



Annual Financial Report

City of Spring Grove

Spring Grove, Minnesota

For the years ended December 31, 2021



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City of Spring Grove, Minnesota
 Annual Financial Report
 Table of Contents
 For the Year Ended December 31, 2021

	Page No.
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor’s Report	13
Management’s Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund	40
Proprietary Funds	
Statement of Net Position	41
Statement of Revenues, Expenses and Changes in Net Position	42
Statement of Cash Flows	43
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of Employer’s Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	76
Schedule of Employer’s Public Employees Retirement Association Contributions - General Employees Retirement Fund	76
Notes to the Required Supplementary Information - General Employees Retirement Fund	77
Schedule of Employer’s Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	79
Schedule of Employer’s Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	79
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	80
Schedule of Changes in the Fire Relief Association’s Net Pension Liability (Asset) and Related Ratios	82
Notes to the Required Supplementary Information - Fire Relief Association	82

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City of Spring Grove, Minnesota
 Annual Financial Report
 Table of Contents
 For the Year Ended December 31, 2021

	Page No.
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85
Nonmajor Special Revenue Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Community Building Fund	90
Cable TV Fund	91
Library Fund	93
Nonmajor Capital Projects Funds	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	96
General Fund	
Comparative Balance Sheets	99
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	100
Debt Service Funds	
Combining Balance Sheet	104
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	105
Summary Financial Report -	
Revenues and Expenditures for General Operations - Governmental Funds	106
Other Required Reports	
Independent Auditor's Report on	
Minnesota Legal Compliance	109
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 <i>Government Auditing Standards</i>	110
Schedule of Findings and Responses	112

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INTRODUCTORY SECTION

CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Spring Grove, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Solberg	Mayor	12/31/22
Karen Folstad	Council	12/31/24
Travis Torgerson	Council	12/31/22
Trent Turner	Council	12/31/24
Chad Rohland	Council	12/31/22

Appointed

Julie Amundson	Clerk Administrator
Erin Konkel	Treasurer/Deputy Clerk

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FINANCIAL SECTION
CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Spring Grove, Minnesota

Report on 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 Spring Grove, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Spring Grove 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.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Spring Grove'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 or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Spring Grove's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Spring Grove's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated on April 25, 2022, our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control over financial reporting and compliance.



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Mankato, Minnesota
April 25, 2022



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Management's Discussion and Analysis

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

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,886,412 (*net position*). Of this amount, \$2,805,446 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$288,892, as compared to an increase of \$68,185 in the previous year. The majority of this increase is attributable an increase in charges for services related to the pool being open for a full season in 2021, and additional taxes collected over budget.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,034,676, a decrease of \$557,470 in comparison with the prior year. Approximately 36.4 percent of this total amount, \$739,940, is available for spending at the City's discretion although \$182,624 of this balance has been assigned for specific purposes. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for economic development of \$173,669, for library operations of \$78,877, for debt service of \$354,066, and for law enforcement of \$3,234. Committed fund balances in the City include amounts for economic development of \$289,271, for building operations for \$10,407, for Cable TV operations of \$11,756 and for library operations of \$359,280. Additionally, amounts are reported as nonspendable as they are not available for spending as follows: prepaid items - \$14,176.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1
Required Components of the
City's Annual Financial Report**

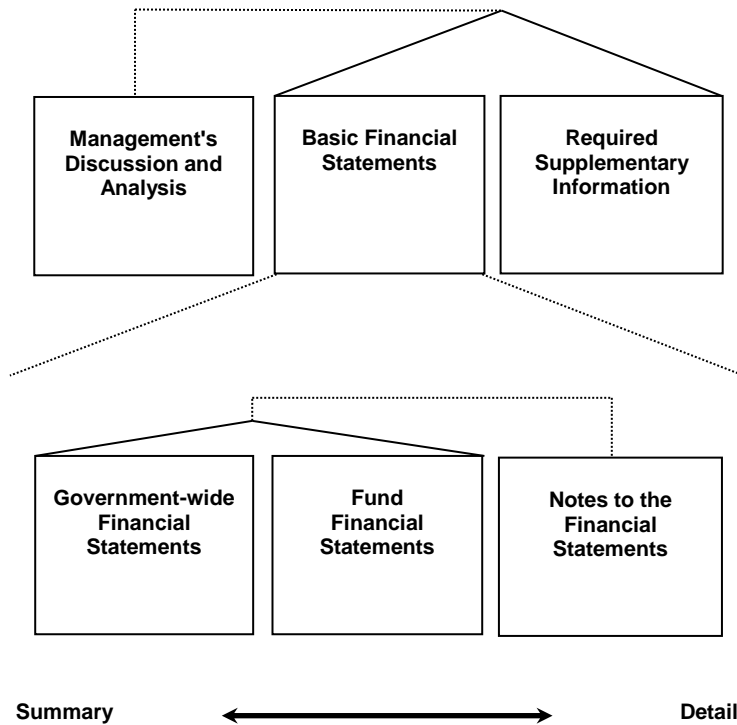


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous and interest and other costs on long-term debt. The business-type activities of the City include water utility, sewer utility, electric utility and municipal liquor store.

The government-wide financial statements can be found starting on page 31 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 24 individual governmental funds, five of which are Debt Service funds, which are reported as one fund for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Debt Service funds, both of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. Budgetary comparison statements have been provided for the General fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, electric utility and municipal liquor store operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

Required supplementary information. The required supplementary information can be found starting on page 76 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$9,886,412 at the close of the most recent fiscal year.

A large portion of the City's net position (65.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Spring Grove's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Current and Other Assets	\$ 2,441,711	\$ 2,910,899	\$ (469,188)	\$ 1,970,462	\$ 3,672,388	\$ (1,701,926)
Capital assets	4,729,680	4,935,441	(205,761)	5,029,774	5,144,332	(114,558)
Total Assets	<u>7,171,391</u>	<u>7,846,340</u>	<u>(674,949)</u>	<u>7,000,236</u>	<u>8,816,720</u>	<u>(1,816,484)</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>394,956</u>	<u>153,031</u>	<u>241,925</u>	<u>104,320</u>	<u>16,854</u>	<u>87,466</u>
Long-term Liabilities Outstanding	1,269,402	2,603,202	(1,333,800)	2,624,930	4,195,477	(1,570,547)
Other Liabilities	<u>141,805</u>	<u>85,317</u>	<u>56,488</u>	<u>136,920</u>	<u>179,802</u>	<u>(42,882)</u>
Total Liabilities	<u>1,411,207</u>	<u>2,688,519</u>	<u>(1,277,312)</u>	<u>2,761,850</u>	<u>4,375,279</u>	<u>(1,613,429)</u>
Deferred Inflows of Resources						
Deferred pension resources	<u>484,410</u>	<u>160,471</u>	<u>323,939</u>	<u>127,024</u>	<u>11,156</u>	<u>115,868</u>
Net Position						
Net investment in capital assets	3,916,680	4,122,441	(205,761)	2,594,918	2,693,996	(99,078)
Restricted	569,368	413,674	155,694	-	-	-
Unrestricted	<u>1,184,682</u>	<u>614,266</u>	<u>570,416</u>	<u>1,620,764</u>	<u>1,753,143</u>	<u>(132,379)</u>
Total Net Position	<u>\$ 5,670,730</u>	<u>\$ 5,150,381</u>	<u>\$ 520,349</u>	<u>\$ 4,215,682</u>	<u>\$ 4,447,139</u>	<u>\$ (231,457)</u>

An additional portion of the City's net position (5.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (28.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for governmental and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$520,349. Key elements of this increase are as follows:

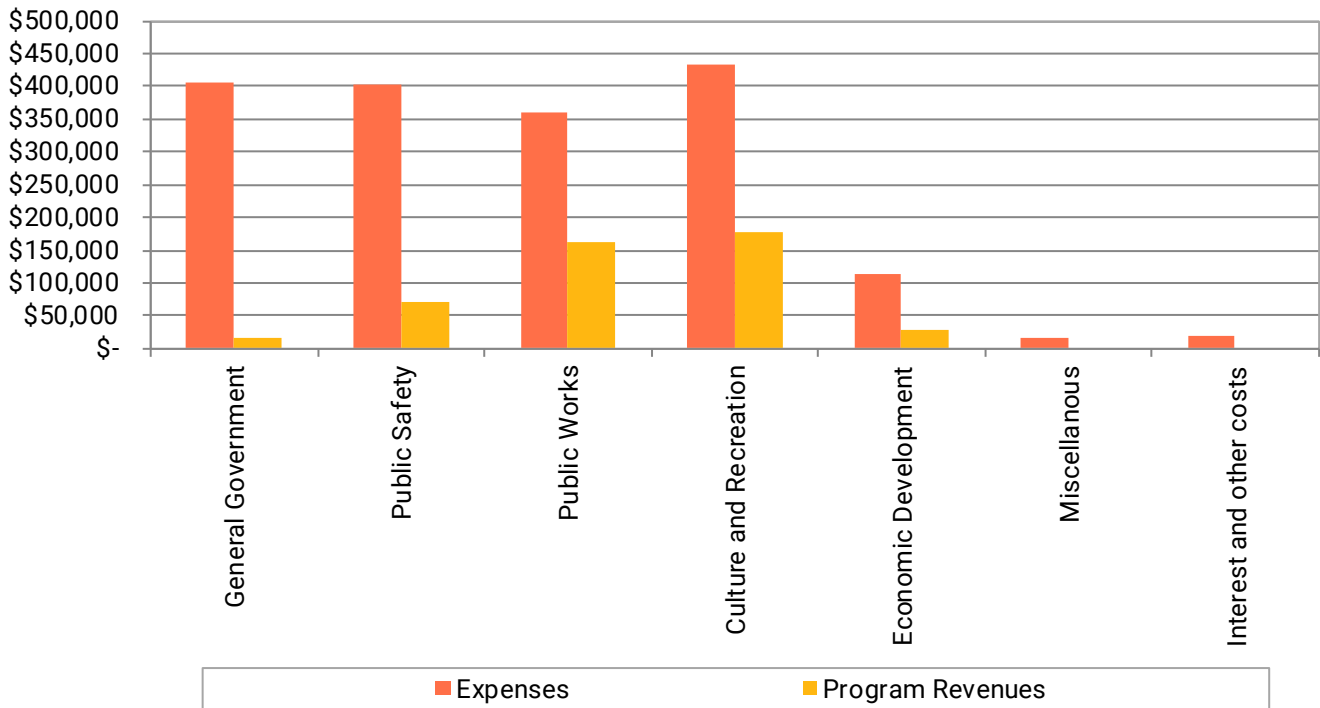
City of Spring Grove's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 284,868	\$ 205,667	\$ 79,201	\$ 2,495,753	\$ 2,518,843	\$ (23,090)
Operating grants and contributions	160,547	181,712	(21,165)	7,500	2,524	4,976
Capital grants and contributions	11,980	12,630	(650)	-	-	-
General revenues						
Property taxes/tax increments	670,309	647,939	22,370	-	-	-
Other taxes	11,141	11,198	(57)	-	-	-
Grants and contributions not restricted to specific programs	460,903	454,479	6,424	-	-	-
Unrestricted investment earnings	10,344	15,426	(5,082)	6,882	12,205	(5,323)
Miscellaneous	58,459	35,627	22,832	-	-	-
Total Revenues	1,668,551	1,564,678	103,873	2,510,135	2,533,572	(23,437)
Expenses						
General government	406,169	427,532	(21,363)	-	-	-
Public safety	402,628	384,888	17,740	-	-	-
Public works	361,341	409,381	(48,040)	-	-	-
Culture and recreation	434,647	409,673	24,974	-	-	-
Economic development	114,176	153,147	(38,971)	-	-	-
Miscellaneous	15,161	22,569	(7,408)	-	-	-
Interest and other costs	18,638	51,863	(33,225)	-	-	-
Water utility	-	-	-	244,705	253,074	(8,369)
Sewer utility	-	-	-	215,450	249,806	(34,356)
Electric utility	-	-	-	1,234,745	1,225,090	9,655
Municipal liquor store	-	-	-	442,134	443,042	(908)
Total Expenses	1,752,760	1,859,053	(106,293)	2,137,034	2,171,012	(33,978)
Change in Net Position						
Before Transfers	(84,209)	(294,375)	210,166	373,101	362,560	10,541
Transfers	604,558	548,356	56,202	(604,558)	(548,356)	(56,202)
Change in Net Position	520,349	253,981	266,368	(231,457)	(185,796)	(45,661)
Net Position - January 1	5,150,381	4,896,400	253,981	4,447,139	4,632,935	(185,796)
Net Position - December 31	\$ 5,670,730	\$ 5,150,381	\$ 520,349	\$ 4,215,682	\$ 4,447,139	\$ (231,457)

