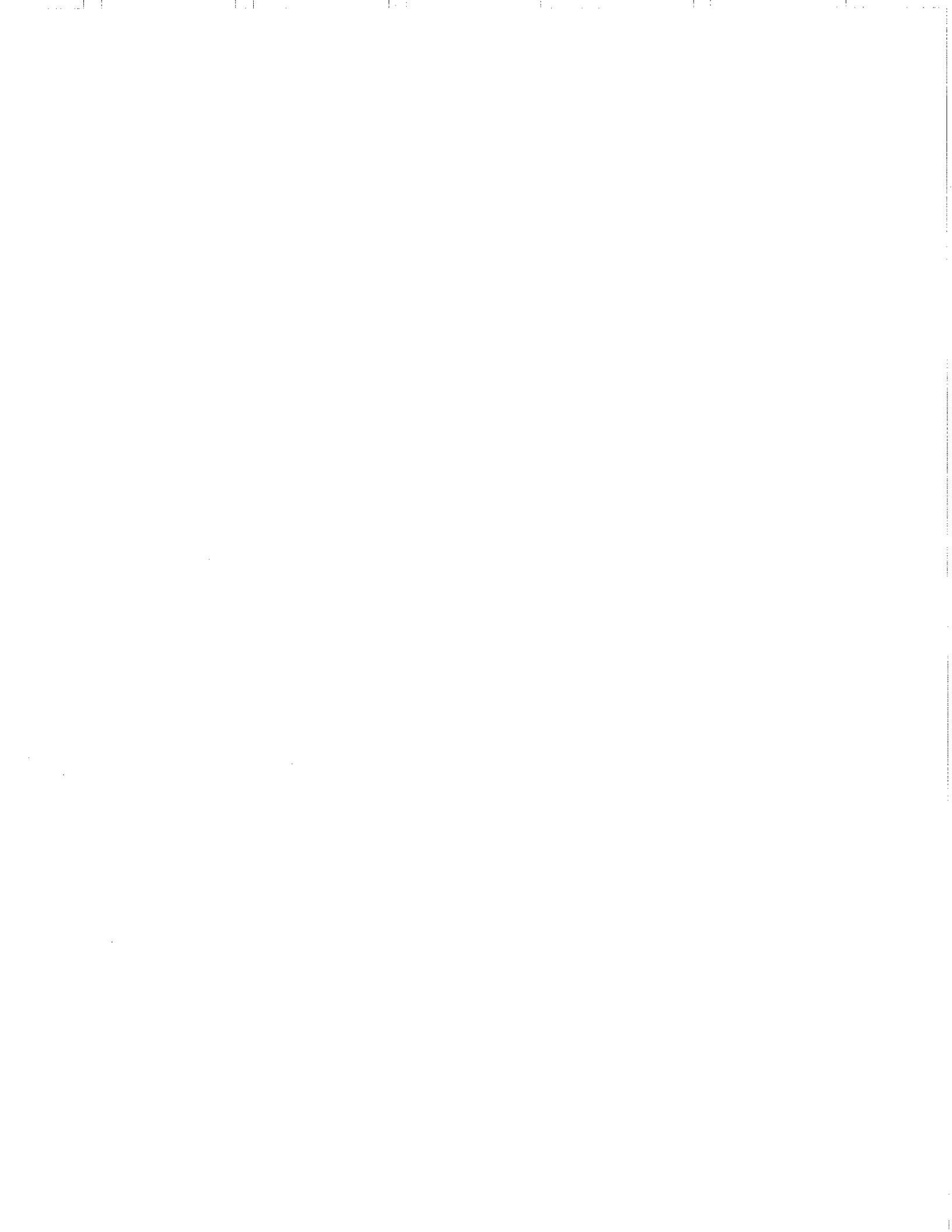


INDEPENDENT AUDITOR'S REPORT

**CITY OF RUTHTON
RUTHTON, MINNESOTA 56170**

FOR THE YEAR ENDED DECEMBER 31, 2020

**Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
PO Box 707
Pipestone, Minnesota 56164**



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City of Ruthton
Ruthton, Minnesota

MEMBERS OF THE CITY COUNCIL AND CITY OFFICIALS

Stan Townsend	Mayor
Kathy Rupp	Assistant Mayor
Andy Schelhaas	Council Member
Jim Haroldson	Council Member
Darwin Sietsema	Council Member
Rochelle VanderWoude	City Clerk-Treasurer
Ben Denton	City Attorney

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Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Ruthton, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2019, and in our report dated June 12, 2020, we expressed a qualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, due to the non-compliance with GASB standards relating to pensions for 2019.

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

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

Basis for Qualified Opinion

The volunteer fire relief association affiliated with the City of Ruthton has not complied with the GASB standards related to pensions for 2020. Therefore, the City is unable to report pension amounts related to the relief association. The effects on the accompanying financial statements of the noncompliance have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ruthton, Ruthton, Minnesota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the major Special Revenue Funds (Fire Department Fund, and Small Cities Development Program Fund, Small Cities Development Program Fund II, and Cemetery Fund).

Report on Partial Comparative Information

The financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended December 31, 2019, from which it was derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions, and Notes on Required Supplementary Information Other than MD&A on pages 7-15 and 55-60 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

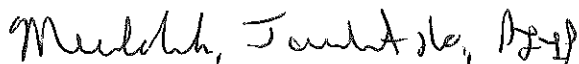
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ruthton, Ruthton, Minnesota's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the 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 and schedules 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 a report dated June 8, 2021, on our consideration of the City of Ruthton, Ruthton, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ruthton, Ruthton, Minnesota's internal control over financial reporting and compliance.


Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

June 8, 2021

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City of Ruthton
Ruthton, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2020

This section of the City of Ruthton's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the other components of the City's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Certain comparative information between the current year (2020) and the prior year (2019) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2020 fiscal year include the following:

- Governmental Net position increased by \$23,843 or 2.34% from December 31, 2019.
- Proprietary Net position increased by \$33,570 or 5.30% from December 31, 2019.
- Total governmental expenditures increased by \$174,742 in comparison to fiscal year 2019, due primarily to SCDP money paid out, and total governmental revenues increased by \$189,701 in comparison to fiscal year 2019, due to SCDP money received.
- Total proprietary operating expenses decreased by \$11,859 in comparison to fiscal year 2019, and proprietary operating revenues increased by \$15,554 in comparison to fiscal year 2019.

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include government-wide financial statements and fund financial statements and the notes to the financial statements.

Government-Wide Statements

The government-wide statements (statement of net position and statement of activities) report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position -- the difference between the City's assets and liabilities -- is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in government support to assess the overall health of the City.

City of Ruthton
Ruthton, Minnesota

Fund Financial Statements

The fund financial statements include more detailed information about a City's individual funds. The City maintains two types of funds.

Governmental Funds - The City's services are included in this type of fund, which generally focuses on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's activities. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

The City maintains five governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Fire Department Fund, Small Cities Development Program Fund, Small Cities Development Program Fund II, and Cemetery Fund. The General Fund, Fire Department Fund, Small Cities Development Program Fund, Small Cities Development Program Fund II, and Cemetery Fund are considered to be major funds.

Proprietary Funds – The City of Ruthton maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Ruthton uses the enterprise funds to account for Water, Sewer, and Garbage 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 the Water, Sewer, and Garbage Funds. These are considered to be major funds of the City of Ruthton.

Financial Analysis of the City as a Whole/Financial Analysis of the City's Funds (Government-Wide Statements)

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ruthton, assets exceeded liabilities by \$1,692,555 at the close of the most recent fiscal year. This was an increase of 3.49% from the previous year total of \$1,635,142.

City of Ruthton
Ruthton, Minnesota

Table 1 is a summarized view of the City's Statement of Net Position.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current and other assets	665,889	460,458	91,751	60,919	757,640	521,377
Long-term Assets				12,478		12,478
Capital assets, net of depreciation	<u>575,877</u>	<u>587,074</u>	<u>609,238</u>	<u>616,838</u>	<u>1,185,115</u>	<u>1,203,912</u>
Total Assets	<u>1,241,766</u>	<u>1,047,532</u>	<u>700,989</u>	<u>716,360</u>	<u>1,942,755</u>	<u>1,737,767</u>
Deferred Outflows of Resources						
Related to Pensions	<u>2,241</u>	<u>1,941</u>	<u>2,129</u>	<u>2,233</u>	<u>4,370</u>	<u>4,174</u>
Total Assets and Deferred Outflows of Resources	<u>1,244,007</u>	<u>1,049,473</u>	<u>703,118</u>	<u>692,468</u>	<u>1,947,125</u>	<u>1,741,941</u>
Liabilities						
Current and other liabilities	10,713	10,548	1,213	11,203	11,926	21,751
Net Pension Liability	27,879	25,709	32,077	29,580	59,956	55,289
Long-term liabilities		<u>7,429</u>				<u>7,429</u>
Total Liabilities	<u>38,592</u>	<u>43,686</u>	<u>33,290</u>	<u>40,783</u>	<u>71,882</u>	<u>84,469</u>
Deferred Inflows of Resources						
Unearned Revenue	179,133		1,706	13,281	180,839	13,281
Net Pension Liability	<u>860</u>	<u>4,208</u>	<u>989</u>	<u>4,841</u>	<u>1,849</u>	<u>9,049</u>
Total Deferred Inflows of Resources	<u>179,993</u>	<u>4,208</u>	<u>2,695</u>	<u>18,122</u>	<u>182,688</u>	<u>22,330</u>
Net Position						
Net Investment in Capital Assets	568,448	572,484	609,238	606,838	1,177,686	1,179,322
Restricted	227,823	58,221			227,823	58,221
Unrestricted	<u>229,151</u>	<u>370,874</u>	<u>57,895</u>	<u>26,725</u>	<u>287,046</u>	<u>397,599</u>
Net Position	<u>1,025,422</u>	<u>1,001,579</u>	<u>667,133</u>	<u>633,563</u>	<u>1,692,555</u>	<u>1,635,142</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>1,244,007</u>	<u>1,049,473</u>	<u>703,118</u>	<u>692,468</u>	<u>1,947,125</u>	<u>1,741,941</u>

The City's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

City of Ruthton
Ruthton, Minnesota

Table 2 presents a condensed version of the change in net position of the City.

