEMENT AND COMPLIANCE SECTION**

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



## Hoffman, Philipp, & Martell, PLLC

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

City Council  
City of Grygla

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the City of Grygla 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 July 15, 2022. The governmental activities had a qualified opinion because the City did not adopt the provisions of GASB Statement No. 68 for the Fire Relief Association.

#### **Report on Internal Control Over Financial Reporting**

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

A *deficiency* in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the City'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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2020-002 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Grygla's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Minnesota Legal Compliance***

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the City of Grygla has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

### ***City of Grygla's Responses to Findings***

The City's responses to the findings identified in our audit have been included in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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



Hoffman, Philipp, & Martell, PLLC  
July 15, 2022

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

**Finding Number: 2021-001**

**Prior Year Finding Number(s): 2020-001, 2020-002**

**Repeat Finding Since: 2007**

**Finding Title: Segregation of Duties and Internal Controls**

**Criteria:** The financial statements are the responsibility of the City's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the City's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. These controls must include a process for monitoring controls to ensure effectiveness and efficiency of operations.

**Condition:** Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The City does not have a process for monitoring to ensure the internal controls are effective. Due to the limited number of personnel within the City, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

**Context:** The small size and staffing of the City limits the segregation of duties and internal control that management can design and implement. Although the City of has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

**Effect:** Without documented internal controls and a process for monitoring internal controls, the City cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

**Cause:** The City has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

**Recommendation:** Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend the City formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

**City's Response:** *Due to the small size of the City of Grygla, there are limits to the number of personnel available to perform separate duties and City council has determined it is not feasible to achieve the desired level of segregation of duties. The City Council will monitor internal controls more closely on a month-to-month basis.*

**CITY OF GRYGLA  
GRYGLA, MINNESOTA**

**Note:** The following prior year findings have been combined into finding number 2021-001:  
Segregation of Duties and Internal Controls:

- Finding Number: 2020-001      Segregation of Duties
- Finding Number: 2020-002      Internal Controls

**Finding Number: 2021-002**

**Prior Year Finding Number: 2020-003**

**Repeat Finding Since: 2016**

**Finding Title: Accounting and Financial Reporting for Pensions**

**Criteria:** The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides accounting and reporting standards for pensions offered to retirees. GASB Statement 68 was first applicable to the City of Grygla for the year ended December 31, 2015.

**Condition:** GASB Statement 68 has not yet been fully implemented by the City of Grygla as required. The City has reported net pension liability for City employees, but this does not include members of the Fire Relief Association. The City Fire Relief Association has not undergone an actuarial study to determine its net pension liability.

**Context:** The City should encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability for its inclusion in the City's financial statements.

**Effect:** Because the City of Grygla has not fully complied with the requirements of GASB Statement 68, a qualified opinion is issued on the government-wide financial statements.

**Cause:** The Fire Relief Association has not hired an actuary to determine its net pension liability to meet the requirements for financial reporting under GASB Statement 68.

**Recommendation:** We recommend the City Council encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability for inclusion in the City's financial statements.

**City's Response:** *City council will continue to encourage the Fire Relief Association to obtain an actuarial study to meet the requirements for financial reporting under GASB Statement 68.*

# "The BIGGEST Town of Its Size"

City of Grygla • 219 West Beltrami Street • PO Box 76  
Grygla, Minnesota 56727

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## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2021

**Finding Number: 2021-001**

**Finding Title: Segregation of Duties and Internal Controls**

**Name of Contact Person Responsible for Corrective Action:** City Council and management.

**Corrective Action Planned:** The City of Grygla is aware of the segregation of duties issue. Due to limited staffing, segregation of duties is not always possible. The City will formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations when and wherever possible.

**Anticipated Completion Date:** December 31, 2022.

**Finding Number: 2021-002**

**Finding Title: Accounting and Financial Reporting for Pensions**

**Name of Contact Person Responsible for Corrective Action:** City Council and management

**Corrective Action Planned:** The City will encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability to stay in compliance with GASB Statement 68 for pensions offered to its retirees.

**Anticipated Completion Date:** December 31, 2022.

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## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

**Finding Number: 2020-001**  
**Repeat Finding Since: 2007**  
**Finding Title: Segregation of Duties**

**Summary of Condition:** Due to the limited number of personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

**Summary of Corrective Action:** Management is continually aware that segregation of duties is not adequate from an internal control point of view. The City Council continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

**Status:** Not fully corrected. This prior audit finding number and description has been combined into finding number 2021-001 – Segregation of Duties and Internal Controls.

**Finding Number: 2020-002**  
**Repeat Finding Since: 2007**  
**Finding Title: Internal Controls**

**Summary of Condition:** Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The City does not have a process for monitoring to ensure the internal controls are effective.

**Summary of Corrective Action:** The City has begun to formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

**Status:** Not fully corrected. This prior audit finding number and description has been combined into finding number 2021-001 – Segregation of Duties and Internal Controls.

**Finding Number: 2020-003**  
**Repeat Finding Since: 2016**  
**Finding Title: Accounting and Financial Reporting for Pensions**

**Summary of Condition:** The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides accounting and reporting standards for pensions offered to retirees. GASB 68 was first applicable to the City of Grygla for the year ended December 31, 2015. GASB Statement 68 has not yet been fully implemented by the City of Grygla as required. The City Fire Relief Association has not undergone an actuarial study to determine its net pension liability.



**Summary of Corrective Action:** The City has encouraged the Fire Relief Association to obtain an actuarial study to determine its net pension liability for its inclusion in the City's financial statements.

**Status:** Not corrected.