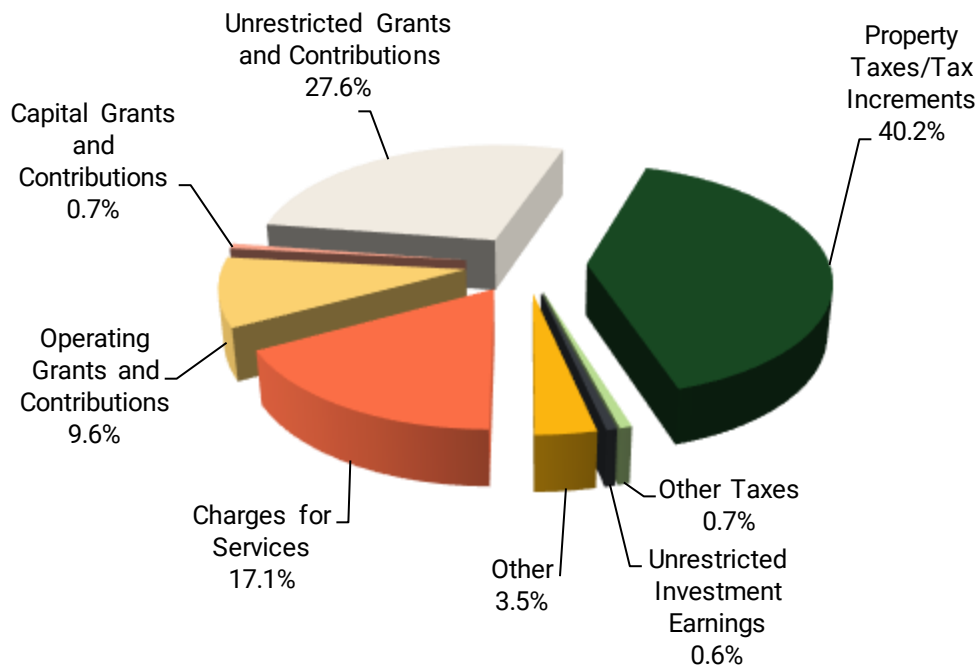
Property tax levies remained the same in the current year.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

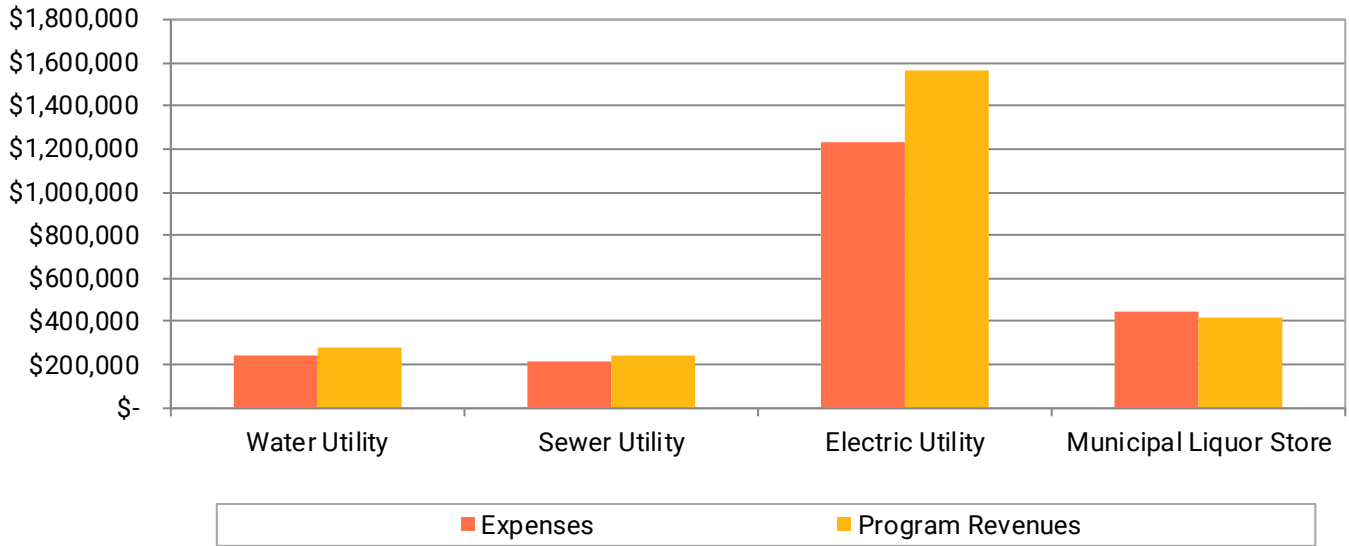


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

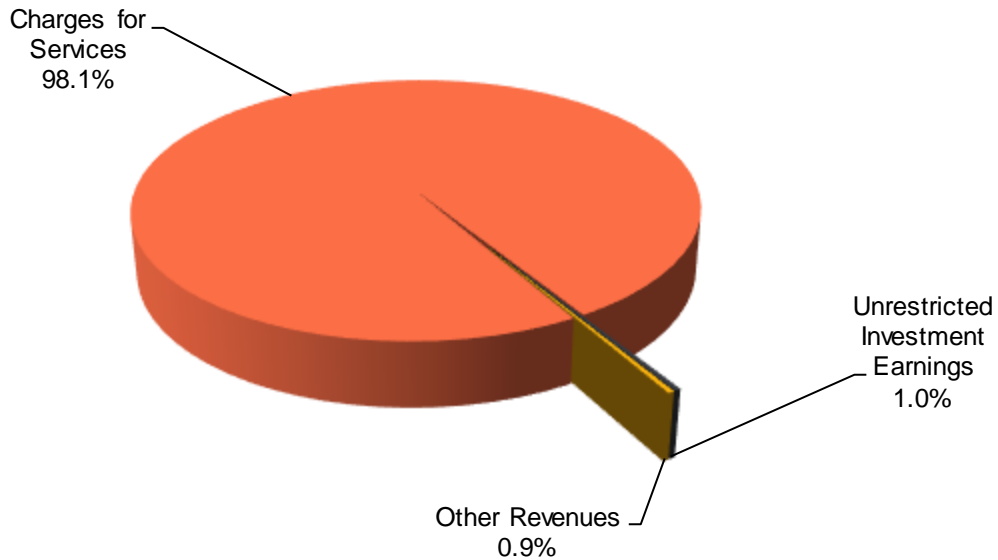
Business-type activities. Business-type activities decreased the City’s net position by \$231,457. Key elements of this decrease are as follows:

- The Water Utility and Electric Utility funds were the strongest activities during 2021 resulting in operating income of \$76,845 and \$304,865, respectively.
- The Sewer Utility had operating income for the year of \$47,798 while the Municipal Liquor Store fund had an operating loss of \$36,117.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

General Fund - The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$888,274, most of which was unassigned, but designed to assure that the City has adequate funding available for at least six months of General fund expenditures and for capital expenditures as detailed on the City's capital improvement plan. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 70.5 percent of fund expenditures.

The fund balance of the City's General fund increased by \$328,313 during the current fiscal year. The key factors in this increase were:

- Current expenditures for the General Fund was under budget by \$42,752, mainly related to personnel services for police coming in under budget by \$30,820 due to staffing changes.
- Capital outlay expenditures for the General fund were under budget by \$202,677, mainly related to anticipated capital projects that did not occur.

Debt Service fund - The Debt Service fund has a total fund balance of \$354,210, which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$1,067,971. This decrease was mainly due to principal payments on debt of \$1,226,000 related to the defeasance of refunded bonds.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,620,764. The total decrease in net position for the funds was \$231,457. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for an increase in fund balance of \$161,120. Revenues exceeded expectations by \$80,234 and expenditures were under budget by \$245,429 in 2021. Additionally, transfers in were under budget by \$2,000 and transfers out exceeded budget by \$156,470.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2021 amounts to \$9,759,454 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 3.2 percent (a 4.2 percent decrease for governmental activities and a 2.2 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Underground wiring project in the amount of \$52,228.
- Purchase of John Deere RDO equipment in the amount of \$145,000.
- Trade in of John Deere wheel loader with a book value of \$96,765.

Additional information on the City's capital assets can be found in Note 3C starting on page 55 of this report.

City of Spring Grove's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 252,954	\$ 252,954	\$ -	\$ 61,730	\$ 61,730	\$ -
Construction in Progress	24,053	-	24,053	19,269	-	19,269
Land Improvements	105,802	112,835	(7,033)	-	-	-
Buildings and Improvements	1,311,731	1,375,224	(63,493)	311,377	324,651	(13,274)
Systems and Infrastructure	2,367,290	2,449,019	(81,729)	4,451,277	4,543,484	(92,207)
Equipment and Machinery	667,850	745,409	(77,559)	186,121	214,467	(28,346)
Total	\$ 4,729,680	\$ 4,935,441	\$ (205,761)	\$ 5,029,774	\$ 5,144,332	\$ (114,558)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,347,000 which consisted of G.O. revenue bonds and revenue bonds. While all of the City’s bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Spring Grove’s Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 571,000	\$ 1,221,000	\$ (650,000)	\$ -	\$ -	\$ -
General Obligation Tax Increment Bonds	104,000	160,000	(56,000)	-	-	-
General Obligation Improvement Bonds	242,000	762,000	(520,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	2,430,000	3,960,000	(1,530,000)
Notes Payable	-	-	-	4,856	16,139	(11,283)
Total	<u>\$ 917,000</u>	<u>\$ 2,143,000</u>	<u>\$ (1,226,000)</u>	<u>\$ 2,434,856</u>	<u>\$ 3,976,139</u>	<u>\$ (1,541,283)</u>

The City’s total debt decreased by \$2,767,283, or 45.2 percent during the current fiscal year due to the retirement of debt in the current year and due to the defeasance of refunded bonds.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. The current debt limitation for the City is \$1,855,890. This limitation is increased by the City’s debt restrictions. The City currently has no general obligation debt subject to this limit.

Additional information on the City’s long-term debt can be found in Note 3E starting on page 58 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for Houston County is currently 2.4 percent, which is lower than the rate of 3.2 percent a year ago. This compares favorably to the State’s average unemployment rate of 3.0 percent and to the national average unemployment rate of 3.9 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City’s budget for the 2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Spring Grove, 118 1st Avenue NW, Spring Grove, Minnesota 55974.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Spring Grove, Minnesota
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 2,318,321	\$ 1,429,951	\$ 3,748,272
Receivables			
Delinquent taxes	10,675	-	10,675
Accounts	19,049	184,989	204,038
Loans, net of allowance	109,755	-	109,755
Special assessments	68,467	-	68,467
Intergovernmental	26,395	-	26,395
Internal balances	(317,124)	317,124	-
Inventories	-	36,942	36,942
Prepaid items	14,176	1,456	15,632
Net pension asset	191,997	-	191,997
Capital assets			
Nondepreciable	277,007	80,999	358,006
Depreciable, net of accumulated depreciation	4,452,673	4,948,775	9,401,448
Total Assets	<u>7,171,391</u>	<u>7,000,236</u>	<u>14,171,627</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>394,956</u>	<u>104,320</u>	<u>499,276</u>
Liabilities			
Accounts payable	45,986	90,228	136,214
Due to other governments	111	9,329	9,440
Accrued interest payable	5,909	25,194	31,103
Accrued salaries payable	19,623	12,169	31,792
Unearned revenue	70,176	-	70,176
Noncurrent liabilities			
Due within one year			
Long-term liabilities	219,079	186,444	405,523
Due in more than one year			
Long-term liabilities	751,057	2,304,000	3,055,057
Net pension liability	299,266	134,486	433,752
Total Liabilities	<u>1,411,207</u>	<u>2,761,850</u>	<u>4,173,057</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>484,410</u>	<u>127,024</u>	<u>611,434</u>
Net Position			
Net investment in capital assets	3,916,680	2,594,918	6,511,598
Restricted			
Economic development loans	173,669	-	173,669
Library operations	78,877	-	78,877
Debt service	313,588	-	313,588
Law enforcement	3,234	-	3,234
Unrestricted	<u>1,184,682</u>	<u>1,620,764</u>	<u>2,805,446</u>
Total Net Position	<u>\$ 5,670,730</u>	<u>\$ 4,215,682</u>	<u>\$ 9,886,412</u>

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 406,169	\$ 16,475	\$ -	\$ -
Public safety	402,628	20,737	43,447	7,465
Public works	361,341	123,506	35,229	4,515
Culture and recreation	434,647	100,969	77,921	-
Economic development	114,176	23,181	3,950	-
Miscellaneous	15,161	-	-	-
Interest and other costs	18,638	-	-	-
Total Governmental Activities	<u>1,752,760</u>	<u>284,868</u>	<u>160,547</u>	<u>11,980</u>
Business-type Activities				
Water utility	244,705	280,528	-	-
Sewer utility	215,450	241,958	-	-
Electric utility	1,234,745	1,565,322	-	-
Municipal liquor store	442,134	407,945	7,500	-
Total Business-type Activities	<u>2,137,034</u>	<u>2,495,753</u>	<u>7,500</u>	<u>-</u>
Total	<u>\$ 3,889,794</u>	<u>\$ 2,780,621</u>	<u>\$ 168,047</u>	<u>\$ 11,980</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise tax
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (389,694)		\$ (389,694)
(330,979)		(330,979)
(198,091)		(198,091)
(255,757)		(255,757)
(87,045)		(87,045)
(15,161)		(15,161)
(18,638)		(18,638)
<u>(1,295,365)</u>		<u>(1,295,365)</u>
-	\$ 35,823	35,823
-	26,508	26,508
-	330,577	330,577
-	(26,689)	(26,689)
<u>-</u>	<u>366,219</u>	<u>366,219</u>
<u>(1,295,365)</u>	<u>366,219</u>	<u>(929,146)</u>
485,822	-	485,822
138,723	-	138,723
45,764	-	45,764
11,141	-	11,141
460,903	-	460,903
10,344	6,882	17,226
28,224	-	28,224
30,235	-	30,235
604,558	(604,558)	-
<u>1,815,714</u>	<u>(597,676)</u>	<u>1,218,038</u>
520,349	(231,457)	288,892
<u>5,150,381</u>	<u>4,447,139</u>	<u>9,597,520</u>
<u>\$ 5,670,730</u>	<u>\$ 4,215,682</u>	<u>\$ 9,886,412</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Spring Grove, Minnesota