Table 2
Change in Net Position
For the year ended December 31, 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues						
Charges for Services	30,251	31,771	129,847	114,293	160,098	146,064
Operating Grants and Contributions	221,253	38,333			221,253	38,333
General Revenues						
Property Taxes	143,848	117,766	13,227	13,129	157,075	130,895
State Aid Not Restricted						
For Specific Purposes	73,207	74,014			73,207	74,014
Unrestricted Investment Earnings	1,142	1,914	787	753	1,929	2,667
Other Revenues	<u>13,657</u>	<u>22,717</u>			<u>13,657</u>	<u>22,717</u>
Total Revenues	483,358	286,515	143,861	128,175	627,219	414,690
Expenses						
General Government	81,397	63,256			81,397	63,256
Public Safety	60,657	67,153			60,657	67,153
City Maintenance	23,766	22,903			23,766	22,903
Culture and Recreation	1,797	1,934			1,797	1,934
Public Works	57,002	57,664			57,002	57,664
Miscellaneous	25,153	23,284			25,153	23,284
Economic Development	204,545	7,213			204,545	7,213
Cemetery	5,198	4,406			5,198	4,406
Water			46,778	56,353	46,778	56,353
Sewer			45,002	48,314	45,002	48,314
Refuse			<u>18,511</u>	<u>18,366</u>	<u>18,511</u>	<u>18,366</u>
Total Expenses	<u>459,515</u>	<u>247,813</u>	<u>110,291</u>	<u>123,033</u>	<u>569,806</u>	<u>370,846</u>
Change in Net Position	<u>23,843</u>	<u>38,702</u>	<u>33,570</u>	<u>5,142</u>	<u>57,413</u>	<u>43,844</u>

The City's total revenue consisted of program revenues of \$381,351, property taxes of \$157,075, state aids of \$73,207, investment earnings of \$1,929 and miscellaneous revenues of \$13,657.

The cost of all governmental and business-type activities this year was \$569,806.

- The users of the city programs paid for 28.1%, or \$160,098, of the costs.
- The state government subsidized certain programs with grants and contributions. This totaled \$73,207, or 12.8%, of the total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions for Governmental activities. Figure C and D show further analysis of these revenue sources and expenditures functions for Business-Type Activities.

Figure A - Sources of Revenues for Fiscal Year 2020

Governmental Activities

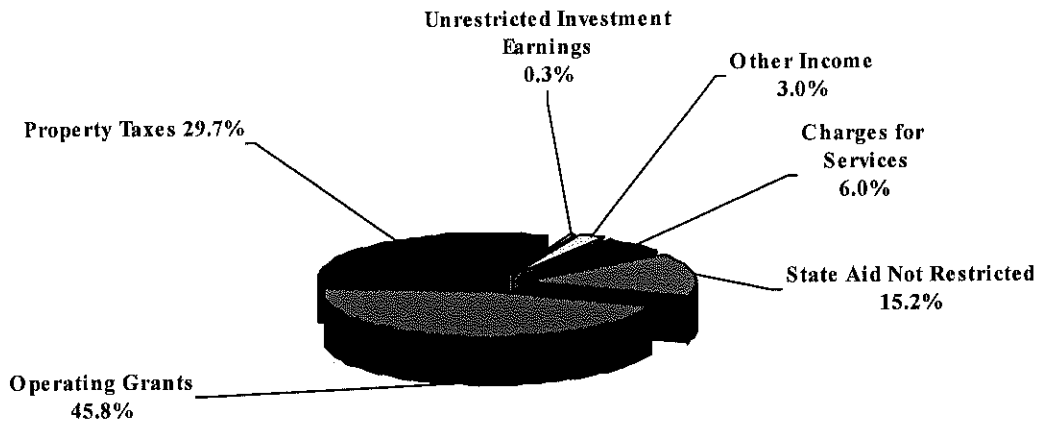
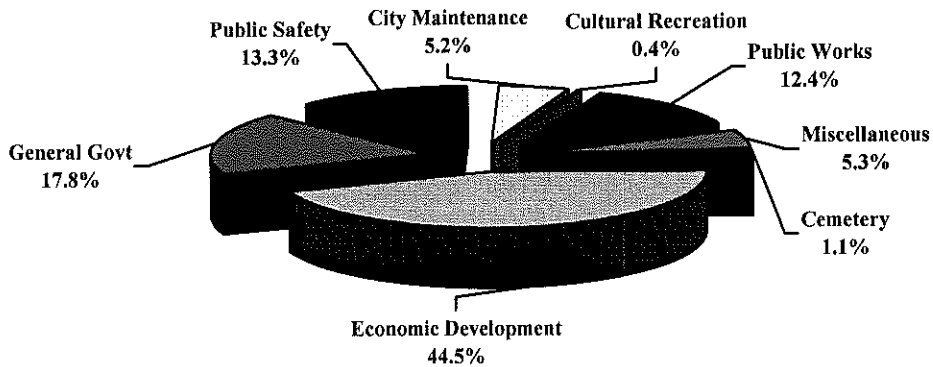
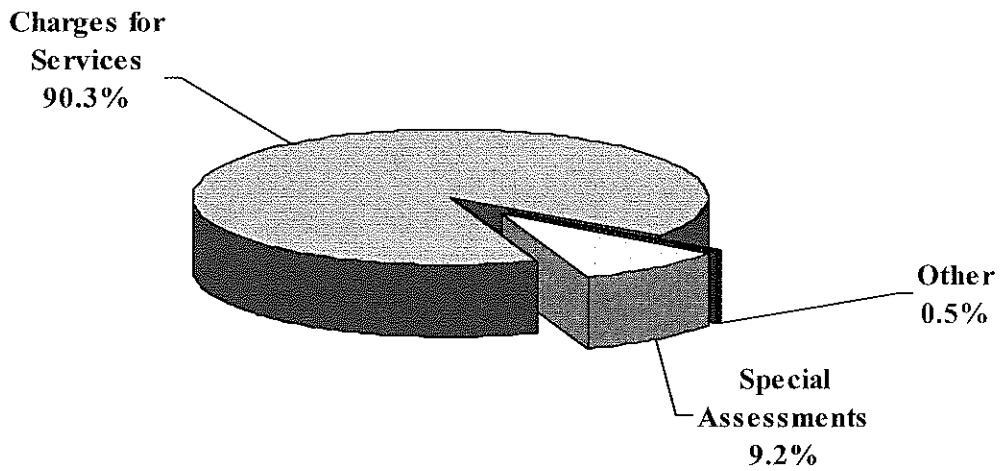


Figure B - Expenses for Fiscal 2020

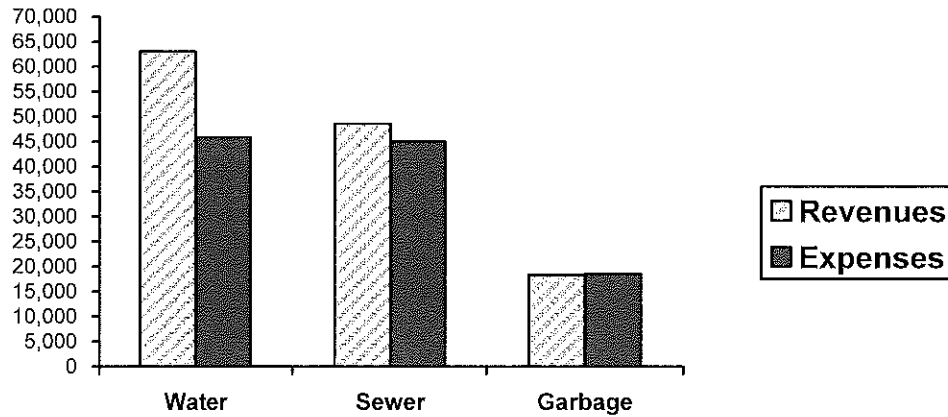
Governmental Activities



**Figure C - Sources of Revenues for Fiscal Year 2020
Business-Type Activities**



**Figure D - Operating Revenues and Expenses for Fiscal Year 2020
Business-Type Activities**



City of Ruthton
 Ruthton, Minnesota

Financial Analysis of the City's Funds (Fund Financial Statements)

Fund Balance/Net Position

The financial performance of the city as a whole is reflected in its governmental funds as well. As the city completed the year, the governmental funds reported a combined fund balance of \$465,382. The prior year fund balance was \$449,798, which is an increase of \$15,584. The General Fund increase of \$16,506 is due to increased tax revenue. The Fire Department Fund had an increase of \$8,609 due to decreased expenditures, the Small Cities Development Program Fund had a decrease of \$4,628, the Small Cities Development Program Fund II had a decrease of \$4,527, and the Cemetery Fund had a decrease of \$376.

The proprietary funds completed the year with a combined net position of \$667,133. The prior year net position was \$633,563. The Water Fund increased \$29,762. The Sewer fund increase of \$4,065 was due to increased service revenue. The Garbage Fund decrease of \$257 was due to expenditures exceeding revenues.

Revenues and Expenditures/Expenses

Revenues of the city's governmental funds totaled \$467,118 while total expenditures were \$455,957. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	233,634	200,269	(16,859)	16,506
Fire Department Fund	38,053	46,945	17,501	8,609
Small Cities Development Program Fund	1,363		(5,991)	(4,628)
Small Cities Development Program Fund II	194,018	204,545	6,000	(4,527)
Cemetery Fund	50	5,198	4,772	(376)
Total	<u>467,118</u>	<u>455,957</u>	<u>5,423</u>	<u>15,584</u>

Revenues of the city's proprietary funds totaled \$129,847, which total expenses were \$109,373. A summary of the revenues and expenses reported on the proprietary funds statements are as follows:

	Revenue	Expenses	Other Financing Sources (Uses)	Net Position Increase (Decrease)
Water Fund	63,059	45,860	12,563	29,762
Sewer Fund	48,534	45,002	533	4,065
Garbage Fund	18,254	18,511		(257)
Total	<u>129,847</u>	<u>109,373</u>	<u>13,096</u>	<u>33,570</u>

General Fund Budgetary Highlights

The City is required to adopt an operating budget prior to the beginning of its fiscal year. Once the General Fund budget has been adopted, the City might amend the budget for known changes in circumstances such as legislative funding. During the fiscal year 2020, the City did not revise the original budget. The city's budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$37,862. The actual results for the year showed revenues exceeding expenditures by \$16,506.