Balance Sheet
Governmental Funds
December 31, 2021

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 953,762	\$ 374,674	\$ 989,885	\$ 2,318,321
Receivables				
Delinquent taxes	8,349	2,326	-	10,675
Accounts	16,272	-	2,777	19,049
Loans, net of allowance	-	-	109,755	109,755
Special assessments	1,362	67,105	-	68,467
Intergovernmental	23,939	2,456	-	26,395
Advances to other funds	-	-	23,064	23,064
Prepaid items	13,834	144	198	14,176
Total Assets	\$ 1,017,518	\$ 446,705	\$ 1,125,679	\$ 2,589,902
Liabilities				
Accounts payable	\$ 32,248	\$ -	\$ 13,738	\$ 45,986
Due to other governments	37	-	74	111
Advances from other funds	-	23,064	317,124	340,188
Accrued salaries payable	17,672	-	1,951	19,623
Unearned revenue	69,576	-	600	70,176
Total Liabilities	119,533	23,064	333,487	476,084
Deferred Inflows of Resources				
Unavailable revenue				
Delinquent taxes	8,349	2,326	-	10,675
Special assessments	1,362	67,105	-	68,467
Total Deferred Inflows of Resources	9,711	69,431	-	79,142
Fund Balances				
Nonspendable				
Prepaid items	13,834	144	198	14,176
Restricted				
Economic development	-	-	173,669	173,669
Library operations	-	-	78,877	78,877
Debt service	-	354,066	-	354,066
Law enforcement	-	-	3,234	3,234
Committed				
Economic development	-	-	289,271	289,271
Community building operations	-	-	10,407	10,407
Cable TV operations	-	-	11,756	11,756
Library operations	-	-	359,280	359,280
Assigned				
Capital purchases	-	-	182,624	182,624
Unassigned	874,440	-	(317,124)	557,316
Total Fund Balances	888,274	354,210	792,192	2,034,676
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,017,518	\$ 446,705	\$ 1,125,679	\$ 2,589,902

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2021

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

Total Fund Balances - Governmental Funds	\$ 2,034,676
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	4,729,680
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(53,136)
Net pension asset	191,997
Net pension liability	(299,266)
Bonds payable	(917,000)
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	10,675
Special assessments receivable	68,467
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	394,956
Deferred inflows of pension resources	(484,410)
Governmental funds do not report a liability for accrued interest until due and payable.	(5,909)
Total Net Position - Governmental Activities	\$ 5,670,730

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Taxes	\$ 488,944	\$ 152,942	\$ 48,971	\$ 690,857
Special assessments	-	7,921	-	7,921
Licenses and permits	6,122	-	-	6,122
Intergovernmental	543,613	-	21,108	564,721
Charges for services	196,180	-	33,526	229,706
Fines and forfeits	6,993	-	-	6,993
Investment earnings	1,898	1,784	6,662	10,344
Miscellaneous	42,272	12,000	77,477	131,749
Total Revenues	<u>1,286,022</u>	<u>174,647</u>	<u>187,744</u>	<u>1,648,413</u>
Expenditures				
Current				
General government	400,570	-	-	400,570
Public safety	383,175	-	-	383,175
Public works	195,570	-	-	195,570
Culture and recreation	204,501	-	160,172	364,673
Economic development	-	3,065	108,098	111,163
Miscellaneous	-	-	13,878	13,878
Capital outlay				
General government	781	-	-	781
Public safety	1,503	-	5,059	6,562
Public works	33,240	-	117	33,357
Culture and recreation	39,799	-	4,451	44,250
Debt service				
Principal	-	1,226,000	-	1,226,000
Interest and other costs	-	30,462	-	30,462
Total Expenditures	<u>1,259,139</u>	<u>1,259,527</u>	<u>291,775</u>	<u>2,810,441</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,883</u>	<u>(1,084,880)</u>	<u>(104,031)</u>	<u>(1,162,028)</u>
Other Financing Sources (Uses)				
Transfers in	610,900	16,909	321,128	948,937
Transfers out	(309,470)	-	(34,909)	(344,379)
Total Other Financing Sources (Uses)	<u>301,430</u>	<u>16,909</u>	<u>286,219</u>	<u>604,558</u>
Net Change in Fund Balances	328,313	(1,067,971)	182,188	(557,470)
Fund Balances, January 1	<u>559,961</u>	<u>1,422,181</u>	<u>610,004</u>	<u>2,592,146</u>
Fund Balances, December 31	<u>\$ 888,274</u>	<u>\$ 354,210</u>	<u>\$ 792,192</u>	<u>\$ 2,034,676</u>

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2021

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

Net change in fund balances - governmental funds	\$ (557,470)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	145,818
Depreciation expense	(285,049)
<p>The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	
Book value of trade-in of capital assets	(96,765)
Gain on trade-in of capital assets	30,235
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	1,226,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	11,824
<p>Long-term pension activity is not reported in governmental funds.</p>	
Negative pension expense	47,958
Pension revenue from state contributions	2,716
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(9,407)
Special assessments	(3,406)
<p>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.</p>	
Compensated absences	7,895
	7,895
Change in Net Position - Governmental Activities	\$ 520,349

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2021

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 491,014	\$ 491,014	\$ 488,944	\$ (2,070)
Licenses and permits	6,300	6,300	6,122	(178)
Intergovernmental	497,274	497,274	543,613	46,339
Charges for services	160,700	160,700	196,180	35,480
Fines and forfeits	6,000	6,000	6,993	993
Investment earnings	8,000	8,000	1,898	(6,102)
Miscellaneous	36,500	36,500	42,272	5,772
Total Revenues	<u>1,205,788</u>	<u>1,205,788</u>	<u>1,286,022</u>	<u>80,234</u>
Expenditures				
Current				
General government	421,148	421,148	400,570	20,578
Public safety	429,848	429,848	383,175	46,673
Public works	190,702	190,702	195,570	(4,868)
Culture and recreation	184,870	184,870	204,501	(19,631)
Capital outlay				
General government	10,000	10,000	781	9,219
Public safety	58,000	58,000	1,503	56,497
Public works	146,000	146,000	33,240	112,760
Culture and recreation	64,000	64,000	39,799	24,201
Total Expenditures	<u>1,504,568</u>	<u>1,504,568</u>	<u>1,259,139</u>	<u>245,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(298,780)</u>	<u>(298,780)</u>	<u>26,883</u>	<u>325,663</u>
Other Financing Sources (Uses)				
Transfers in	612,900	612,900	610,900	(2,000)
Transfers out	(153,000)	(153,000)	(309,470)	(156,470)
Total Other Financing Sources (Uses)	<u>459,900</u>	<u>459,900</u>	<u>301,430</u>	<u>(158,470)</u>
Net Change in Fund Balances	161,120	161,120	328,313	167,193
Fund Balances, January 1	<u>559,961</u>	<u>559,961</u>	<u>559,961</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 721,081</u>	<u>\$ 721,081</u>	<u>\$ 888,274</u>	<u>\$ 167,193</u>

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds				Total
	620	625	615	650	
	Water Utility	Sewer Utility	Electric Utility	Municipal Liquor Store	
Assets					
Current Assets					
Cash and temporary investments	\$ 340,827	\$ 158,057	\$ 867,295	\$ 63,772	\$ 1,429,951
Receivables					
Accounts	29,017	24,491	131,481	-	184,989
Advance to other funds - current	-	-	14,214	-	14,214
Inventories	-	-	-	36,942	36,942
Prepaid items	26	204	762	464	1,456
Total Current Assets	369,870	182,752	1,013,752	101,178	1,667,552
Noncurrent Assets					
Advance to other funds - noncurrent	-	-	516,485	-	516,485
Capital assets					
Land	20,116	34,114	-	7,500	61,730
Construction in progress	19,269	-	-	-	19,269
Buildings and improvements	-	2,153,774	942,190	101,387	3,197,351
Systems and infrastructure	3,825,599	1,463,051	351,439	-	5,640,089
Equipment and machinery	37,232	321,526	308,876	54,680	722,314
Less accumulated depreciation	(810,541)	(2,624,138)	(1,055,806)	(120,494)	(4,610,979)
Total Capital Assets (Net of Accumulated Depreciation)	3,091,675	1,348,327	546,699	43,073	5,029,774
Total Noncurrent Assets	3,091,675	1,348,327	1,063,184	43,073	5,546,259
Total Assets	3,461,545	1,531,079	2,076,936	144,251	7,213,811
Deferred Outflows of Resources					
Deferred pension resources	9,818	9,812	52,574	32,116	104,320
Liabilities					
Current Liabilities					
Accounts payable	4,100	7,466	72,094	6,568	90,228
Due to other governments	312	-	5,728	3,289	9,329
Accrued interest payable	18,543	6,651	-	-	25,194
Accrued salaries payable	1,319	1,319	6,261	3,270	12,169
Advance from other funds - current	-	14,214	-	-	14,214
Compensated absences payable - current	17	17	31,144	4,410	35,588
Bonds and notes payable - current	105,200	40,800	4,856	-	150,856
Total Current Liabilities	129,491	70,467	120,083	17,537	337,578
Noncurrent Liabilities					
Advance from other funds - noncurrent	-	199,361	-	-	199,361
Compensated absences payable - noncurrent	186	186	18,724	904	20,000
Bonds and notes payable - noncurrent	1,754,000	530,000	-	-	2,284,000
Net pension liability	12,657	12,649	67,777	41,403	134,486
Total Noncurrent Liabilities	1,766,843	742,196	86,501	42,307	2,637,847
Total Liabilities	1,896,334	812,663	206,584	59,844	2,975,425
Deferred Inflows of Resources					
Deferred pension resources	11,954	11,947	64,017	39,106	127,024
Net Position					
Net investment in capital assets	1,232,475	777,527	541,843	43,073	2,594,918
Unrestricted	330,600	(61,246)	1,317,066	34,344	1,620,764
Total Net Position	\$ 1,563,075	\$ 716,281	\$ 1,858,909	\$ 77,417	\$ 4,215,682

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Total
	620	625	615	650	
	Water Utility	Sewer Utility	Electric Utility	Municipal Liquor Store	
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 406,017	\$ 406,017
Cost of sales	-	-	-	(304,930)	(304,930)
Gross Profit	-	-	-	101,087	101,087
Charges for services	280,372	241,927	1,539,103	-	2,061,402
Total Operating Revenues	<u>280,372</u>	<u>241,927</u>	<u>1,539,103</u>	<u>101,087</u>	<u>2,162,489</u>
Operating Expenses					
Power production	-	-	946,093	-	946,093
Salaries and benefits	21,548	22,222	191,877	93,732	329,379
Supplies	32,861	14,506	27,851	6,417	81,635
Other services and charges	18,037	11,451	31,734	15,209	76,431
Insurance	200	1,228	4,578	6,111	12,117
Utilities	40,394	63,568	5,835	13,830	123,627
Depreciation	90,487	81,154	26,270	1,905	199,816
Total Operating Expenses	<u>203,527</u>	<u>194,129</u>	<u>1,234,238</u>	<u>137,204</u>	<u>1,769,098</u>
Operating Income (Loss)	<u>76,845</u>	<u>47,798</u>	<u>304,865</u>	<u>(36,117)</u>	<u>393,391</u>
Nonoperating Revenues (Expenses)					
Investment earnings	1,796	811	3,971	304	6,882
Federal grants	-	-	-	7,500	7,500
Rental income	-	-	-	804	804
Refunds and reimbursements	-	-	26,190	-	26,190
Other income	156	31	29	1,124	1,340
Interest and other costs	(41,178)	(21,321)	(507)	-	(63,006)
Total Nonoperating Revenues (Expenses)	<u>(39,226)</u>	<u>(20,479)</u>	<u>29,683</u>	<u>9,732</u>	<u>(20,290)</u>
Income (Loss) Before Transfers	37,619	27,319	334,548	(26,385)	373,101
Transfers Out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(534,558)</u>	<u>-</u>	<u>(604,558)</u>
Change in Net Position	2,619	(7,681)	(200,010)	(26,385)	(231,457)
Net Position, January 1	<u>1,560,456</u>	<u>723,962</u>	<u>2,058,919</u>	<u>103,802</u>	<u>4,447,139</u>
Net Position, December 31	<u>\$ 1,563,075</u>	<u>\$ 716,281</u>	<u>\$ 1,858,909</u>	<u>\$ 77,417</u>	<u>\$ 4,215,682</u>

The notes to the financial statements are an integral part of this statement.