- Actual revenues were over budget by \$14,671 due to various reasons.
- Actual expenditures were under budget by \$39,056 due to various reasons.

Capital Assets

Table 3 shows the City's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending December 31, 2020 and 2019.

**Table 3
Capital Assets**

<u>Governmental Activities</u>	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	28,255	28,255	
Buildings	394,637	394,637	
Equipment & Improvements	684,186	663,781	20,405
Infrastructure	1,115,787	1,074,818	40,969
Less accumulated depreciation	<u>(1,646,988)</u>	<u>(1,574,417)</u>	<u>(72,571)</u>
Total	<u>575,877</u>	<u>587,074</u>	<u>(11,197)</u>
Depreciation Expense	<u>76,451</u>	<u>67,380</u>	<u>9,071</u>
<u>Business-Type Activities</u>			
Land	44,519	44,519	
Water System & Equipment	896,362	866,362	30,000
Sewer System & Equipment	860,589	860,589	
Less accumulated depreciation	<u>(1,192,232)</u>	<u>(1,154,632)</u>	<u>(37,600)</u>
Total	<u>609,238</u>	<u>616,838</u>	<u>(7,600)</u>
Depreciation Expense	<u>37,600</u>	<u>36,509</u>	<u>1,091</u>

Capital asset activity occurring in 2020 included Community Center Chairs and Tables, 2002 Chevrolet Silverado Grass Fire Rig, Filing Cabinets and Teller Window, Box Scraper, Welder, 8 Blocks of Street Overlay, and a Water tower Riser Project.

City of Ruthton

City of Ruthton
Ruthton, Minnesota

Long-Term Liabilities

At the end of the current fiscal year, the City had no bonded debt and a promissory note outstanding of \$7,429. The entire amount of the promissory note is a general obligation of the City and will be retired through ad valorem tax levies.

**Table 4
Outstanding Debt
As of December 31, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Promissory Note	<u>7,429</u>	_____	<u>7,429</u>
Total Debt	<u>7,429</u>	_____	<u>7,429</u>

Factors bearing on the City's Future

The City is dependent on the State of Minnesota for a significant portion of its funding. The continuation of this funding is dependent on the actions taken by Minnesota legislature in the future.

Contacting the City's Management

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City of Ruthton at PO Box 5, Ruthton, Minnesota, 56170.

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STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			
	Governmental	Business-Type	Total	
	Activities	Activities	2020	2019
<u>Assets</u>				
Cash and Investments	417,303	77,608	494,911	452,883
Accounts Receivable	9,709	10,982	20,691	19,514
Delinquent Taxes / Assessments Receivable	13,953	1,815	15,768	10,333
Notes Receivable	205,808		205,808	21,413
Prepaid Items	19,116	1,346	20,462	17,234
Long Term Assessments Receivable				12,070
Bond Discount				408
Capital Assets (net of accumulated depreciation)	<u>575,877</u>	<u>609,238</u>	<u>1,185,115</u>	<u>1,203,912</u>
Total Assets	<u>1,241,766</u>	<u>700,989</u>	<u>1,942,755</u>	<u>1,737,767</u>
<u>Deferred Outflows of Resources</u>				
Related to Pensions	<u>2,241</u>	<u>2,129</u>	<u>4,370</u>	<u>4,174</u>
Total Assets and Deferred Outflows of Resources	<u><u>1,244,007</u></u>	<u><u>703,118</u></u>	<u><u>1,947,125</u></u>	<u><u>1,741,941</u></u>
<u>Liabilities</u>				
Accounts Payable and Other Current Liabilities	3,284	1,213	4,497	4,590
Noncurrent liabilities				
Due within one year	7,429		7,429	17,161
Due in more than one year				7,429
Net Pension Liability	<u>27,879</u>	<u>32,077</u>	<u>59,956</u>	<u>55,289</u>
Total Liabilities	<u>38,592</u>	<u>33,290</u>	<u>71,882</u>	<u>84,469</u>
<u>Deferred Inflows of Resources</u>				
Unearned Revenue	179,133	1,706	180,839	13,281
Related to Pensions	<u>860</u>	<u>989</u>	<u>1,849</u>	<u>9,049</u>
Total Deferred Inflows of Resources	<u>179,993</u>	<u>2,695</u>	<u>182,688</u>	<u>22,330</u>
<u>Net Position</u>				
Net Investment in Capital Assets	568,448	609,238	1,177,686	1,179,322
Restricted for:				
Small Cities Development Program	219,728		219,728	49,750
Cemetery Fund	8,095		8,095	8,471
Unrestricted	<u>229,151</u>	<u>57,895</u>	<u>287,046</u>	<u>397,599</u>
Total Net Position	<u>1,025,422</u>	<u>667,133</u>	<u>1,692,555</u>	<u>1,635,142</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>1,244,007</u></u>	<u><u>703,118</u></u>	<u><u>1,947,125</u></u>	<u><u>1,741,941</u></u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
							2020	2019
Governmental Activities:								
General Government	81,397	7,351	16,472		(57,574)	(57,574)	(29,513)	
Public Safety	60,657	22,900	10,843		(26,914)	(26,914)	(30,792)	
City Maintenance	23,766				(23,766)	(23,766)	(22,903)	
Cultural and Recreation	1,797				(1,797)	(1,797)	(1,934)	
Public Works	57,002				(57,002)	(57,002)	(57,664)	
Miscellaneous	25,153				(25,153)	(25,153)	(23,284)	
Economic Development	204,545		193,938		(10,607)	(10,607)	(7,213)	
Cemetery	5,198				(5,198)	(5,198)	(4,406)	
Total Governmental Activities	459,515	30,251	221,253	-0-	(208,011)	-0-	(208,011)	
Business-Type Activities:								
Water	46,778	63,059				16,281	(947)	
Sewer	45,002	48,534				3,532	(8,159)	
Garbage	18,511	18,254				(257)	366	
Total Business-Type Activities	110,291	129,847	-0-	-0-	-0-	19,556	(8,740)	
Total Government	569,806	160,098	221,253	-0-	(208,011)	19,556	(186,449)	
General Revenues								
Property Taxes					143,848	13,227	157,075	130,895
State Aid Not Restricted to Specific Purposes					73,207		73,207	74,014
Unrestricted Investment Earnings					1,142	787	1,929	2,667
Other Revenues					13,657		13,657	22,717
Total General Revenues					231,854	14,014	245,868	230,293
Change in Net Position					23,843	33,570	57,413	43,844
Net Position - Beginning					1,001,579	633,563	1,635,142	1,591,298
Net Position - Ending					1,025,422	667,133	1,692,555	1,635,142

See accompanying notes to the financial statements.

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City of Ruthton
 Ruthton, Minnesota

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

<u>Assets</u>	<u>General</u>	<u>Fire Department Fund</u>	<u>Small Cities Development Program Fund</u>
Cash	392,039	3,249	9,879
Accounts Receivable	5,554	4,155	
Delinquent Taxes Receivable	13,953		
Due From Other Funds			
Notes Receivable			12,456
Prepaid Items	16,784	2,332	
Total Assets	<u>428,330</u>	<u>9,736</u>	<u>22,335</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	3,117	167	
Due to Other Funds			
Total Liabilities	<u>3,117</u>	<u>167</u>	<u>-0-</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue	18,090		
<u>Fund Balances</u>			
Fund Balance - Non-Spendable	16,784	2,332	
Fund Balance - Committed		7,237	22,335
Fund Balance - Unassigned	390,339		
Total Fund Balance	<u>407,123</u>	<u>9,569</u>	<u>22,335</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>428,330</u>	<u>9,736</u>	<u>22,335</u>

See accompanying notes to the financial statements.

Exhibit C

Small Cities Development Program Fund II	Cemetery Fund	Total Governmental Funds	
		2020	2019
4,041	8,095	417,303	404,568
		9,709	9,518
		13,953	8,867
			323
193,352		205,808	21,413
		19,116	16,092
<u>197,393</u>	<u>8,095</u>	<u>665,889</u>	<u>460,781</u>
		3,284	3,387
			323
<u>-0-</u>	<u>-0-</u>	<u>3,284</u>	<u>3,710</u>
179,133		197,223	7,273
		19,116	16,092
18,260	8,095	55,927	57,750
		390,339	375,956
<u>197,393</u>	<u>8,095</u>	<u>465,382</u>	<u>449,798</u>
<u>197,393</u>	<u>8,095</u>	<u>665,889</u>	<u>460,781</u>

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

	2020		2019
Total Governmental Fund Balances	465,382		449,798
Amounts Reported in Governmental Activities in the Statement of Net Position are Different Because:			
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.			
Cost of Capital Assets	2,222,865		2,161,491
Less: Accumulated Depreciation	(1,646,988)	575,877	(1,574,417)
587,074			
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred inflows of resources in the funds.	18,090		7,273
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred Outflows of Resources - Related to Pensions	2,241		1,941
Deferred Inflows of Resources - Related to Pensions	(860)		(4,208)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:			
Pension Liability	(27,879)		(25,709)
Notes Payable	(7,429)	(35,308)	(14,590)
(40,299)			
Total net position - governmental activities	1,025,422		1,001,579

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Fire Department Fund	Small Cities Development Program Fund	Small Cities Development Program Fund II	Cemetery Fund	Total Governmental Funds	
						2020	2019
Revenues							
Taxes	133,031					133,031	117,510
Licenses and Permits	1,000					1,000	2,100
State Aid	73,207	10,843				84,050	87,425
Charges for Services	2,645	17,900				20,545	20,990
Grants	15,972					15,972	9,622
Fines and Forfeits	381					381	316
Fire Calls		5,000				5,000	5,000
Miscellaneous	3,573	4,310	418			8,301	13,865
Pest Control	3,325					3,325	3,365
Sale of Lots					50	50	800
SCDP Revenue				193,938		193,938	
Donations	500					500	15,300
Loan Interest Income			945	80		1,025	1,124
Total Revenues	233,634	38,053	1,363	194,018	50	467,118	277,417
Expenditures							
General Government	87,939					87,939	59,800
Public Safety	14,003	28,321				42,324	49,731
City Maintenance	50,342					50,342	9,535
Cultural and Recreation	1,237					1,237	1,374
Public Works	33,058					33,058	119,091
Miscellaneous	13,070	11,463				24,533	23,284
Economic Development				204,545		204,545	7,213
Cemetery					5,198	5,198	4,406
Principal		7,161				7,161	6,869
Interest	620					620	912
Total Expenditures	200,269	46,945	-0-	204,545	5,198	456,957	282,215
Excess of Revenues (Expenditures)	33,365	(8,892)	1,363	(10,527)	(5,148)	10,161	(4,798)
Other Financing Sources (Uses)							
Interest Income	741	351	9		41	1,142	1,914
Sale of Assets	2,131	2,150				4,281	6,928
Transfers In		15,000		6,000	4,731	25,731	47,500
Transfers Out	(19,731)		(6,000)			(25,731)	(47,500)
Total Other Financing Sources (Uses)	(16,859)	17,501	(5,991)	6,000	4,772	5,423	8,842
Net Change in Fund Balances	16,506	8,609	(4,628)	(4,527)	(376)	15,584	4,044
Fund Balance-Beginning	390,617	960	26,963	22,787	8,471	449,798	445,754
Fund Balance-Ending	407,123	9,569	22,335	18,260	8,095	465,382	449,798

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
Net Change in Governmental Fund Balances	15,584	4,044

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$1,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	65,874	96,484	
Depreciation Expense	(76,451)	(67,380)	
Disposal of Assets	(620)	(1,350)	27,754

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds where it is due. In the statement of activities however, interest expense is recognized as it accrues. The net effect of these differences is as follows:

Payment of Loan Principal	7,161	6,869
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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.

Increase in Pension Liability	1,478	(221)
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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.

	10,817	256
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Change in Net Position of Governmental Activities	23,843	38,702
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See accompanying notes to the financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		
Taxes	136,406	136,406	133,031	(3,375)
Licenses and Permits	2,200	2,200	1,000	(1,200)
Federal Aid			15,972	15,972
State Aid	72,157	72,157	73,207	1,050
Charges for Services	3,800	3,800	2,645	(1,155)
Fines and Forfeits			381	381
Miscellaneous Revenues	4,400	4,400	7,398	2,998
Total Revenues	218,963	218,963	233,634	14,671
<u>Expenditures</u>				
General Government	71,950	71,950	87,939	(15,989)
Public Safety	18,725	18,725	14,003	4,722
City Maintenance	70,750	70,750	50,342	20,408
Culture and Recreation	2,400	2,400	1,237	1,163
Public Works	59,500	59,500	33,058	26,442
Miscellaneous	16,000	16,000	13,690	2,310
Total Expenditures	239,325	239,325	200,269	39,056
Excess of Revenues (Expenditures)	(20,362)	(20,362)	33,365	53,727
<u>Other Financing Sources (Uses)</u>				
Interest Income	500	500	741	241
Sale of Assets			2,131	2,131
Transfers Out	(18,000)	(18,000)	(19,731)	(1,731)
Total Other Financing Sources (Uses)	(17,500)	(17,500)	(16,859)	641
Net Change in Fund Balances	(37,862)	(37,862)	16,506	54,368
Fund Balance-Beginning			390,617	
Fund Balance-Ending			407,123	

See accompanying notes to the financial statements.

FIRE DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Rural Fire Protection	13,450	13,450	17,900	4,450
Firemen's Relief Aid-State	10,250	10,250	10,843	593
Fire Calls			5,000	5,000
Miscellaneous Revenues	250	250	4,310	4,060
Total Revenues	<u>23,950</u>	<u>23,950</u>	<u>38,053</u>	<u>14,103</u>
<u>Expenditures</u>				
Insurance	3,500	3,500	889	2,611
Equipment Operating Expense	5,500	5,500	5,226	274
Firemen's Relief Association Contribution	10,250	10,250	10,843	(593)
Miscellaneous	1,500	1,500	220	1,280
Capital Outlay	5,000	5,000	10,589	(5,589)
Utilities	5,000	5,000	2,438	2,562
Training and Travel Expense	3,000	3,000	1,984	1,016
Professional Fees	900	900	940	(40)
Salaries	6,000	6,000	5,070	930
First Responders-Supplies, Repairs	1,000	1,000	965	35
Fire Truck Principal	6,869	6,869	7,161	(292)
Fire Truck Interest Expense	912	912	620	292
Total Expenditures	<u>49,431</u>	<u>49,431</u>	<u>46,945</u>	<u>2,486</u>
Excess Revenues (Expenditures)	<u>(25,481)</u>	<u>(25,481)</u>	<u>(8,892)</u>	<u>16,589</u>
<u>Other Financing Sources (Uses)</u>				
Interest Income			351	351
Sale of Equipment			2,150	2,150
Transfers In	15,000	15,000	15,000	
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>17,501</u>	<u>2,501</u>
Net Change in Fund Balance	<u>(10,481)</u>	<u>(10,481)</u>	8,609	<u>19,090</u>
Fund Balance-Beginning			960	
Fund Balance-Ending			<u>9,569</u>	

See accompanying notes to the financial statements.

SMALL CITIES DEVELOPMENT PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Loan Interest Income			945	945
Miscellaneous Revenue			418	418
Total Revenues	-0-	-0-	1,363	1,363
<u>Expenditures</u>				
Total Expenditures	-0-	-0-	-0-	-0-
Excess of Revenues (Expenditures)	-0-	-0-	1,363	1,363
<u>Other Financing Sources (Uses)</u>				
Interest Income			9	9
Transfers Out			(6,000)	(6,000)
Total Other Financing Sources (Uses)	-0-	-0-	(5,991)	(5,991)
Net Change in Fund Balance	-0-	-0-	(4,628)	(4,628)
Fund Balance-Beginning			26,963	
Fund Balance-Ending			22,335	

See accompanying notes to the financial statements.

SMALL CITIES DEVELOPMENT PROGRAM FUND II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Loan Interest Income			80	80
SCDP Revenue			193,938	193,938
Total Revenues	-0-	-0-	194,018	194,018
<u>Expenditures</u>				
Admin Fee			9,000	(9,000)
Rehab Expenses			195,545	(195,545)
Total Expenditures	-0-	-0-	204,545	(204,545)
Excess of Revenues (Expenditures)	-0-	-0-	(10,527)	(10,527)
<u>Other Financing Sources (Uses)</u>				
Transfers In			6,000	6,000
Total Other Financing Sources (Uses)	-0-	-0-	6,000	6,000
Net Change in Fund Balance	-0-	-0-	(4,527)	(4,527)
Fund Balance-Beginning			22,787	
Fund Balance-Ending			18,260	

See accompanying notes to the financial statements.

CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Sale of Lots	1,500	1,500	50	(1,450)
Total Revenues	<u>1,500</u>	<u>1,500</u>	50	(1,450)
<u>Expenditures</u>				
Gasoline			430	(430)
Labor	5,000	5,000	2,238	2,762
Miscellaneous			37	(37)
Repairs and Maintenance			2,493	(2,493)
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>5,198</u>	<u>(198)</u>
Excess of Revenues (Expenditures)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(5,148)</u>	<u>(1,648)</u>
<u>Other Financing Sources (Uses)</u>				
Interest Income	20	20	41	21
Transfers In	3,000	3,000	4,731	1,731
Total Other Financing Sources (Uses)	<u>3,020</u>	<u>3,020</u>	<u>4,772</u>	<u>1,752</u>
Net Change in Fund Balance	<u>(480)</u>	<u>(480)</u>	(376)	<u>104</u>
Fund Balance-Beginning			<u>8,471</u>	
Fund Balance-Ending			<u>8,095</u>	