City of Spring Grove, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				
	620	625	615	650	Total
	Water Utility	Sewer Utility	Electric Utility	Municipal Liquor Store	
Cash Flows from Operating Activities					
Receipts from customers	\$ 275,679	\$ 237,502	\$ 1,532,481	\$ 406,017	\$ 2,451,679
Payments to suppliers and vendors	(92,363)	(88,500)	(1,030,149)	(340,803)	(1,551,815)
Payments to and on behalf of employees	(33,662)	(35,961)	(160,779)	(96,093)	(326,495)
Other receipts	156	31	26,219	9,428	35,834
Net Cash Provided (Used) by Operating Activities	<u>149,810</u>	<u>113,072</u>	<u>367,772</u>	<u>(21,451)</u>	<u>609,203</u>
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	<u>(35,000)</u>	<u>(35,000)</u>	<u>(534,558)</u>	<u>-</u>	<u>(604,558)</u>
Cash Flows from Capital And Related Financing Activities					
Acquisition of capital assets	(42,658)	(13,761)	(52,228)	-	(108,647)
(Increase) decrease in advance to other funds	-	-	34,373	-	34,373
Increase (decrease) in advance from other funds	-	(13,667)	-	-	(13,667)
Principal paid on bonds and notes payable	(1,230,000)	(300,000)	(11,283)	-	(1,541,283)
Interest paid on bonds and notes payable	(54,983)	(20,255)	(507)	-	(75,745)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,327,641)</u>	<u>(347,683)</u>	<u>(29,645)</u>	<u>-</u>	<u>(1,704,969)</u>
Cash Flows from Investing Activities					
Interest received on cash and investments	<u>1,796</u>	<u>811</u>	<u>3,971</u>	<u>304</u>	<u>6,882</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,211,035)	(268,800)	(192,460)	(21,147)	(1,693,442)
Cash and Cash Equivalents, January 1	<u>1,551,862</u>	<u>426,857</u>	<u>1,059,755</u>	<u>84,919</u>	<u>3,123,393</u>
Cash and Cash Equivalents, December 31	<u>\$ 340,827</u>	<u>\$ 158,057</u>	<u>\$ 867,295</u>	<u>\$ 63,772</u>	<u>\$ 1,429,951</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 76,845	\$ 47,798	\$ 304,865	\$ (36,117)	\$ 393,391
Adjustments to reconcile operating income (loss) to to net cash provided (used) by operating activities					
Depreciation	90,487	81,154	26,270	1,905	199,816
Other income	156	31	26,219	9,428	35,834
(Increase) decrease in assets and deferred outflows of resources					
Accounts receivable	(4,693)	(4,425)	(6,622)	-	(15,740)
Inventories	-	-	-	3,436	3,436
Prepaid items	43	7	9	23	82
Deferred pension resources	(7,372)	(7,199)	(46,183)	(26,712)	(87,466)
Increase (decrease) in liabilities and and deferred inflows of resources					
Accounts payable	(914)	2,246	(14,396)	2,282	(10,782)
Due to other governments	-	-	329	(47)	282
Accrued salaries payable	(18)	(18)	3,099	683	3,746
Compensated absences payable	(3,355)	(3,355)	10,276	567	4,133
Net pension liability	(11,704)	(13,384)	4,119	(12,428)	(33,397)
Deferred pension resources	10,335	10,217	59,787	35,529	115,868
Net Cash Provided (Used) by Operating Activities	<u>\$ 149,810</u>	<u>\$ 113,072</u>	<u>\$ 367,772</u>	<u>\$ (21,451)</u>	<u>\$ 609,203</u>

The notes to the financial statements are an integral part of this statement.

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City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Spring Grove, Minnesota (the City) operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Unit. The Spring Grove Economic Development Authority (EDA) was established under Minnesota statutes, 469.090 through 469.108 for the purpose of promoting economic development within the City. The seven members of the EDA's governing board are appointed and approved by the City Council. The EDA has a December 31 year-end and is reported as a special revenue fund. Separate financial statements are not issued for the EDA. The EDA is presented as a blended component unit as the entity exclusively provides services to the City.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Electric Utility fund* accounts for the costs associated with the City's electric system and ensures that user charges are sufficient to pay for those costs.

The *Municipal Liquor Store fund* accounts for the costs associated with the City's liquor store and ensures that revenues are sufficient to pay for those costs.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

D. Deferred Outflows of Resources, Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

Interfund Receivables and Payables

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 to/from 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."

Advances between funds and component unit, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land Improvements	5 - 25
Buildings and Improvements	20 - 40
Other Improvements	5
Infrastructure	20 - 50
Machinery and Equipment	5 - 40
Vehicles	8 - 20
Other Assets	5

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits through a paid time off (PTO) policy. The PTO policy allows a maximum payout total of 480 hours upon voluntary termination at \$9 per hour. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued as of December 31, 2021 was \$108,724. The General fund is typically used to liquidate governmental compensated absences payable.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Postemployment Benefits other than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The City calculated its OPEB liability using the alternative measurement method, in accordance with GASB Statement 75 at January 1, 2021 and it was determined that there is no liability.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEFPF), and Spring Grove Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Total
	GERP	PEFPF	SVF	
Pension Expense	\$ 36,360	\$ 14,389	\$ (28,551)	\$ 22,198

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unassigned fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The City has not formally adopted a fund balance policy.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Community Building, Cable TV and Library special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Clerk/Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Clerk/Treasurer and are reviewed by Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2021:

Fund	Amount
Special Revenue	
Little Gnome, Inc. Tax Increment District 1-3	\$ 143,649
Spring Grove Soda Tax Increment District 1-4	173,475

The above deficits will be eliminated through transfers from other funds and future tax increments.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits was \$3,747,885 and the bank balance was \$3,777,453. The bank balance was fully covered by federal depository insurance.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$387.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Deposits	\$ 3,747,885
Cash on Hand	<u>387</u>
Total	<u><u>\$ 3,748,272</u></u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds(Continued)

B. Loans Receivable

Commercial Loans

The City currently has loans to various local businesses totaling \$25,503 which are forgiven after 7 years as long as property is not sold and are secured by real estate. These loans are not expected to be collected and an allowance is setup for \$25,503.

Economic Development Loans

The EDA currently has loans to various local businesses totaling \$109,755 at December 31, 2021. These loans carry an interest rate varying from 3 to 5 percent. All loans are secured by real estate.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 252,954	\$ -	\$ -	\$ 252,954
Construction in progress	-	24,053	-	24,053
Total Capital Assets not being Depreciated	<u>252,954</u>	<u>24,053</u>	<u>-</u>	<u>277,007</u>
Capital Assets being Depreciated				
Land improvements	144,848	-	-	144,848
Buildings and improvements	2,911,735	-	-	2,911,735
Systems and infrastructure	5,153,214	-	-	5,153,214
Equipment and machinery	2,204,820	152,000	(136,609)	2,220,211
Total Capital Assets being Depreciated	<u>10,414,617</u>	<u>152,000</u>	<u>(136,609)</u>	<u>10,430,008</u>
Less Accumulated Depreciation for				
Land improvements	(32,013)	(7,033)	-	(39,046)
Buildings and improvements	(1,536,511)	(63,493)	-	(1,600,004)
Systems and infrastructure	(2,704,195)	(81,729)	-	(2,785,924)
Equipment and machinery	(1,459,411)	(132,794)	39,844	(1,552,361)
Total Accumulated Depreciation	<u>(5,732,130)</u>	<u>(285,049)</u>	<u>39,844</u>	<u>(5,977,335)</u>
Total Capital Assets being Depreciated, Net	<u>4,682,487</u>	<u>(133,049)</u>	<u>(96,765)</u>	<u>4,452,673</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,935,441</u>	<u>\$ (108,996)</u>	<u>\$ (96,765)</u>	<u>\$ 4,729,680</u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 61,730	\$ -	\$ -	\$ 61,730
Construction in progress	-	19,269	-	19,269
Total Capital Assets Not Being Depreciated	<u>61,730</u>	<u>19,269</u>	<u>-</u>	<u>80,999</u>
Capital Assets being Depreciated				
Buildings and improvements	3,197,351	-	-	3,197,351
Systems and infrastructure	5,587,861	52,228	-	5,640,089
Equipment and machinery	708,553	13,761	-	722,314
Total Capital Assets Being Depreciated	<u>9,493,765</u>	<u>65,989</u>	<u>-</u>	<u>9,559,754</u>
Less Accumulated Depreciation for				
Buildings and improvements	(2,872,700)	(13,274)	-	(2,885,974)
Systems and infrastructure	(1,044,377)	(144,435)	-	(1,188,812)
Equipment and machinery	(494,086)	(42,107)	-	(536,193)
Total Accumulated Depreciation	<u>(4,411,163)</u>	<u>(199,816)</u>	<u>-</u>	<u>(4,610,979)</u>
Total Capital Assets Being Depreciated, Net	<u>5,082,602</u>	<u>(133,827)</u>	<u>-</u>	<u>4,948,775</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,144,332</u>	<u>\$ (114,558)</u>	<u>\$ -</u>	<u>\$ 5,029,774</u>

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

Governmental Activities	
General government	\$ 4,312
Public safety	60,667
Public works	150,764
Culture and recreation	64,964
Economic development	3,013
Other	<u>1,329</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 285,049</u>
Business-type Activities	
Water utility	\$ 90,487
Sewer utility	81,154
Electric utility	26,270
Municipal liquor store	<u>1,905</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 199,816</u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has an active construction project as of December 31, 2021 relating to an improvement project as follows:

Project	Spent-to-Date	Remaining Commitment
Sand Filters	\$ 24,053	\$ 24,053

D. Interfund Receivables, Payables and Transfers

Advances from/to other funds at December 31, 2021 are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	Debt service fund	\$ 23,064
Electric Utility fund	Sewer Utility fund	213,575
	The Little Gnome, Inc Tax Increment District 1-3	143,649
	Spring Grove Soda Tax Increment District 1-4	173,475
Total		<u>\$ 553,763</u>

The advance to the 2002 Taxable EDA Revenue Bonds debt service fund from the Aquatic Center nonmajor capital project fund was made in 2012 to fund the balloon payment on the associated EDA note. This advance will be paid back over 12 years at 4 percent interest with rental revenue. The advance to the Sewer Utility fund from the Electric utility fund was to assist in financing the commercial park lift station project. This advance will be paid back over 17 years at 4 percent interest with sewer utility revenue. TIF advances were made to cover tax increment project costs.

Interfund transfers for the year ended December 31, 2021, were as follows:

Funds	Transfers in			Total
	General Fund	Debt Service Funds	Nonmajor Governmental Funds	
Transfers Out				
General	\$ -	\$ -	\$ 309,470	\$ 309,470
Nonmajor Governmental funds	18,000	16,909	-	34,909
Water Utility	35,000	-	-	35,000
Sewer Utility	35,000	-	-	35,000
Electric Utility	522,900	-	11,658	534,558
Total Transfers Out	<u>\$ 610,900</u>	<u>\$ 16,909</u>	<u>\$ 321,128</u>	<u>\$ 948,937</u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

During the year, transfers are used to 1) move revenues from the enterprise funds to the governmental funds to help reduce the tax levy and 2) move General fund resources to provide an annual subsidy to other funds. Further, during the year ended December 31, 2021, the government made the following one-time transfer:

- The Vehicle Replacement fund transferred \$18,000 to the General fund to be used in a loader purchase.

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2020B G.O. Improvement and Utility Refunding Bonds	\$ 571,000	1.45 %	11/10/20	02/01/26	<u>\$ 571,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	G.O. Bonds		
	Governmental Activities		
	Principal	Interest	Total
2022	\$ 112,000	\$ 7,279	\$ 119,279
2023	113,000	5,872	118,872
2024	112,000	4,246	116,246
2025	115,000	2,611	117,611
2026	119,000	923	119,923
Total	<u>\$ 571,000</u>	<u>\$ 20,931</u>	<u>\$ 591,931</u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2015A G.O. Tax Increment Refunding Bonds	\$ 414,000	2.30 %	12/07/15	02/01/23	<u>\$ 104,000</u>

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 60,000	\$ 1,702	\$ 61,702
2023	44,000	506	44,506
Total	<u>\$ 104,000</u>	<u>\$ 2,208</u>	<u>\$ 106,208</u>

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2020B G.O. Improvement and Utility Refunding Bonds	\$ 242,000	1.45 %	11/10/20	02/01/34	<u>\$ 242,000</u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation special assessment (improvement) bonds are as follows:

Year Ending December 31	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 15,000	\$ 3,589	\$ 18,589
2023	21,000	3,104	24,104
2024	20,000	2,801	22,801
2025	19,000	2,507	21,507
2026	18,000	2,230	20,230
2027 - 2031	92,000	7,526	99,526
2032 - 2034	57,000	1,269	58,269
Total	<u>\$ 242,000</u>	<u>\$ 23,026</u>	<u>\$ 265,026</u>

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2020A G.O. Water Revenue Bond	\$ 1,033,000	2.05	05/15/20	02/01/40	\$ 1,003,000
2020B G.O. Improvement and Utility Refunding Bonds	2,240,000	1.45	11/10/20	02/01/34	<u>1,427,000</u>
Total G.O. Revenue Bonds					<u>\$ 2,430,000</u>

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water Utility	Sewer Utility
Revenues	\$ 280,372	\$ 241,927
Principal and Interest	156,983	38,255
Percentage of Revenues	56.0%	15.8%

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

<u>Year Ending December 31</u>	G.O. Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2022	146,000	40,063	\$ 186,063
2023	151,000	37,642	188,642
2024	151,000	35,180	186,180
2025	155,000	32,682	187,682
2026	154,000	30,160	184,160
2027 - 2031	804,000	111,953	915,953
2032 - 2036	624,000	47,219	671,219
2037 - 2040	245,000	10,178	255,178
Total	\$ 2,430,000	\$ 345,077	\$ 2,775,077

Notes Payable

The City has issued notes to provide funds for acquisition of equipment. These obligations are direct obligations and pledge the full faith and credit of the City. Notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Tri-County Electric COOP Transmitter Note	\$ 94,360	4.60 %	05/01/12	05/01/22	\$ 4,856

The annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending December 31</u>	Note Payable		
	Business-type Activities		
	Principal	Interest	Total
2022	\$ 4,856	\$ 54	\$ 4,910

Crossover Refunding

On November 10, 2020 the City issued \$2,240,000 of General Obligation Refunding Note, Series 2020B. Of the bond issued, \$650,000 will refund the 2012A Tax Abatement Bonds and \$1,500,000 will refund the 2013A G.O. Improvement and Utility Refunding Bonds. These bonds were defeased on February 1, 2021.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 1,221,000	\$ -	\$ (650,000)	\$ 571,000	\$ 112,000
General obligation tax increment bonds	160,000	-	(56,000)	104,000	60,000
General obligation improvement bonds	762,000	-	(520,000)	242,000	15,000
Total Bonds Payable	<u>2,143,000</u>	<u>-</u>	<u>(1,226,000)</u>	<u>917,000</u>	<u>187,000</u>
Compensated Absences Payable	<u>61,031</u>	<u>47,044</u>	<u>(54,939)</u>	<u>53,136</u>	<u>32,079</u>
Governmental Long-term Liabilities	<u>\$ 2,204,031</u>	<u>\$ 47,044</u>	<u>\$ (1,280,939)</u>	<u>\$ 970,136</u>	<u>\$ 219,079</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 3,960,000	\$ -	\$ (1,530,000)	\$ 2,430,000	\$ 146,000
Notes Payable	16,139	-	(11,283)	4,856	4,856
Compensated Absences Payable	<u>51,455</u>	<u>28,175</u>	<u>(24,042)</u>	<u>55,588</u>	<u>35,588</u>
Business-type Long-term Liabilities	<u>\$ 4,027,594</u>	<u>\$ 28,175</u>	<u>\$ (1,565,325)</u>	<u>\$ 2,490,444</u>	<u>\$ 186,444</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

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

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3-0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (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.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, 2021, 2020 and 2019 were \$43,476, \$38,336 and \$35,243, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$31,343, \$29,405 and \$22,124, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$320,284 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,871. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0075 percent which was a 0.0009 percent increase from its proportion measured as of June 30, 2020.

City's proportionate share of the net pension liability	\$320,284
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>9,871</u>
Total	<u><u>\$ 330,155</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$35,564 for its proportionate share of GERS's pension expense. In addition, the City recognized \$796 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 reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,784	\$ 9,665
Changes in Actuarial Assumptions	195,559	6,295
Net Difference Between Projected and Actual Earnings on Plan Investments	-	280,351
Changes in Proportion	28,535	6,205
Contributions Paid to PERA Subsequent to the Measurement Date	22,565	-
Total	\$ 248,443	\$ 302,516

The \$22,565 reported as deferred outflows of resources related to pensions resulting from the City'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:

2022	\$ (1,754)
2023	4,570
2024	(3,798)
2025	(75,656)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$113,469 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0147 percent which was a 0.0017 percent increase from its proportionate share measured as of June 30, 2020.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$13,458 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$931 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in state aid. The City recognized \$931 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 21,149	\$ 2,233
Changes in Actuarial Assumptions	173,604	54,698
Net Difference Between Projected and Actual Earnings on Plan Investments	-	218,074
Changes in Proportion	36,712	1,224
Contributions Paid to PERA Subsequent to the Measurement Date	15,318	-
Total	\$ 246,783	\$ 276,229

The \$15,318 reported as deferred outflows of resources related to pensions resulting from the City'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:

2022	\$ (53,332)
2023	(7,176)
2024	(5,170)
2025	(15,595)
2024	36,509

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

E. Actuarial 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.

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

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

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	16.5	5.30
Total	<u>100.0 %</u>	

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
	General Employees Fund	\$ 653,215	\$ 320,285
Police and Fire Fund	360,243	113,468	(88,826)

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit 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.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

The Spring Grove Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2021, the plan covered 24 active firefighters and 10 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g.

B. Benefits Provided

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

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions. The State of Minnesota contributed \$18,476 in fire state aid to the fund for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. The City made no voluntary contributions to the plan.

D. Pension Costs

At December 31, 2021, the City reported a net pension liability (asset) of (\$191,997) for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2021	\$ 169,895	\$ 329,109	\$ (159,214)
Changes for the Year			
Service cost	7,744	-	7,744
Interest on pension liability (asset)	10,659	-	10,659
Actuarial experience (gains)/losses	(1,310)	-	(1,310)
Projected investment earnings	-	19,745	(19,745)
Contributions (state)	-	18,476	(18,476)
Asset (gain)/loss	-	12,724	(12,724)
Administrative costs	-	(1,069)	1,069
Total Net Changes	17,093	49,876	(32,783)
Ending Balance December 31, 2021	\$ 186,988	\$ 378,985	\$ (191,997)

For the year ended December 31, 2021, the City recognized negative pension expense of \$28,551.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2021, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,052	\$ 6,327
Net Difference Between Projected and Actual Earnings on Plan Investments	-	26,362
Total	\$ 4,052	\$ 32,689

Deferred outflows and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ (5,778)
2023	(11,914)
2024	(8,139)
2025	(2,806)

E. Actuarial Assumptions

The total pension liability at December 31, 2021 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.00% per year
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2021.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
SVF	\$ (185,284)	\$ (191,997)	\$ (198,322)

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

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

I. Asset Allocation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.0 %	5.10 %
International stocks	15.0	5.30
Bonds	45.0	0.75
Unallocated Cash	<u>5.0</u>	-
Total	<u><u>100.0 %</u></u>	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2021 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2021, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2021, the City is under the legal debt margin.

D. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The LGA amount received in 2021 was \$458,359 which accounted for approximately 35.6 percent of General fund revenues.

City of Spring Grove, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 7: Tax Abatements

As of December 31, 2021, the City has two agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement in 2016 with a manufacturing company. The company previously incurred costs to build a larger facility which was funded through the Job Opportunity Building Zone program which expired in 2016. The City agreed to relieve property taxes as the tax burden prohibits future expansion and hiring plans. The agreement has an estimated return to the company of \$33,282 over the life of the agreement. The agreement was negotiated under state law (Minnesota statutes 469.1812-469.1815) and has a maximum duration dated to December 31, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-3) on February 9, 2016 with a local business for the construction of a commercial daycare facility. In return, the City will reimburse the business for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the business of \$309,716. The agreement was negotiated under state law (Minnesota statutes 469.174-469.1799) and has a maximum duration dated to December 31, 2043. The calculation of taxes abated during the fiscal year is noted in the chart below.

	<u>City Tax Rate (Year of Establishment)</u>	<u>Captured Tax Capacity</u>	<u>Amount of Taxes Abated During the Year</u>
Tax Abatement Agreements			
LaX Fabricating, Ltd.			\$ 2,214
Tax Increment Districts (PAYGO)			
TIF District #1-3 (The Little Gnome, Inc.)	119.645%	\$ 6,712	8,031
TIF District #1-3 (The Little Gnome, Inc.)	116.121%	\$ 3,373	<u>3,917</u>
Total			<u>\$ 14,161</u>

Note 8: COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City’s financial condition, liquidity, and future results of its revenue collections is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Spring Grove, Minnesota
Required Supplementary Information
For the Year End December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.0075 %	\$ 320,284	\$ 9,871	\$ 330,155	\$ 543,287	59.0 %	87.0 %
6/30/2020	0.0066	395,700	12,196	407,896	473,731	83.5	79.0
6/30/2019	0.0068	375,957	11,666	387,623	480,135	78.3	80.2
6/30/2018	0.0067	371,689	12,157	383,846	451,184	82.4	79.5
6/30/2017	0.0064	408,572	5,118	413,690	395,376	103.3	75.9
6/30/2016	0.0064	519,648	6,804	526,452	384,253	135.2	68.9
6/30/2015	0.0064	342,046	-	342,046	363,159	94.2	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2021	\$ 43,476	\$ 43,476	\$ -	\$ 579,678	7.50 %
12/31/2020	38,336	38,336	-	511,150	7.50
12/31/2019	35,243	35,243	-	469,901	7.50
12/31/2018	33,975	33,975	-	453,004	7.50
12/31/2017	32,344	32,344	-	431,257	7.50
12/31/2016	29,988	29,988	-	399,839	7.50
12/31/2015	28,399	28,399	-	378,653	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Spring Grove, Minnesota
Required Supplementary Information (Continued)
For the Year End December 31, 2021

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2021 - 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.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated 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.

City of Spring Grove, Minnesota
Required Supplementary Information (Continued)
For the Year End December 31, 2021

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - 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 - 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 - 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 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - 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 increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Spring Grove, Minnesota
 Required Supplementary Information (Continued)
 For the Year End December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.0147 %	\$ 113,469	\$ 5,114	\$ 118,583	\$ 202,586	56.0 %	93.7 %
6/30/2020	0.0130	171,354	4,035	175,389	122,746	139.6	87.2
6/30/2019	0.0119	126,688	-	126,688	124,829	101.5	89.3
6/30/2018	0.0108	115,117	-	115,117	113,809	101.1	88.8
6/30/2017	0.0110	148,513	-	148,513	108,117	137.4	85.4
6/30/2016	0.0110	441,449	-	441,449	104,790	421.3	63.9
6/30/2015	0.0110	124,986	-	124,986	103,320	121.0	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2021	\$ 31,343	\$ 31,343	\$ -	\$ 177,077	17.70 %
12/31/2020	29,405	29,405	-	166,129	17.70
12/31/2019	22,124	22,124	-	130,523	16.95
12/31/2018	18,337	18,337	-	113,190	16.20
12/31/2017	19,180	19,180	-	118,398	16.20
12/31/2016	15,651	15,651	-	96,611	16.20
12/31/2015	15,808	15,808	-	97,580	16.20

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Spring Grove, Minnesota
Required Supplementary Information (Continued)
For the Year End December 31, 2021

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Spring Grove, Minnesota
Required Supplementary Information (Continued)
For the Year End December 31, 2021

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Spring Grove, Minnesota
 Required Supplementary Information (Continued)
 For the Year End December 31, 2021

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)
Total Pension Liability				
Service cost	\$ 7,744	\$ 8,409	\$ 7,859	\$ 7,679
Interest on pension liability (asset)	10,659	10,154	9,493	10,317
Actuarial experience (gains)/losses	(1,310)	(992)	10,130	(23,423)
Benefit payments	-	(17,000)	(17,000)	-
Net Change in Total Pension Liability	<u>17,093</u>	<u>571</u>	<u>10,482</u>	<u>(5,427)</u>
Total Pension Liability - January 1	<u>169,895</u>	<u>169,324</u>	<u>158,842</u>	<u>164,269</u>
Total Pension Liability - December 31 (a)	<u>\$ 186,988</u>	<u>\$ 169,895</u>	<u>\$ 169,324</u>	<u>\$ 158,842</u>
Plan Fiduciary Net Position				
Nonemployer contributions	\$ 18,476	\$ 17,705	\$ 15,978	\$ 16,529
Projected investment return	19,745	17,196	14,696	14,345
Gain (loss)	12,724	25,668	29,007	(24,105)
Benefit payments	-	(17,000)	(17,000)	-
Administrative expenses	(1,069)	(1,067)	(1,005)	(914)
Net Change in Plan Fiduciary Net Position	<u>49,876</u>	<u>42,502</u>	<u>41,676</u>	<u>5,855</u>
Plan Fiduciary Net Position - January 1	<u>329,109</u>	<u>286,607</u>	<u>244,931</u>	<u>239,076</u>
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 378,985</u>	<u>\$ 329,109</u>	<u>\$ 286,607</u>	<u>\$ 244,931</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u>\$ (191,997)</u>	<u>\$ (159,214)</u>	<u>\$ (117,283)</u>	<u>\$ (86,089)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	202.68%	193.71%	169.27%	154.20%
Covered Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Spring Grove, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2021