See accompanying notes to the financial statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water Fund	Sewer Fund	Garbage Fund	Total	
				2020	2019
Assets					
<u>Current Assets</u>					
Cash		65,663	11,945	77,608	48,315
Receivables					
Accounts	5,271	4,316	1,395	10,982	9,996
Special Assessments	1,815			1,815	1,466
Due From Other Funds		3,140		3,140	10,643
Prepaid Items	1,346			1,346	1,142
Total Current Assets	<u>8,432</u>	<u>73,119</u>	<u>13,340</u>	<u>94,891</u>	<u>71,562</u>
<u>Noncurrent Assets</u>					
Long Term Assessments Receivable					12,070
Bond Discount					408
Capital Assets					
Land		44,519		44,519	44,519
Property and Equipment	896,362	860,589		1,756,951	1,726,951
Less: Accumulated Depreciation	(519,302)	(672,930)		(1,192,232)	(1,154,632)
Total Noncurrent Assets	<u>377,060</u>	<u>232,178</u>	<u>-0-</u>	<u>609,238</u>	<u>629,316</u>
Total Assets	<u>385,492</u>	<u>305,297</u>	<u>13,340</u>	<u>704,129</u>	<u>700,878</u>
Deferred Outflows of Resources					
Related to Pensions	816	919	394	2,129	2,233
Total Assets and Deferred Outflows of Resources	<u>386,308</u>	<u>306,216</u>	<u>13,734</u>	<u>706,258</u>	<u>703,111</u>
Liabilities					
<u>Current Liabilities</u>					
Due To Other Funds	3,140			3,140	10,643
Accounts Payable	171	67	452	690	684
Sales Tax Payable			523	523	519
Current Portion of Debt					10,000
Total Current Liabilities	<u>3,311</u>	<u>67</u>	<u>975</u>	<u>4,353</u>	<u>21,846</u>
<u>Noncurrent Liabilities</u>					
Net Pension Liability	12,291	13,850	5,936	32,077	29,580
Total Noncurrent Liabilities	<u>12,291</u>	<u>13,850</u>	<u>5,936</u>	<u>32,077</u>	<u>29,580</u>
Total Liabilities	<u>15,602</u>	<u>13,917</u>	<u>6,911</u>	<u>36,430</u>	<u>51,426</u>
Deferred Inflows of Resources					
Unearned Revenue	1,706			1,706	13,281
Related to Pensions	379	427	183	989	4,841
Total Deferred Inflows of Resources	<u>2,085</u>	<u>427</u>	<u>183</u>	<u>2,695</u>	<u>18,122</u>
Net Position					
Net Investment in Capital Assets	377,060	232,178		609,238	606,838
Unrestricted	(8,439)	59,694	6,640	57,895	26,725
Total Net Position	<u>368,621</u>	<u>291,872</u>	<u>6,640</u>	<u>667,133</u>	<u>633,563</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>386,308</u>	<u>306,216</u>	<u>13,734</u>	<u>706,258</u>	<u>703,111</u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>	
				<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>					
Charges for Services	63,059	48,534	18,254	129,847	114,293
Total Revenues/Gross Margin	<u>63,059</u>	<u>48,534</u>	<u>18,254</u>	<u>129,847</u>	<u>114,293</u>
<u>Operating Expenses</u>					
Administration	27,619	25,643	18,511	71,773	84,723
Depreciation	18,241	19,359		37,600	36,509
Total Expenses	<u>45,860</u>	<u>45,002</u>	<u>18,511</u>	<u>109,373</u>	<u>121,232</u>
Operating Income (Loss)	<u>17,199</u>	<u>3,532</u>	<u>(257)</u>	<u>20,474</u>	<u>(6,939)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Special Assessment Income	13,227			13,227	13,129
Interest Income	254	533		787	753
Amortization of Bond Discount	(408)			(408)	(271)
Interest Expense	(510)			(510)	(1,530)
Total Non-Operating Revenues (Expenses)	<u>12,563</u>	<u>533</u>	<u>-0-</u>	<u>13,096</u>	<u>12,081</u>
Change in Net Position	29,762	4,065	(257)	33,570	5,142
Total Net Position - January 1	<u>338,859</u>	<u>287,807</u>	<u>6,897</u>	<u>633,563</u>	<u>628,421</u>
Total Net Position - December 31	<u><u>368,621</u></u>	<u><u>291,872</u></u>	<u><u>6,640</u></u>	<u><u>667,133</u></u>	<u><u>633,563</u></u>

See accompanying notes to the financial statements.

City of Ruthton
Ruthton, Minnesota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities--	
	Water	Sewer
<u>Cash Flows From Operating Activities</u>		
Receipts from Customers and Users	62,661	47,704
Payments to Vendors and Suppliers	(11,301)	(7,061)
Payments to Employees	(16,974)	(19,055)
Net Cash Provided By Operating Activities	34,386	21,588
 <u>Cash Flows From Noncapital Financing Activities</u>		
Receipts From Special Assessments	13,373	
(Increase) Decrease in Due From Other Funds		7,503
Increase (Decrease) in Due To Other Funds	(7,503)	
Net Cash Provided By Noncapital Financing Activities	5,870	7,503
 <u>Cash Flows From Capital and Related Financing Activities</u>		
Water and Sewer System Improvements	(30,000)	
Principal Paid on Long-Term Debt	(10,000)	
Interest Paid on Long-Term Debt	(510)	
Net Cash (Used) By Capital and Related Financing Activities	(40,510)	-0-
 <u>Cash Flows From Investing Activities</u>		
Interest Income	254	533
Net Cash Provided By Investing Activities	254	533
Net Increase (Decrease) in Cash and Cash Equivalents	-0-	29,624
Cash and Cash Equivalents, January 1	-0-	36,039
Cash and Cash Equivalents, December 31	-0-	65,663
 Reconciliation of Operating Income To Net		
Cash Provided By Operating Activities		
Operating Income (Loss)	17,199	3,532
Depreciation	18,241	19,359
(Increase) Decrease in Accounts Receivable	(398)	(830)
(Increase) Decrease in Prepaid Items	(204)	
Increase (Decrease) in Accounts Payable	27	67
Increase (Decrease) in Sales Tax Payable		
Increase (Decrease) in Pension Liability	(479)	(540)
Net Cash Provided By Operating Activities	34,386	21,588

See accompanying notes to the financial statements.

--Enterprise Funds

Garbage	Total	
	2020	2019
18,496	128,861	112,990
(10,330)	(28,692)	(41,832)
(8,497)	(44,526)	(42,599)
<u>(331)</u>	<u>55,643</u>	<u>28,559</u>
	13,373	13,381
	7,503	(10,643)
	<u>(7,503)</u>	<u>10,643</u>
<u>-0-</u>	<u>13,373</u>	<u>13,381</u>
	(30,000)	(24,500)
	(10,000)	(20,000)
	<u>(510)</u>	<u>(1,530)</u>
<u>-0-</u>	<u>(40,510)</u>	<u>(46,030)</u>
	787	753
<u>-0-</u>	<u>787</u>	<u>753</u>
(331)	29,293	(3,337)
12,276	48,315	51,652
<u>11,945</u>	<u>77,608</u>	<u>48,315</u>
(257)	20,474	(6,939)
	37,600	36,509
242	(986)	(1,303)
	(204)	58
(88)	6	(12)
4	4	(7)
<u>(232)</u>	<u>(1,251)</u>	<u>253</u>
<u>(331)</u>	<u>55,643</u>	<u>28,559</u>

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies**

A. **Basis of Presentation**

The financial statements of the City of Ruthton have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. **Financial Reporting Entity**

The City of Ruthton, Ruthton, Minnesota, was formed and operates pursuant to applicable Minnesota laws and statutes. The City of Ruthton operates under an elected Mayor and four member Council form of government. The Council has control over all activities related to the City of Ruthton.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the City.

C. **Basic Financial Statements Presentation**

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 segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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*.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies - continued**

C. Basic Financial Statements Presentation - continued

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

D. Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial 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. Property taxes are considered to be available if collected within 60 days of fiscal year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenue (except investment earnings) is recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The City reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies - continued**
D. Basis of Accounting and Measurement Focus - continued

Description of Funds

The City reports the following **major governmental funds**:

General Fund

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

Fire Department Fund

This fund accounts for the activities and expenses related to the City's fire department.

Small Cities Development Program Fund

This fund accounts for the activity related to the remaining balances on the small cities grants made to various business and individuals.

Small Cities Development Program Fund II

This fund accounts for the activity of a new rehab grant/loan program the City started in 2019.

Cemetery Fund

This fund accounts for the activities and expenses related to the City's cemetery.

The government reports the following **major proprietary funds**:

Water Fund

The Water Fund is used to account for the operation, maintenance, and capital improvements of the City's water system.

Sewer Fund

The Sewer Fund is used to account for the operation, maintenance, and capital improvements of the City's sewer system.

Garbage Fund

The garbage fund is used to account for the operation, maintenance, and capital improvement of the City's garbage disposal system.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies - continued**

D. **Basis of Accounting and Measurement Focus - continued**

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. **Budgets and Budgetary Accounting**

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by city personnel and approved by the council. Encumbrances are not considered in the budget process or in the regular city accounting.

Once a budget is approved, it can be amended by city personnel with approval by the council. Amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

The City has not prepared a budget for the Small Cities Development Program Fund, and the Small Cities Development Program Fund II.

F. **Cash and Temporary Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less is reported at amortized cost. Other investments are reported at fair value.

The City uses the average cash balance method of allocating investment income to the various funds.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies - continued**

G. **Accounts Receivable**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the City. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H. **Assessments Receivable**

Assessments receivable consist of the portion of improvements made by the City and charged against the properties affected. These assessments are payable with interest over a period of years.

I. **Notes Receivable**

Notes Receivable represents amounts receivable from individuals and businesses for funds furnished to them for rehabilitation.

J. **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

K. **Property Tax Recognition**

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. The County provides tax settlements to Cities and other taxing districts three times a year in January, June and December. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable.

L. **Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$1,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies - continued**

L. **Capital Assets - continued**

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 40 years for buildings and improvements, 5 to 20 years for equipment and vehicles, and 20 to 40 years for public domain infrastructure. Land is not depreciated.

M. **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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 will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the City has only one item that qualifies for reporting in this category: "Related to Pensions."

In addition to liabilities, the statement of financial position 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 City has two types, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category, Related to Pensions and Unearned Revenue. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

N. **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if material, are reported as an expense in the period incurred.

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

O. **Fund Equity**

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 governmental funds. These classifications are as follows:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 Summary of Significant Accounting Policies – continued

O. Fund Equity – continued

Non-Spendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The City's highest level of decision making authority is the city council. In order to establish, modify or rescind a committed fund balance amount, the council would need to approve the action at a council meeting.

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The city council has delegated the authority to assign fund balance amounts to the city clerk. Assigned amounts or changes to assigned amounts are presented to the council for review.

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

When any combination of committed, assigned, and unassigned resources are available for use, it is the city's policy to use committed resources first, then assigned, then unassigned resources as they are needed.

P. Net Position

Net position represent the difference between assets and liabilities in the government-wide and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies – continued**

P. **Net Position - continued**

Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Q. **Certain Comparative Data and Reclassifications**

Certain comparative total data for the prior year have been presented in the government-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

R. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

S. **Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. **Subsequent Events**

Subsequent events have been evaluated through June 30, 2021, which is the date the financial statements were available to be issued.

Note 2 **Deposits and Investments**

A. **Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 2 **Deposits and Investments-continued**

A. **Deposits - continued**

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, none of the City's bank balance of \$498,709 was exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the city's name.