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 568,359	\$ 421,526	\$ 989,885
Receivables			
Accounts	2,777	-	2,777
Loans, net of allowance	109,755	-	109,755
Advances to other funds	-	23,064	23,064
Prepaid items	198	-	198
	<u>198</u>	<u>-</u>	<u>198</u>
Total Assets	<u>\$ 681,089</u>	<u>\$ 444,590</u>	<u>\$ 1,125,679</u>
Liabilities			
Accounts payable	\$ 13,738	\$ -	\$ 13,738
Due to other governments	74	-	74
Advances from other funds	317,124	-	317,124
Accrued salaries payable	1,951	-	1,951
Unearned revenue	600	-	600
Total Liabilities	<u>333,487</u>	<u>-</u>	<u>333,487</u>
Fund Balances			
Nonspendable			
Prepaid items	198	-	198
Restricted			
Economic development	173,669	-	173,669
Library operations	78,877	-	78,877
Law enforcement	-	3,234	3,234
Committed			
Economic development	117,439	171,832	289,271
Community building operations	10,407	-	10,407
Cable TV operations	11,756	-	11,756
Library operations	272,380	86,900	359,280
Assigned			
Capital purchases	-	182,624	182,624
Unassigned			
Unassigned	(317,124)	-	(317,124)
Total Fund Balances	<u>347,602</u>	<u>444,590</u>	<u>792,192</u>
	<u>\$ 681,089</u>	<u>\$ 444,590</u>	<u>\$ 1,125,679</u>
Total Liabilities and Fund Balances	<u>\$ 681,089</u>	<u>\$ 444,590</u>	<u>\$ 1,125,679</u>

City of Spring Grove, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Revenues			
Taxes	\$ 48,971	\$ -	\$ 48,971
Intergovernmental	21,108	-	21,108
Charges for services	6,625	26,901	33,526
Investment earnings	5,441	1,221	6,662
Miscellaneous	51,900	25,577	77,477
Total Revenues	<u>134,045</u>	<u>53,699</u>	<u>187,744</u>
Expenditures			
Current			
Culture and recreation	160,172	-	160,172
Economic development	108,098	-	108,098
Miscellaneous	4,985	8,893	13,878
Capital outlay			
Public safety	-	5,059	5,059
Public works	-	117	117
Culture and recreation	4,451	-	4,451
Total Expenditures	<u>277,706</u>	<u>14,069</u>	<u>291,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(143,661)</u>	<u>39,630</u>	<u>(104,031)</u>
Other Financing Sources (Uses)			
Transfers in	209,470	111,658	321,128
Transfers out	(16,909)	(18,000)	(34,909)
Total Other Financing Sources (Uses)	<u>192,561</u>	<u>93,658</u>	<u>286,219</u>
Net Change in Fund Balances	48,900	133,288	182,188
Fund Balances, January 1	<u>298,702</u>	<u>311,302</u>	<u>610,004</u>
Fund Balances, December 31	<u>\$ 347,602</u>	<u>\$ 444,590</u>	<u>\$ 792,192</u>

City of Spring Grove, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	240	245	260/265	270
	The Little Gnome, Inc. Tax Increment District 1-3	Spring Grove Soda Tax Increment District 1-4	Small Cities Grants	Community Building
Assets				
Cash and temporary investments	\$ -	\$ -	\$ 63,914	\$ 12,284
Receivables				
Accounts	-	-	-	-
Loans	-	-	-	-
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 63,914</u></u>	<u><u>\$ 12,284</u></u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 989
Due to other governments	-	-	-	74
Advances from other funds	143,649	173,475	-	-
Accrued salaries payable	-	-	-	214
Unearned revenue	-	-	-	600
	<u>143,649</u>	<u>173,475</u>	<u>-</u>	<u>1,877</u>
Total Liabilities	<u><u>143,649</u></u>	<u><u>173,475</u></u>	<u><u>-</u></u>	<u><u>1,877</u></u>
Fund Balances				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
Economic development	-	-	63,914	-
Library operations	-	-	-	-
Committed				
Economic development	-	-	-	-
Community building operations	-	-	-	10,407
Cable TV operations	-	-	-	-
Library operations	-	-	-	-
Unassigned	(143,649)	(173,475)	-	-
	<u>(143,649)</u>	<u>(173,475)</u>	<u>63,914</u>	<u>10,407</u>
Total Fund Balances	<u><u>(143,649)</u></u>	<u><u>(173,475)</u></u>	<u><u>63,914</u></u>	<u><u>10,407</u></u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 63,914</u></u>	<u><u>\$ 12,284</u></u>
Total Liabilities and Fund Balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 63,914</u></u>	<u><u>\$ 12,284</u></u>

290	295	318	330	610	630	
Economic Development Authority	EDA Revolving Loan	Bender Tax Increment District 1-2	LaX Fabricating Tax Abatement	Cable TV	Library	Total
\$ 11,489	\$ 106,070	\$ -	\$ 1,107	\$ 8,979	\$ 364,516	\$ 568,359
-	-	-	-	2,777	-	2,777
-	109,755	-	-	-	-	109,755
-	-	-	-	-	198	198
<u>\$ 11,489</u>	<u>\$ 215,825</u>	<u>\$ -</u>	<u>\$ 1,107</u>	<u>\$ 11,756</u>	<u>\$ 364,714</u>	<u>\$ 681,089</u>
\$ 120	\$ -	\$ -	\$ 1,107	\$ -	\$ 11,522	\$ 13,738
-	-	-	-	-	-	74
-	-	-	-	-	-	317,124
-	-	-	-	-	1,737	1,951
-	-	-	-	-	-	600
<u>120</u>	<u>-</u>	<u>-</u>	<u>1,107</u>	<u>-</u>	<u>13,259</u>	<u>333,487</u>
-	-	-	-	-	198	198
-	109,755	-	-	-	-	173,669
-	-	-	-	-	78,877	78,877
11,369	106,070	-	-	-	-	117,439
-	-	-	-	-	-	10,407
-	-	-	-	11,756	-	11,756
-	-	-	-	-	272,380	272,380
-	-	-	-	-	-	(317,124)
<u>11,369</u>	<u>215,825</u>	<u>-</u>	<u>-</u>	<u>11,756</u>	<u>351,455</u>	<u>347,602</u>
<u>\$ 11,489</u>	<u>\$ 215,825</u>	<u>\$ -</u>	<u>\$ 1,107</u>	<u>\$ 11,756</u>	<u>\$ 364,714</u>	<u>\$ 681,089</u>

City of Spring Grove, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	240	245	260/265	270
	The Little Gnome, Inc. Tax Increment District 1-3	Spring Grove Soda Tax Increment District 1-4	Small Cities Grants	Community Building
Revenues				
Taxes				
Tax increments	\$ 15,832	\$ 5,124	\$ -	\$ -
Franchise fees	-	-	-	-
Intergovernmental				
County library aid	-	-	-	-
Charges for services				
Culture and recreation	-	-	-	6,625
Investment earnings	-	-	112	18
Miscellaneous				
Refunds and reimbursements	-	-	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>15,832</u>	<u>5,124</u>	<u>112</u>	<u>6,643</u>
Expenditures				
Current				
Culture and recreation	-	-	-	25,300
Economic development	125	125	16,402	-
Miscellaneous	-	-	-	-
Capital outlay				
Culture and recreation	-	-	-	-
Total Expenditures	<u>125</u>	<u>125</u>	<u>16,402</u>	<u>25,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,707</u>	<u>4,999</u>	<u>(16,290)</u>	<u>(18,657)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	29,256
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,256</u>
Net Change in Fund Balances	15,707	4,999	(16,290)	10,599
Fund Balances, January 1	<u>(159,356)</u>	<u>(178,474)</u>	<u>80,204</u>	<u>(192)</u>
Fund Balances, December 31	<u>\$ (143,649)</u>	<u>\$ (173,475)</u>	<u>\$ 63,914</u>	<u>\$ 10,407</u>

290	295	318	330	610	630	
Economic Development Authority	EDA Revolving Loan	Bender Tax Increment District 1-2	LaX Fabricating Tax Abatement	Cable TV	Library	Total
\$ -	\$ -	\$ 16,874	\$ -	\$ -	\$ -	\$ 37,830
-	-	-	-	11,141	-	11,141
-	-	-	-	-	21,108	21,108
-	-	-	-	-	-	6,625
33	3,609	35	-	8	1,626	5,441
-	-	-	-	-	269	269
3,950	-	-	-	-	36,500	40,450
11,181	-	-	-	-	-	11,181
<u>15,164</u>	<u>3,609</u>	<u>16,909</u>	<u>-</u>	<u>11,149</u>	<u>59,503</u>	<u>134,045</u>
-	-	-	-	-	134,872	160,172
89,232	-	-	2,214	-	-	108,098
-	-	-	-	4,985	-	4,985
-	-	-	-	-	4,451	4,451
<u>89,232</u>	<u>-</u>	<u>-</u>	<u>2,214</u>	<u>4,985</u>	<u>139,323</u>	<u>277,706</u>
<u>(74,068)</u>	<u>3,609</u>	<u>16,909</u>	<u>(2,214)</u>	<u>6,164</u>	<u>(79,820)</u>	<u>(143,661)</u>
75,000	-	-	2,214	-	103,000	209,470
-	-	(16,909)	-	-	-	(16,909)
<u>75,000</u>	<u>-</u>	<u>(16,909)</u>	<u>2,214</u>	<u>-</u>	<u>103,000</u>	<u>192,561</u>
932	3,609	-	-	6,164	23,180	48,900
<u>10,437</u>	<u>212,216</u>	<u>-</u>	<u>-</u>	<u>5,592</u>	<u>328,275</u>	<u>298,702</u>
<u>\$ 11,369</u>	<u>\$ 215,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,756</u>	<u>\$ 351,455</u>	<u>\$ 347,602</u>

City of Spring Grove, Minnesota
Community Building Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
CARES	\$ -	\$ -	\$ -	\$ -	\$ 304
Charges for services					
Culture and recreation	5,000	5,000	6,625	1,625	819
Investment earnings	-	-	18	18	7
Miscellaneous					
Contributions and donations	100	100	-	(100)	-
Total Revenues	<u>5,100</u>	<u>5,100</u>	<u>6,643</u>	<u>1,543</u>	<u>1,130</u>
Expenditures					
Current					
Culture and recreation					
Personal services	4,406	4,406	6,301	(1,895)	5,584
Supplies	6,800	6,800	4,557	2,243	3,597
Other services and charges	15,150	15,150	14,442	708	13,064
Capital outlay					
Culture and recreation	8,000	8,000	-	8,000	-
Total Expenditures	<u>34,356</u>	<u>34,356</u>	<u>25,300</u>	<u>9,056</u>	<u>22,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,256)	(29,256)	(18,657)	10,599	(21,115)
Other Financing Sources					
Transfers in	<u>29,256</u>	<u>29,256</u>	<u>29,256</u>	<u>-</u>	<u>20,618</u>
Net Change in Fund Balances	-	-	10,599	10,599	(497)
Fund Balances, January 1	<u>(192)</u>	<u>(192)</u>	<u>(192)</u>	<u>-</u>	<u>305</u>
Fund Balances, December 31	<u>\$ (192)</u>	<u>\$ (192)</u>	<u>\$ 10,407</u>	<u>\$ 10,599</u>	<u>\$ (192)</u>

City of Spring Grove, Minnesota
 Cable TV Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Franchise fees	\$ 11,500	\$ 11,500	\$ 11,141	\$ (359)	\$ 11,198
Investment earnings	10	10	8	(2)	20
Total Revenues	<u>11,510</u>	<u>11,510</u>	<u>11,149</u>	<u>(361)</u>	<u>11,218</u>
Expenditures					
Current					
Miscellaneous					
Personal services	7,109	7,109	4,805	2,304	3,623
Other services and charges	-	-	180	(180)	-
Capital outlay					
Miscellaneous	4,401	4,401	-	4,401	16,254
Total Expenditures	<u>11,510</u>	<u>11,510</u>	<u>4,985</u>	<u>6,525</u>	<u>19,877</u>
Net Change in Fund Balances	-	-	6,164	6,164	(8,659)
Fund Balances, January 1	5,592	5,592	5,592	-	14,251
Fund Balances, December 31	<u>\$ 5,592</u>	<u>\$ 5,592</u>	<u>\$ 11,756</u>	<u>\$ 6,164</u>	<u>\$ 5,592</u>

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City of Spring Grove, Minnesota
Library Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental					
Other Federal grants	\$ -	\$ -	\$ -	\$ -	\$ 49
County library aid	18,000	18,000	21,108	3,108	19,197
Investment earnings	4,000	4,000	1,626	(2,374)	1,893
Miscellaneous					
Refunds and reimbursements	-	-	269	269	2,936
Contributions and donations	36,000	36,000	36,500	500	36,500
Total Revenues	<u>58,000</u>	<u>58,000</u>	<u>59,503</u>	<u>1,503</u>	<u>60,575</u>
Expenditures					
Current					
Culture and recreation					
Library					
Personal services	83,100	83,100	75,821	7,279	71,187
Supplies	1,663	1,663	1,016	647	1,677
Other services and charges	81,873	81,873	58,035	23,838	53,589
Capital outlay					
Culture and recreation	12,600	12,600	4,451	8,149	3,411
Total Expenditures	<u>179,236</u>	<u>179,236</u>	<u>139,323</u>	<u>39,913</u>	<u>129,864</u>
Deficiency of Revenues					
Over (Under) Expenditures	(121,236)	(121,236)	(79,820)	41,416	(69,289)
Other Financing Sources					
Transfers in	103,000	103,000	103,000	-	103,000
Net Change in Fund Balances	(18,236)	(18,236)	23,180	41,416	33,711
Fund Balances, January 1	328,275	328,275	328,275	-	294,564
Fund Balances, December 31	<u>\$ 310,039</u>	<u>\$ 310,039</u>	<u>\$ 351,455</u>	<u>\$ 41,416</u>	<u>\$ 328,275</u>