B. **Investments**

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the years ended December 31, 2020 and 2019, the City had no investments.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 Capital Assets

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

	<u>Balance</u> <u>1/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/20</u>
Governmental Activities				
Capital assets not depreciated:				
Land	28,255			28,255
Capital assets depreciated:				
Buildings	394,637			394,637
Equipment & Improvements	663,781	24,905	(4,500)	684,186
Infrastructure	<u>1,074,818</u>	<u>40,969</u>		<u>1,115,787</u>
Total capital assets depreciated	2,133,236	65,874	(4,500)	2,194,610
Less accumulated depreciation for:				
Buildings	(171,319)	(13,648)		(184,967)
Equipment & Improvements	(497,731)	(48,248)	3,880	(542,099)
Infrastructure	<u>(905,367)</u>	<u>(14,555)</u>		<u>(919,922)</u>
Total accumulated depreciation	<u>(1,574,417)</u>	<u>(76,451)</u>	<u>3,880</u>	<u>(1,646,988)</u>
Total capital assets depreciated-net	<u>558,819</u>	<u>(10,577)</u>	<u>(620)</u>	<u>547,622</u>
Net Capital Assets	<u>587,074</u>	<u>(10,577)</u>	<u>(620)</u>	<u>575,877</u>
Business-Type Activities				
Capital assets not depreciated:				
Land	44,519			44,519
Capital assets depreciated:				
Water System & Equipment	866,362	30,000		896,362
Sewer System & Equipment	<u>860,589</u>			<u>860,589</u>
Total capital assets depreciated	1,726,951	30,000	-0-	1,756,951
Less accumulated depreciation for:				
Water System & Equipment	(501,061)	(18,241)		(519,302)
Sewer System & Equipment	<u>(653,571)</u>	<u>(19,359)</u>		<u>(672,930)</u>
Total accumulated depreciation	<u>(1,154,632)</u>	<u>(37,600)</u>	<u>-0-</u>	<u>(1,192,232)</u>
Total capital assets depreciated-net	<u>572,319</u>	<u>(7,600)</u>	<u>-0-</u>	<u>564,719</u>
Net Capital Assets	<u>616,838</u>	<u>(7,600)</u>	<u>-0-</u>	<u>609,238</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 **Capital Assets - continued**

Depreciation expense of \$114,051 for the year ended December 31, 2020 was charged to the following functions/programs:

Governmental Activities:

General Government	6,768
Public Safety	27,741
City Maintenance, including general infrastructure assets	14,393
Cultural and Recreation	560
Public Works	<u>26,989</u>
Total	<u>76,451</u>

Business-Type Activities:

Water	18,241
Sewer	<u>19,359</u>
Total	<u>37,600</u>

Note 4 **Long-Term Debt**

General Long-Term Debt

A. Promissory Note

The City entered into a promissory note agreement with Rural Development to assist in the purchase of a fire truck.

This promissory note is a direct obligation of the City and pledges the full faith and credit of the government. The debt is a general obligation of the City and will be retired through ad valorem tax levies.

	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Year-End</u> <u>Balance</u>
\$85,000 Promissory Note	\$85,000	4.25%	2/9/06	2/9/21	\$7,429

Annual requirements to maturity for the promissory note is as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>7,429</u>	<u>352</u>	<u>7,781</u>
Total	<u>7,429</u>	<u>352</u>	<u>7,781</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 Long-Term Debt

General Long-Term Debt

B. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Promissory Note	14,590	-0-	7,161	7,429	7,429
Governmental Activity					
Long-Term Liabilities	14,590	-0-	7,161	7,429	7,429

Note 5 Fund Balance Classification

Non-Spendable Fund Balance

The City has the following non-spendable fund balances as of December 31, 2020:

General Fund	16,784
Fire Department Fund	<u>2,332</u>
Total Non-Spendable	<u>19,116</u>

Restricted Fund Balance

The City has no restricted fund balances as of December 31, 2020.

Committed Fund Balance

The City has the following committed fund balances as of December 31, 2020:

Fire Department Fund	7,237
Small Cities Development Program Fund	22,335
Small Cities Development Program Fund II	18,260
Cemetery Fund	<u>8,095</u>
Total Committed	<u>55,927</u>

Assigned Fund Balance

The City has no assigned fund balances as of December 31, 2020.

Unassigned Fund Balance

The City has the following unassigned fund balances as of December 31, 2020:

General Fund	390,339
Total Unassigned	<u>390,339</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6 **Defined Benefit Pension Plans**

A. **Public Employees Retirement Association (PERA)**

1. Plan Description

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

1. General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security.

2. 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.

GERF 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 of 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 of 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6 **Defined Benefit Pension Plans - continued**

A. **Public Employees Retirement Association (PERA) - continued**

3. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020 were \$5,389. The City's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At December 31, 2020, the City reported a liability of \$59,955 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 to the fund in 2020. 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 \$1,793. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was .0010% which was the same as the proportionate share measured as of June 30, 2019.

City's Proportionate share of the net pension liability	\$59,955
State of Minnesota's proportionate share of the net pension Liability associated with the City	<u>\$ 1,793</u>
Total	<u>\$61,748</u>

For the year ended December 31, 2020, the City recognized pension expense of (\$2,572) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$156 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6 **Defined Benefit Pension Plans - continued**

A. **Public Employees Retirement Association (PERA) - continued**

4. Pension Costs - continued

At December 31, 2020, the City reported its proportionate share of GERF'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	\$547	\$227
Changes in actuarial assumptions		\$1,622
Difference between projected and actual investment earnings	\$1,035	-
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	\$2,788	
Total	\$4,370	\$1,849

\$2,788 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2021	(\$ 3,100)
2022	\$ 244
2023	\$ 1,140
2024	\$ 1,448

5. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50%

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions - continued

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6 **Defined Benefit Pension Plans - continued**

B. **Public Employees Retirement Association (PERA) - continued**

5. Actuarial Assumptions - continued

Changes in plan provisions:

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

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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash Equivalents	2.0%	0.0%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

7. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERS net pension liability:	\$96,086	\$59,955	\$30,149

8. 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 report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Note 7 Vacation and Sick Leave

The city does not have any employees who qualify for vacation or sick leave benefits.

Note 8 Postemployment Benefits Other Than Pension Benefits (OPEB)

The city has no liability for postemployment benefits other than pension benefits.

Note 9 Excess of Expenditures Over Appropriations

The following funds had excess expenditures over budget appropriations:

Small Cities Development Fund II	\$204,545
Cemetery	\$ 198

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 10 Interfund Transfers

The following interfund transfers occurred during 2020:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 19,731	
Fire Department Fund		\$ 15,000
Cemetery		\$ 4,731
Small Cities Development Fund	\$ 6,000	
Small Cities Development Fund II		\$ 6,000

Transfers are primarily used to move funds to finance various programs in accordance with budgetary authorizations.

Note 11 Due To/From Other Funds

Below is a schedule of interfund receivables and payables at December 31, 2020.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Water Fund		3,140
Sewer Fund	3,140	

The interfund receivable/payable was created to record the pooled cash that was overdrawn in the water fund

Note 12 Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the League of Minnesota Cities Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

Note 13 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 had 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 the 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 OTHER THAN MD&A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLANS
DECEMBER 31, 2020

Fiscal Year Ending	Employer's Proportion Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City of Ruthton (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City of Ruthton (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>PERA:</u>							
June 30, 2016	0.0010%	\$81,195	\$1,047	\$82,242	\$66,413	123.8%	78.2%
June 30, 2017	0.0010%	\$63,839	\$816	\$64,655	\$55,920	115.6%	75.9%
June 30, 2018	0.0010%	\$55,476	\$1,762	\$57,238	\$68,027	81.5%	79.5%
June 30, 2019	0.0010%	\$55,288	\$1,667	\$56,955	\$68,307	80.9%	80.2%
June 30, 2020	0.0010%	\$59,955	\$1,793	\$61,748	\$71,853	83.4%	79.0%

See Note 6, Defined Benefit Pension Plans, for more information.

Governmental Accounting Standards Board Statement 68 was implemented in 2015.
The City will report the above RSI information prospectively as the information becomes available.

City of Ruthton
 Ruthton, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
DECEMBER 31, 2020

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
<u>PERA:</u>					
December 31, 2016	\$4,981	\$4,981	\$0	\$66,413	7.50%
December 31, 2017	\$4,194	\$4,194	\$0	\$55,920	7.50%
December 31, 2018	\$5,102	\$5,102	\$0	\$68,027	7.50%
December 31, 2019	\$5,123	\$5,123	\$0	\$68,307	7.50%
December 31, 2020	\$5,389	\$5,389	\$0	\$71,853	7.50%

See Note 6, Defined Benefit Pension Plans, for more information.

Governmental Accounting Standards Board Statement 68 was implemented in 2015.
 The City will report the above RSI information prospectively as the information becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

Note 1 **Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

Note 1 **Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued**

A. General Employees Fund - continued

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued

A. General Employees Fund - continued

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

Note 1 Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - continued

A. General Employees Fund - continued

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2020

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash	392,039	367,342
Accounts Receivable	5,554	8,518
Delinquent Taxes Receivable	13,953	8,867
Due From Other Funds		323
Prepaid Items	16,784	14,661
Total Assets	<u>428,330</u>	<u>399,711</u>
<u>Liabilities, Deferred Inflows of Resources</u>		
<u>and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	3,117	1,821
Total Liabilities	<u>3,117</u>	<u>1,821</u>
<u>Deferred Inflows of Resources</u>		
Unearned Revenue	18,090	7,273
<u>Fund Balance</u>		
Fund Balance - Non-Spendable	16,784	14,661
Fund Balance - Unassigned	390,339	375,956
Total Fund Balance	<u>407,123</u>	<u>390,617</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>428,330</u>	<u>399,711</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			
	2020	2019		
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<u>Taxes</u>			<u>with Budget</u>	
General Property Taxes	136,406	133,031	(3,375)	117,510
Total Taxes	136,406	133,031	(3,375)	117,510
 <u>Licenses and Permits</u>	 2,200	 1,000	 (1,200)	 2,100
 <u>Federal Aid</u>		 15,972	 15,972	 5,122
 <u>State Aid</u>				
Local Government Aid	69,407	69,439	32	68,851
Market Value Credit		592	592	268
State Police Aid	2,750	3,176	426	3,188
Other State Aid				1,707
Total State Aid	72,157	73,207	1,050	74,014
 <u>Service Charges and Fines</u>				
Community Building Rent	1,500	390	(1,110)	1,590
Other Rental	300	585	285	4,095
Building and Other Permits	1,000	1,670	670	855
Interfund Service Charges	1,000		(1,000)	1,000
Court Fines		381	381	316
Total Service Charges and Fines	3,800	3,026	(774)	7,856
 <u>Miscellaneous Revenues</u>				
Donations		500	500	15,300
Pest Control	3,400	3,325	(75)	3,365
Other Miscellaneous	1,000	3,573	2,573	1,109
Total Miscellaneous Revenues	4,400	7,398	2,998	19,774
Total Revenues	218,963	233,634	14,671	226,376

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			
	2020		2019	
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<u>Expenditures</u>				
<u>General Government</u>				
Mayor and Council Salaries	6,000	5,700	300	5,150
Mayor and Council	1,300	699	601	661
Clerk-Treasurer Salary	25,900	25,944	(44)	23,751
Clerk-Treasurer Training and Travel	1,000	50	950	130
Assessor	2,000	2,003	(3)	2,003
Legal and Auditing	10,000	14,633	(4,633)	7,646
Payroll Taxes and Benefits	4,000	4,367	(367)	3,992
Printing and Publishing	1,000	819	181	297
Equipment and Improvements	4,500	9,036	(4,536)	4,254
City Office Supplies	5,000	2,994	2,006	2,164
City Office Utilities	7,500	4,164	3,336	5,279
City Office Miscellaneous	3,000	7,530	(4,530)	4,473
Elections	750		750	
COVID		10,000	(10,000)	
Total General Government	<u>71,950</u>	<u>87,939</u>	<u>(15,989)</u>	<u>59,800</u>
<u>Public Safety</u>				
Police Protection	9,500	9,483	17	9,206
Firemen's Relief Contribution	425	425		425
First Responders-Annual Contribution	1,300	1,300		1,300
Real Estate Rehabilitation	7,500		7,500	50
Capital Outlay		2,795	(2,795)	
Total Public Safety	<u>18,725</u>	<u>14,003</u>	<u>4,722</u>	<u>10,981</u>
<u>City Maintenance</u>				
Street Lighting	9,000	5,361	3,639	5,395
Snow Removal	1,250	250	1,000	1,000
Street Improvements	60,000	44,521	15,479	2,500
Street Supplies	500	210	290	640
Total City Maintenance	<u>70,750</u>	<u>50,342</u>	<u>20,408</u>	<u>9,535</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			
	2020			2019
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<u>Culture and Recreation</u>				
Park Contracted Services		234	(234)	300
Park Utilities	800	372	428	673
Park Repairs and Maintenance	1,300	350	950	200
Park Miscellaneous	300	281	19	201
Total Culture and Recreation	<u>2,400</u>	<u>1,237</u>	<u>1,163</u>	<u>1,374</u>
<u>Public Works</u>				
Public Works Salary	9,500	9,183	317	9,629
Payroll Taxes and Benefits	1,500	1,391	109	1,353
Insurance		120	(120)	
Utilities	7,500	6,045	1,455	13,897
Repairs and Maintenance	15,000	13,274	1,726	21,217
Miscellaneous	1,000		1,000	68
Capital Outlay	25,000	3,045	21,955	72,927
Total Public Works	<u>59,500</u>	<u>33,058</u>	<u>26,442</u>	<u>119,091</u>
<u>Miscellaneous</u>				
Insurance	11,000	11,785	(785)	11,421
Miscellaneous	5,000	1,905	3,095	1,352
Total Miscellaneous	<u>16,000</u>	<u>13,690</u>	<u>2,310</u>	<u>12,773</u>
Total Expenditures	<u>239,325</u>	<u>200,269</u>	<u>39,056</u>	<u>213,554</u>
Excess Revenues (Expenditures)	(20,362)	33,365	53,727	12,822

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			
	2020		2019	
	Budget	Actual	Variance with Budget	Actual
<u>Other Financing Sources (Uses)</u>				
Interest Income	500	741	241	722
Sale of Assets		2,131	2,131	6,928
Transfers Out	(18,000)	(19,731)	(1,731)	(17,500)
Total Other Financing Sources (Uses)	(17,500)	(16,859)	641	(9,850)
Net Change in Fund Balance	(37,862)	16,506	54,368	2,972
Fund Balance-January 1		390,617		387,645
Fund Balance-December 31		407,123		390,617

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2020

	Fire Department Fund	Small Cities Development Program Fund	Small Cities Development Program Fund II	Cemetery Fund	Totals	
					2020	2019
<u>Assets</u>						
Cash	3,249	9,879	4,041	8,095	25,264	37,226
Prepaid Items	2,332				2,332	1,431
Accounts Receivable	4,155				4,155	1,000
Notes Receivable		12,456	193,352		205,808	21,413
Total Assets	<u>9,736</u>	<u>22,335</u>	<u>197,393</u>	<u>8,095</u>	<u>237,559</u>	<u>61,070</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Accounts Payable	167				167	1,566
Due to Other Funds						323
Total Liabilities	<u>167</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>167</u>	<u>1,889</u>
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue			179,133		179,133	
<u>Fund Balance</u>						
Fund Balance - Non-Spendable	2,332				2,332	1,431
Fund Balance - Committed	7,237	22,335	18,260	8,095	55,927	57,750
Total Fund Balance	<u>9,569</u>	<u>22,335</u>	<u>18,260</u>	<u>8,095</u>	<u>58,259</u>	<u>59,181</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>9,736</u>	<u>22,335</u>	<u>197,393</u>	<u>8,095</u>	<u>237,559</u>	<u>61,070</u>

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fire Department Fund	Small Cities Development Program Fund	Small Cities Development Program Fund II	Cemetery Fund	Totals	
					2020	2019
<u>Revenues</u>						
Rural Fire Protection	17,900				17,900	13,450
Firemen's Relief Aid-State	10,843				10,843	13,411
Fire Calls	5,000				5,000	5,000
Grants						4,500
Sale of Lots				50	50	800
Miscellaneous Revenues	4,310	418			4,728	12,756
SCDP Revenue			193,938		193,938	
Loan Interest Income		945	80		1,025	1,124
Total Revenues	<u>38,053</u>	<u>1,363</u>	<u>194,018</u>	<u>50</u>	<u>233,484</u>	<u>51,041</u>
<u>Expenditures</u>						
Admin Fee			9,000		9,000	4,500
Bank Charge						13
Rehab Expenses			195,545		195,545	2,700
Public Safety	28,321				28,321	38,750
Firemen's Relief Association	10,843				10,843	10,511
Fire Truck Principal	7,161				7,161	6,869
Fire Truck Interest Expense	620				620	912
Cemetery				5,198	5,198	4,406
Total Expenditures	<u>46,945</u>	<u>-0-</u>	<u>204,545</u>	<u>5,198</u>	<u>256,688</u>	<u>68,661</u>
Excess Revenues (Expenditures)	(8,892)	1,363	(10,527)	(5,148)	(23,204)	(17,620)
<u>Other Financing Sources (Uses)</u>						
Interest Income	351	9		41	401	1,192
Sale of Equipment	2,150				2,150	
Transfers In	15,000		6,000	4,731	25,731	47,500
Transfers Out		(6,000)			(6,000)	(30,000)
Total Other Financing Sources (Uses)	<u>17,501</u>	<u>(5,991)</u>	<u>6,000</u>	<u>4,772</u>	<u>22,282</u>	<u>18,692</u>
Net Change in Fund Balances	8,609	(4,628)	(4,527)	(376)	(922)	1,072
Fund Balance-January 1	960	26,963	22,787	8,471	59,181	58,109
Fund Balance-December 31	<u>9,569</u>	<u>22,335</u>	<u>18,260</u>	<u>8,095</u>	<u>58,259</u>	<u>59,181</u>

FIRE DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			
	<u>2020</u>		Variance <u>with Budget</u>	<u>2019</u>
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>		
Rural Fire Protection	13,450	17,900	4,450	13,450
Firemen's Relief Aid-State	10,250	10,843	593	13,411
Grants				4,500
Fire Calls		5,000	5,000	5,000
Miscellaneous Revenues	250	4,310	4,060	12,756
Total Revenues	<u>23,950</u>	<u>38,053</u>	<u>14,103</u>	<u>49,117</u>
<u>Expenditures</u>				
Insurance	3,500	889	2,611	656
Equipment Operating Expense	5,500	5,226	274	15,233
Firemen's Relief Association Contributions	10,250	10,843	(593)	10,511
Miscellaneous	1,500	220	1,280	960
Capital Outlay	5,000	10,589	(5,589)	9,183
Utilities	5,000	2,438	2,562	1,435
Training and Travel Expense	3,000	1,984	1,016	3,333
Professional Fees	900	940	(40)	940
Salaries	6,000	5,070	930	5,706
First Responders-Supplies, Repairs	1,000	965	35	1,304
Fire Truck Principal	6,869	7,161	(292)	6,869
Fire Truck Interest Expense	912	620	292	912
Total Expenditures	<u>49,431</u>	<u>46,945</u>	<u>2,486</u>	<u>57,042</u>
Excess Revenues (Expenditures)	(25,481)	(8,892)	16,589	(7,925)
<u>Other Financing Sources (Uses)</u>				
Interest Income		351	351	1,125
Sale of Equipment		2,150	2,150	
Transfers In	15,000	15,000		15,000
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>17,501</u>	<u>2,501</u>	<u>16,125</u>
Net Change in Fund Balance	<u>(10,481)</u>	8,609	<u>19,090</u>	8,200
Fund Balance-January 1		960		(7,240)
Fund Balance-December 31		<u>9,569</u>		<u>960</u>