City of Spring Grove, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2021

	405	420	425	430
	Fire Equipment	Police Forfeiture	Streets	Aquatic Center
Assets				
Cash and temporary investments	\$ 180,410	\$ 3,234	\$ 63,002	\$ 7,104
Advances to other funds	-	-	-	23,064
Total Assets	<u>\$ 180,410</u>	<u>\$ 3,234</u>	<u>\$ 63,002</u>	<u>\$ 30,168</u>
Fund Balances				
Restricted				
Law enforcement	\$ -	\$ 3,234	\$ -	\$ -
Committed				
Fire equipment	164,949	-	-	-
Future projects	-	-	-	-
Assigned				
Capital purchases	15,461	-	63,002	30,168
Total Fund Balances	<u>\$ 180,410</u>	<u>\$ 3,234</u>	<u>\$ 63,002</u>	<u>\$ 30,168</u>

435	460	475	476	
Vehicle Replacement	Contingency	Conservation Improvements	Commercial Conservation Improvements	Total
\$ 64,709	\$ 64,459	\$ 15,316	\$ 23,292	\$ 421,526
-	-	-	-	23,064
<u>\$ 64,709</u>	<u>\$ 64,459</u>	<u>\$ 15,316</u>	<u>\$ 23,292</u>	<u>\$ 444,590</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,234
6,883	-	-	-	171,832
-	50,000	13,608	23,292	86,900
<u>57,826</u>	<u>14,459</u>	<u>1,708</u>	<u>-</u>	<u>182,624</u>
<u>\$ 64,709</u>	<u>\$ 64,459</u>	<u>\$ 15,316</u>	<u>\$ 23,292</u>	<u>\$ 444,590</u>

City of Spring Grove, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2021

	405	420	425	430
	Fire Equipment	Police Forfeiture	Streets	Aquatic Center
Revenues				
Charges for services				
Public works	\$ -	\$ -	\$ 26,901	\$ -
Interest earnings	642	4	49	-
Miscellaneous				
Contributions and donations	7,465	-	-	-
Other	5	-	-	-
Total Revenues	<u>8,112</u>	<u>4</u>	<u>26,950</u>	<u>-</u>
Expenditures				
Current				
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	5,059	-	-	-
Public works	-	-	-	-
Total Expenditures	<u>5,059</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,053</u>	<u>4</u>	<u>26,950</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	50,000	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	53,053	4	26,950	-
Fund Balances, January 1	<u>127,357</u>	<u>3,230</u>	<u>36,052</u>	<u>30,168</u>
Fund Balances, December 31	<u>\$ 180,410</u>	<u>\$ 3,234</u>	<u>\$ 63,002</u>	<u>\$ 30,168</u>

435	460	475	476	
Vehicle Replacement	Contingency	Conservation Improvements	Commercial Conservation Improvements	Total
\$ -	\$ -	\$ -	\$ -	\$ 26,901
167	274	29	56	1,221
-	-	-	-	7,465
10,000	8,107	-	-	18,112
<u>10,167</u>	<u>8,381</u>	<u>29</u>	<u>56</u>	<u>53,699</u>
-	-	8,893	-	8,893
-	-	-	-	5,059
117	-	-	-	117
<u>117</u>	<u>-</u>	<u>8,893</u>	<u>-</u>	<u>14,069</u>
<u>10,050</u>	<u>8,381</u>	<u>(8,864)</u>	<u>56</u>	<u>39,630</u>
25,000	25,000	5,829	5,829	111,658
(18,000)	-	-	-	(18,000)
<u>7,000</u>	<u>25,000</u>	<u>5,829</u>	<u>5,829</u>	<u>93,658</u>
17,050	33,381	(3,035)	5,885	133,288
<u>47,659</u>	<u>31,078</u>	<u>18,351</u>	<u>17,407</u>	<u>311,302</u>
<u>\$ 64,709</u>	<u>\$ 64,459</u>	<u>\$ 15,316</u>	<u>\$ 23,292</u>	<u>\$ 444,590</u>

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City of Spring Grove, Minnesota
 General Fund
 Comparative Balance Sheets
 December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 953,762	\$ 560,022
Receivables		
Delinquent taxes	8,349	11,471
Accounts	16,272	8,254
Special assessments	1,362	1,362
Intergovernmental	23,939	12,866
Prepaid items	13,834	20,351
Total Assets	\$ 1,017,518	\$ 614,326
Liabilities		
Accounts payable	\$ 32,248	\$ 23,616
Due to other governments	37	1,974
Accrued salaries payable	17,672	15,542
Unearned revenue	69,576	400
Total Liabilities	119,533	41,532
Deferred Inflows of Resources		
Unavailable revenue		
Delinquent taxes	8,349	11,471
Special assessments	1,362	1,362
Total Deferred Inflows of Resources	9,711	12,833
Fund Balances		
Nonspendable		
Prepaid items	13,834	20,351
Unassigned	874,440	539,610
Total Fund Balances	888,274	559,961
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,017,518	\$ 614,326

City of Spring Grove, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 491,014	\$ 491,014	\$ 485,427	\$ (5,587)	\$ 484,267
Excess tax increments	-	-	3,517	3,517	-
Total Taxes	491,014	491,014	488,944	(2,070)	484,267
Special assessments	-	-	-	-	8
Licenses and permits					
Business	4,900	4,900	4,000	(900)	4,655
Nonbusiness	1,400	1,400	2,122	722	1,504
Total Licenses and Permits	6,300	6,300	6,122	(178)	6,159
Intergovernmental					
Federal					
CARES	-	-	-	-	64,387
State					
Local government aid	458,187	458,187	458,187	-	451,457
Property tax credits and aids	172	172	172	-	144
Fire aid	16,000	16,000	-	(16,000)	2,010
Police aid	18,625	18,625	36,685	18,060	15,742
Other state aids	4,290	4,290	48,569	44,279	6,560
Total Intergovernmental	497,274	497,274	543,613	46,339	540,300
Charges for services					
General government	5,400	5,400	5,367	(33)	4,971
Public safety	13,000	13,000	7,104	(5,896)	5,400
Public works	74,250	74,250	89,980	15,730	69,755
Culture and recreation	68,050	68,050	93,729	25,679	43,020
Total Charges for Services	160,700	160,700	196,180	35,480	123,146
Fines and forfeits	6,000	6,000	6,993	993	5,157
Investment earnings	8,000	8,000	1,898	(6,102)	3,048
Miscellaneous					
Contributions and donations	10,500	10,500	1,313	(9,187)	9,279
Refunds and reimbursements	6,000	6,000	9,128	3,128	8,957
Other	20,000	20,000	31,831	11,831	21,105
Total Miscellaneous	36,500	36,500	42,272	5,772	39,341
Total Revenues	1,205,788	1,205,788	1,286,022	80,234	1,201,426

City of Spring Grove, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 8,712	\$ 8,712	\$ 8,689	\$ 23	\$ 8,685
Other services and charges	7,950	7,950	6,760	1,190	3,372
Total Mayor and Council	<u>16,662</u>	<u>16,662</u>	<u>15,449</u>	<u>1,213</u>	<u>12,057</u>
Election					
Personal services	-	-	-	-	3,665
Supplies	-	-	-	-	821
Other services and charges	-	-	-	-	1,024
Total Election	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,510</u>
Administration					
Personal services	293,686	293,686	266,810	26,876	226,634
Supplies	4,700	4,700	3,295	1,405	6,627
Other services and charges	106,100	106,100	115,016	(8,916)	97,882
Total Administration	<u>404,486</u>	<u>404,486</u>	<u>385,121</u>	<u>19,365</u>	<u>331,143</u>
COVID-19					
Personal services	-	-	-	-	2,524
Supplies	-	-	-	-	26,458
Other services and charges	-	-	-	-	18,388
Total COVID-19	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,370</u>
Total General Government	<u>421,148</u>	<u>421,148</u>	<u>400,570</u>	<u>20,578</u>	<u>396,080</u>
Public safety					
Police					
Personal services	312,021	312,021	281,201	30,820	263,159
Supplies	12,950	12,950	19,138	(6,188)	6,777
Other services and charges	35,300	35,300	28,427	6,873	20,754
Total Police	<u>360,271</u>	<u>360,271</u>	<u>328,766</u>	<u>31,505</u>	<u>290,690</u>
Fire					
Personal services	20,827	20,827	11,954	8,873	12,249
Supplies	8,550	8,550	13,525	(4,975)	5,840
Other services and charges	28,600	28,600	17,162	11,438	19,250
Total Fire	<u>57,977</u>	<u>57,977</u>	<u>42,641</u>	<u>15,336</u>	<u>37,339</u>
Ambulance					
Other services and charges	<u>8,000</u>	<u>8,000</u>	<u>7,824</u>	<u>176</u>	<u>7,824</u>
Animal control					
Other services and charges	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Civil defense					
Supplies	<u>100</u>	<u>100</u>	<u>444</u>	<u>(344)</u>	<u>-</u>
Total Public Safety	<u>429,848</u>	<u>429,848</u>	<u>383,175</u>	<u>46,673</u>	<u>339,353</u>

City of Spring Grove, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (continued)					
Current (continued)					
Public works					
Street maintenance					
Personal services	\$ 89,002	\$ 89,002	\$ 82,351	\$ 6,651	\$ 74,925
Supplies	36,000	36,000	26,049	9,951	25,534
Other services and charges	16,700	16,700	14,591	2,109	16,793
Total Street Maintenance	<u>141,702</u>	<u>141,702</u>	<u>122,991</u>	<u>18,711</u>	<u>117,252</u>
Recycling					
Other services	49,000	49,000	72,579	(23,579)	49,521
Total Public Works	<u>190,702</u>	<u>190,702</u>	<u>195,570</u>	<u>(4,868)</u>	<u>166,773</u>
Culture and recreation					
Summer recreation					
Personal services	10,765	10,765	6,519	4,246	8,084
Supplies	900	900	1,260	(360)	1,135
Other services and charges	1,500	1,500	1,343	157	6,886
Total Summer Recreation	<u>13,165</u>	<u>13,165</u>	<u>9,122</u>	<u>4,043</u>	<u>16,105</u>
Swimming pool					
Personal services	78,855	78,855	87,107	(8,252)	65,776
Supplies	21,600	21,600	20,688	912	17,203
Other services and charges	39,950	39,950	42,951	(3,001)	37,331
Total Swimming Pool	<u>140,405</u>	<u>140,405</u>	<u>150,746</u>	<u>(10,341)</u>	<u>120,310</u>
Parks					
Personal services	700	700	533	167	906
Supplies	13,400	13,400	26,325	(12,925)	13,159
Other services and charges	17,200	17,200	17,775	(575)	18,707
Total Parks	<u>31,300</u>	<u>31,300</u>	<u>44,633</u>	<u>(13,333)</u>	<u>32,772</u>
Total Culture and Recreation	<u>184,870</u>	<u>184,870</u>	<u>204,501</u>	<u>(19,631)</u>	<u>169,187</u>
Total Current	<u>1,226,568</u>	<u>1,226,568</u>	<u>1,183,816</u>	<u>42,752</u>	<u>1,071,393</u>

City of Spring Grove, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (continued)					
Capital outlay					
General government	\$ 10,000	\$ 10,000	\$ 781	\$ 9,219	\$ 21,622
Public safety	58,000	58,000	1,503	56,497	7,658
Public works	146,000	146,000	33,240	112,760	348,944
Culture and recreation	64,000	64,000	39,799	24,201	21,022
Total Capital Outlay	<u>278,000</u>	<u>278,000</u>	<u>75,323</u>	<u>202,677</u>	<u>399,246</u>
Total Expenditures	<u>1,504,568</u>	<u>1,504,568</u>	<u>1,259,139</u>	<u>245,429</u>	<u>1,470,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(298,780)</u>	<u>(298,780)</u>	<u>26,883</u>	<u>325,663</u>	<u>(269,213)</u>
Other Financing Sources (Uses)					
Transfers in	612,900	612,900	610,900	(2,000)	669,447
Transfers out	<u>(153,000)</u>	<u>(153,000)</u>	<u>(309,470)</u>	<u>(156,470)</u>	<u>(302,513)</u>
Total Other Financing Sources (Uses)	<u>459,900</u>	<u>459,900</u>	<u>301,430</u>	<u>(158,470)</u>	<u>366,934</u>
Net Change in Fund Balances	161,120	161,120	328,313	167,193	97,721
Fund Balances, January 1	<u>559,961</u>	<u>559,961</u>	<u>559,961</u>	<u>-</u>	<u>462,240</u>
Fund Balances, December 31	<u>\$ 721,081</u>	<u>\$ 721,081</u>	<u>\$ 888,274</u>	<u>\$ 167,193</u>	<u>\$ 559,961</u>

City of Spring Grove, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2021

	315 2012A Tax Abatement Bonds	354 2013A G.O. Improvement Bonds	319 2015A Tax Increment Refunding Bonds	320 2002 Taxable EDA Revenue Bonds	325 2020B Refunding Note	Total
Assets						
Cash and temporary investments	\$ -	\$ -	\$ 5,151	\$ 12,099	\$ 357,424	\$ 374,674
Receivables						
Delinquent taxes	-	-	65	-	2,261	2,326
Special assessments						
Delinquent	-	-	-	-	1,148	1,148
Special assessments	-	-	1,825	-	64,132	65,957
Intergovernmental	-	-	-	-	2,456	2,456
Prepaid items	-	-	-	144	-	144
Total Assets	\$ -	\$ -	\$ 7,041	\$ 12,243	\$ 427,421	\$ 446,705
Liabilities						
Advances from other funds	\$ -	\$ -	\$ -	\$ 23,064	\$ -	\$ 23,064
Deferred Inflow of Resources						
Unavailable revenue						
Delinquent taxes	-	-	65	-	2,261	2,326
Special assessments	-	-	1,825	-	65,280	67,105
Total Deferred Inflows of Resources	-	-	1,890	-	67,541	69,431
Fund Balances						
Nonspendable						
Prepaid items	-	-	-	144	-	144
Restricted						
Debt service	-	-	5,151	-	359,880	365,031
Unassigned	-	-	-	(10,965)	-	(10,965)
Total Fund Balances	-	-	5,151	(10,821)	359,880	354,210
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ -	\$ 7,041	\$ 12,243	\$ 427,421	\$ 446,705

City of Spring Grove, Minnesota
Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2021

	315 2012A Tax Abatement Bonds	354 2013A G.O. Improvement Bonds	319 2015A Tax Increment Refunding Bonds	320 2002 Taxable EDA Revenue Bonds	325 2020B Refunding Note	Total
Revenues						
Taxes						
Property taxes	\$ 1,528	\$ 388	\$ -	\$ -	\$ 137,435	\$ 139,351
Tax increments	-	-	13,591	-	-	13,591
Special assessments	-	5,999	1,922	-	-	7,921
Miscellaneous						
Rents	-	-	-	12,000	-	12,000
Investment earnings	28	26	-	14	1,716	1,784
Total Revenues	<u>1,556</u>	<u>6,413</u>	<u>15,513</u>	<u>12,014</u>	<u>139,151</u>	<u>174,647</u>
Expenditures						
Current						
Economic development	-	-	-	3,065	-	3,065
Debt service						
Principal	650,000	520,000	56,000	-	-	1,226,000
Interest and other costs	8,643	8,601	3,161	1,207	8,850	30,462
Total Expenditures	<u>658,643</u>	<u>528,601</u>	<u>59,161</u>	<u>4,272</u>	<u>8,850</u>	<u>1,259,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(657,087)</u>	<u>(522,188)</u>	<u>(43,648)</u>	<u>7,742</u>	<u>130,301</u>	<u>(1,084,880)</u>
Other Financing Sources (Uses)						
Transfers in	82,616	273,663	16,909	-	-	373,188
Transfers out	-	-	-	-	(356,279)	(356,279)
Total Other Financing Sources (Uses)	<u>82,616</u>	<u>273,663</u>	<u>16,909</u>	<u>-</u>	<u>(356,279)</u>	<u>16,909</u>
Net Change in Fund Balances	(574,471)	(248,525)	(26,739)	7,742	(225,978)	(1,067,971)
Fund Balances, January 1	<u>574,471</u>	<u>248,525</u>	<u>31,890</u>	<u>(18,563)</u>	<u>585,858</u>	<u>1,422,181</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,151</u>	<u>\$ (10,821)</u>	<u>\$ 359,880</u>	<u>\$ 354,210</u>

City of Spring Grove, Minnesota
 Summary Financial Report
 Revenues and Expenditures for General Operations
 Governmental Funds
 For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 690,857	\$ 655,287	5.43 %
Special assessments	7,921	13,705	(42.20)
Licenses and permits	6,122	6,159	(0.60)
Intergovernmental	564,721	589,850	(4.26)
Charges for services	229,706	163,925	40.13
Fines and forfeits	6,993	5,157	35.60
Investment earnings	10,344	15,426	(32.94)
Miscellaneous	131,749	88,902	48.20
	<u>\$ 1,648,413</u>	<u>\$ 1,538,411</u>	<u>7.15 %</u>
Total Revenues	<u>\$ 1,648,413</u>	<u>\$ 1,538,411</u>	<u>7.15 %</u>
Per Capita	\$ 1,312	\$ 1,190	10.31 %
Expenditures			
Current			
General government	\$ 400,570	\$ 396,080	1.13 %
Public safety	383,175	339,528	12.86
Public works	195,570	166,773	17.27
Culture and recreation	364,673	317,885	14.72
Economic development	111,163	150,134	(25.96)
Miscellaneous	13,878	16,305	(14.89)
Capital outlay			
General government	781	21,622	(96.39)
Public safety	6,562	43,392	(84.88)
Public works	33,357	349,744	(90.46)
Culture and recreation	44,250	24,433	81.11
Economic development	-	25,000	(100.00)
Miscellaneous	-	16,254	(100.00)
Debt service			
Principal	1,226,000	193,000	535.23
Interest and other costs	30,462	51,753	(41.14)
	<u>\$ 2,810,441</u>	<u>\$ 2,111,903</u>	<u>33.08 %</u>
Total Expenditures	<u>\$ 2,810,441</u>	<u>\$ 2,111,903</u>	<u>33.08 %</u>
Per Capita	\$ 2,238	\$ 1,633	37.00 %
Total Long-term Indebtedness	\$ 917,000	\$ 2,143,000	(57.21) %
Per Capita	730	1,657	(55.95)
General Fund Balance - December 31	\$ 888,274	\$ 559,961	58.63 %
Per Capita	707	433	63.30

The purpose of this report is to provide a summary of financial information concerning the City of Spring Grove to interested citizens. The complete financial statements may be examined at City Hall, 118 1st Avenue NW. Questions about this report should be directed to Erin Konkel, City Clerk/Treasurer (507-498-5221).

OTHER REQUIRED REPORTS

CITY OF SPRING GROVE
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Spring Grove, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Grove, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2022.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as items 2021-006 and 2021-007. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Mankato, Minnesota
April 25, 2022

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

Honorable Mayor and City Council
City of Spring Grove, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Grove, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 25, 2022.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2021-005 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, 2021-003 and 2021-004 to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or Minnesota statutes as described as findings 2021-006 and 2021-007.

Response to Findings

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



Abdo
Mankato, Minnesota
April 25, 2022



City of Spring Grove, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed internal control procedures over disbursements, cash receipts, utility billing and payroll and found the City to have limited segregation of duties in these areas as noted below.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.

Internal Control Over Disbursements

<i>Cause:</i>	As a result of the small number of staff, the City Clerk/Treasurer sets up and maintains vendors, prepares checks, mails checks to vendors, maintains the purchase journal and accounts payable records, posts transactions to the general ledger and reconciles bank accounts.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that an individual, separate from the City Clerk/Treasurer, review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The City added a City Administrator position to help address the issue. Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures and regular review of budget comparisons.

Internal Control Over Cash Receipts

<i>Cause:</i>	As a result of the small number of staff, the City Clerk/Treasurer opens the mail, receives and endorses checks and currency, sets up and maintains customers, maintains receipts journal and accounts receivable records and posts transactions to the general ledger.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly receipt information and reviewing the bank reconciliation.

Management Response:

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The City added a City Administrator position to help address the issue. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information. This includes regular review of budget comparisons.

City of Spring Grove, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Segregation of Duties (Continued)
<u>Internal Control Over Utility Billing</u>	
<i>Cause:</i>	As a result of the small number of staff, the Deputy Clerk sets up and maintains customers, approves new accounts, receives and endorses checks and currency, generates billing statements, maintains utility receipts journal and utility billing records and posts transactions to the general ledger.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly utility receipt information and reviewing the bank reconciliation.
<i>Management Response:</i>	
The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The City added a City Administrator position to help address the issue. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information. This includes regular review of budget comparisons.	
<u>Internal Control Over Payroll</u>	
<i>Cause:</i>	As a result of the small number of staff, the City Clerk/Treasurer sets up and maintains employee records, runs the payroll, prepares payroll checks, posts activity to the general ledger, issues checks to employees, reconciles bank accounts, prepares payroll tax returns and maintains the payroll records.
<i>Recommendation:</i>	We recommend that in addition to approving payroll disbursements and wage rates the City Council review amounts earned and accrued for compensated absences on an annual basis to compensate for control deficiencies with respect to payroll accruals. Additional controls might include review of payroll registers, earnings records, payroll reports, etc.
<i>Management Response:</i>	
The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The City added a City Administrator position to help address the issue. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information.	

City of Spring Grove, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-002	Internal Control Over Municipal Liquor Store Operations
<i>Condition:</i>	During our audit we reviewed procedures over cash receipts and inventory at the municipal liquor store and found the City to have limited segregation of duties related to this area.
<i>Criteria:</i>	As a result of the small number of staff, the Liquor Store Manager sets up and maintains customers, approves new accounts, receives and endorses checks and currency, generates billing statements, maintains receipts and billing records and posts transactions to the general ledger.
<i>Cause:</i>	The Liquor Store Manager is responsible for ordering, receiving and maintaining inventory.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and incorrect record keeping.
<i>Recommendation:</i>	We recommend the City consider implementing a timely review of inventory records that allows for continual monitoring of inventory. An inventory report could be attached to every vendor invoice showing all merchandise was properly entered into the inventory system. We also recommend the Liquor Store Manager review the recording process for on-sale transactions and promotional inventory received from vendors.

Management Response:

The City will continue to look for ways to improve their internal control over cash receipts and inventory and closely monitor municipal liquor store daily operations. The City added a City Administrator position to help address the issue. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information.

2021-003 **Internal Control Over Swim Center Operations**

<i>Condition:</i>	During our audit we reviewed procedures over cash receipts at the swim center and found the City to have limited segregation of duties related to this area.
<i>Criteria:</i>	As a result of the small number of staff, the Pool Manager sets up and maintains customers, approves new accounts, receives checks and currency, generates billing statements, and maintains receipts and billing records.
<i>Cause:</i>	The Pool Manager is also responsible for collecting cash receipts which were not deposited timely in the City's bank account.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and incorrect record keeping.
<i>Recommendation:</i>	We recommend the City consider implementing a timely review of receipt records that allows for continual monitoring of cash receipts. Cash deposits should be made on a daily basis and a detailed review of receipt reconciliation from the pool software.

Management Response:

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The City added a City Administrator position to help address the issue. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information.

City of Spring Grove, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-004	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Spring Grove, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-005	Material Audit Adjustments
<i>Condition:</i>	During our audit, material audit adjustments were needed for the following reasons: Material audit entries were required to adjust revenue coding, to adjust transfers, to adjust capital asset activity, and to adjust unearned revenue activity.
<i>Criteria:</i>	Such adjustments should be detected and made by the City's personnel.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	 We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed. The City Clerk/Treasurer is willing to take the necessary steps to improve each year and will continue to monitor all financial activity including adjusting account balances as needed to prevent material misstatements from occurring.
2021-006	Outstanding Checks
<i>Condition:</i>	During our audit procedures, it was noted the City had outstanding payroll checks over one year old.
<i>Criteria:</i>	Minnesota statute §348.38 subdivision 3 states that all intangible personal property held for the owner by any government or political subdivision or agency, which has remained unclaimed by the owner for more than one year is presumed abandoned and is reportable pursuant to section §345.41 if it meets certain criteria.
<i>Cause:</i>	The City had outstanding checks which fit the above criteria.
<i>Effect:</i>	The City is out of compliance with Minnesota statute §348.38 subdivision 3.
<i>Recommendation:</i>	We recommend that the City follow the statute listed above and report the abandoned property to the State.
<i>Management Response:</i>	 There is no disagreement with this finding. The City will take action to avoid similar occurrence in the following year.

City of Spring Grove, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-007	Contracting and Bidding
<i>Condition:</i>	During our audit, we determined that the City did not have a contractor's payment on file.
<i>Criteria:</i>	Minnesota statute §471.345 sets certain requirements for contracts that exceed certain thresholds. In the City's case, the contracts were above \$25,000, which requires contracts to be let on sealed bids through public notice. Certain documents relating to the bids need to be kept on-hand such as bids received.
<i>Cause:</i>	It appears certain capital purchases were not let on sealed bids or negotiated quotes.
<i>Effect:</i>	The City is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the City review the statute and develop a set of procedures that will allow the City to be in compliance for all major contracts. We also recommend that the City keep an organized file of such information relating to bids.
<i>Management Response:</i>	
	There is no disagreement with this finding. The City will take action to avoid similar occurrence in the following year.