SMALL CITIES DEVELOPMENT PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>For The Years Ending December 31</u>			<u>2019</u>
	<u>2020</u>		<u>Variance</u>	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>		<u>with Budget</u>
Loan Interest Income		945	945	1,124
Miscellaneous Revenue		418	418	
Total Revenues	-0-	1,363	1,363	1,124
<u>Expenditures</u>				
Total Expenditures	-0-	-0-	-0-	-0-
Excess Revenues (Expenditures)	-0-	1,363	1,363	1,124
<u>Other Financing Sources (Uses)</u>				
Interest Income		9	9	9
Transfers Out		(6,000)	(6,000)	(30,000)
Total Other Financing Sources (Uses)	-0-	(5,991)	(5,991)	(29,991)
Net Change in Fund Balance	-0-	(4,628)	(4,628)	(28,867)
Fund Balance-January 1		26,963		55,830
Fund Balance-December 31		22,335		26,963

SMALL CITIES DEVELOPMENT PROGRAM FUND II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			2019 <u>Actual</u>
	2020		Variance with Budget	
	<u>Budget</u>	<u>Actual</u>		
<u>Revenues</u>				
Loan Interest Income		80	80	
SCDP Revenue		193,938	193,938	
Total Revenues	<u>-0-</u>	<u>194,018</u>	<u>194,018</u>	<u>-0-</u>
<u>Expenditures</u>				
Admin Fee		9,000	(9,000)	4,500
Bank Charge				13
Rehab Expenses		195,545	(195,545)	2,700
Total Expenditures	<u>-0-</u>	<u>204,545</u>	<u>(204,545)</u>	<u>7,213</u>
Excess Revenues (Expenditures)	<u>-0-</u>	<u>(10,527)</u>	<u>(10,527)</u>	<u>(7,213)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In		6,000	6,000	30,000
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>6,000</u>	<u>6,000</u>	<u>30,000</u>
Net Change in Fund Balance	<u>-0-</u>	<u>(4,527)</u>	<u>(4,527)</u>	22,787
Fund Balance-January 1		22,787		<u>-0-</u>
Fund Balance-December 31		<u>18,260</u>		<u>22,787</u>

CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	For The Years Ending December 31			2019
	2020		Variance with Budget	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>		
Sale of Lots	1,500	50	(1,450)	800
Total Revenues	1,500	50	(1,450)	800
<u>Expenditures</u>				
Gasoline		430	(430)	1,118
Labor	5,000	2,238	2,762	2,252
Miscellaneous		37	(37)	36
Repairs and Maintenance		2,493	(2,493)	1,000
Total Expenditures	5,000	5,198	(198)	4,406
Excess Revenues (Expenditures)	(3,500)	(5,148)	(1,648)	(3,606)
<u>Other Financing Sources (Uses)</u>				
Interest Income	20	41	21	58
Transfers In	3,000	4,731	1,731	2,500
Total Other Financing Sources (Uses)	3,020	4,772	1,752	2,558
Net Change in Fund Balance	(480)	(376)	104	(1,048)
Fund Balance-January 1		8,471		9,519
Fund Balance-December 31		8,095		8,471

PROPRIETARY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2020

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Totals</u>	
				<u>2020</u>	<u>2019</u>
Cash		65,663	11,945	77,608	48,315
Accounts Receivable	5,271	4,316	1,395	10,982	9,996
Prepaid Items	1,346			1,346	1,142
Due from Other Funds		3,140		3,140	10,643
Delinquent Assessments Receivable	1,815			1,815	1,466
Long Term Assessments Receivable					12,070
Bond Discount					408
Water System and Equipment	896,362			896,362	866,362
Accumulated Depreciation	(519,302)			(519,302)	(501,061)
Sewer System and Improvements		860,589		860,589	860,589
Accumulated Depreciation		(672,930)		(672,930)	(653,571)
Land		44,519		44,519	44,519
Related to Pensions	816	919	394	2,129	2,233
Total Assets	<u>386,308</u>	<u>306,216</u>	<u>13,734</u>	<u>706,258</u>	<u>703,111</u>
<u>Liabilities and Fund Equity</u>					
<u>Liabilities</u>					
Due to Other Funds	3,140			3,140	10,643
Accounts Payable	171	67	452	690	684
Sales Tax Payable			523	523	519
Unearned Revenue	1,706			1,706	13,281
Related to Pensions	379	427	183	989	4,841
Bonds Payable					10,000
Net Pension Liability	12,291	13,850	5,936	32,077	29,580
Total Liabilities	<u>17,687</u>	<u>14,344</u>	<u>7,094</u>	<u>39,125</u>	<u>69,548</u>
<u>Fund Equity</u>					
Retained Earnings	368,621	291,872	6,640	667,133	633,563
Total Liabilities and Fund Equity	<u>386,308</u>	<u>306,216</u>	<u>13,734</u>	<u>706,258</u>	<u>703,111</u>

PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Totals</u>	
				<u>2020</u>	<u>2019</u>
<u>Revenues</u>					
Sewer Charge		48,534		48,534	40,155
Water and Garbage Collection	63,059		18,254	81,313	74,138
Total Operating Revenues	<u>63,059</u>	<u>48,534</u>	<u>18,254</u>	<u>129,847</u>	<u>114,293</u>
<u>Expenses</u>					
Administrative			36	36	36
Garbage Collection Fees			5,783	5,783	5,628
Maintenance and Operational	7,459	4,532		11,991	24,650
Dues	320			320	275
Insurance	1,411			1,411	1,428
Special Fees and Taxes	1,640		2,165	3,805	3,749
Salaries	14,743	16,546	7,379	38,668	36,994
Payroll Taxes and Benefits	1,752	1,969	886	4,607	5,858
Training					23
Supplies			3	3	
City Clean-Up			2,259	2,259	1,806
Utilities		2,421		2,421	3,221
Refunds	240	175		415	
Miscellaneous	54			54	55
Depreciation	18,241	19,359		37,600	36,509
Interfund Service Charges					1,000
Total Operating Expense	<u>45,860</u>	<u>45,002</u>	<u>18,511</u>	<u>109,373</u>	<u>121,232</u>
Operating Income (Loss)	17,199	3,532	(257)	20,474	(6,939)
<u>Non-Operating Revenues (Expenses)</u>					
Special Assessment Income	13,227			13,227	13,129
Interest Income	254	533		787	753
Amortization of Bond Discount	(408)			(408)	(271)
Interest Expense	(510)			(510)	(1,530)
Total Non-Operating Revenues (Expenses)	<u>12,563</u>	<u>533</u>	<u>-0-</u>	<u>13,096</u>	<u>12,081</u>
Net Income (Loss)	29,762	4,065	(257)	33,570	5,142
Retained Earnings-January 1	<u>338,859</u>	<u>287,807</u>	<u>6,897</u>	<u>633,563</u>	<u>628,421</u>
Retained Earnings-December 31	<u><u>368,621</u></u>	<u><u>291,872</u></u>	<u><u>6,640</u></u>	<u><u>667,133</u></u>	<u><u>633,563</u></u>

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Revenues</u>	<u>2020</u>	<u>2019</u>
Water Collection	63,059	55,406
Total Operating Revenues	<u>63,059</u>	<u>55,406</u>
<u>Expenses</u>		
Maintenance and Operational	7,459	17,695
Dues	320	275
Insurance	1,411	1,428
Special Fees and Taxes	1,640	1,072
Salaries	14,743	14,119
Payroll Taxes and Benefits	1,752	2,235
Training		23
Miscellaneous	54	55
Refunds	240	
Depreciation	18,241	17,150
Interfund Service Charges		500
Total Operating Expense	<u>45,860</u>	<u>54,552</u>
Operating Income (Loss)	17,199	854
<u>Non-Operating Revenues (Expenses)</u>		
Special Assessment Income	13,227	13,036
Interest Income	254	226
Amortization of Bond Discount	(408)	(271)
Interest Expense	(510)	(1,530)
Total Non-Operating Revenues (Expenses)	<u>12,563</u>	<u>11,461</u>
Net Income (Loss)	29,762	12,315
Retained Earnings-January 1	338,859	326,544
Retained Earnings-December 31	<u><u>368,621</u></u>	<u><u>338,859</u></u>

SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Revenues</u>	<u>2020</u>	<u>2019</u>
Sewer Charge	48,534	40,155
Total Operating Revenues	<u>48,534</u>	<u>40,155</u>
<u>Expenses</u>		
Maintenance and Operational	4,532	6,808
Utilities	2,421	3,221
Salaries	16,546	15,907
Payroll Taxes and Benefits	1,969	2,519
Depreciation	19,359	19,359
Refunds	175	
Interfund Service Charges		500
Total Operating Expense	<u>45,002</u>	<u>48,314</u>
 Operating Income (Loss)	 3,532	 (8,159)
<u>Non-Operating Revenues (Expenses)</u>		
Special Assessment Income		93
Interest Income	533	527
Total Non-Operating Revenues (Expenses)	<u>533</u>	<u>620</u>
 Net Income (Loss)	 4,065	 (7,539)
Retained Earnings-January 1	<u>287,807</u>	<u>295,346</u>
Retained Earnings-December 31	<u><u>291,872</u></u>	<u><u>287,807</u></u>

GARBAGE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Revenues</u>	<u>2020</u>	<u>2019</u>
Garbage Collection	<u>18,254</u>	<u>18,732</u>
Total Operating Revenues	18,254	18,732
<u>Expenses</u>		
Administrative	36	36
Garbage Collection Fees	5,783	5,628
Special Fees and Taxes	2,165	2,677
Salaries	7,379	6,968
Payroll Taxes and Benefits	886	1,104
Repairs and Maintenance		147
Supplies	3	
City Clean-Up	<u>2,259</u>	<u>1,806</u>
Total Operating Expense	<u>18,511</u>	<u>18,366</u>
Net Income	(257)	366
Retained Earnings-January 1	<u>6,897</u>	<u>6,531</u>
Retained Earnings-December 31	<u><u>6,640</u></u>	<u><u>6,897</u></u>

GENERAL LONG-TERM DEBT
RURAL DEVELOPMENT PROMISSORY NOTE

The following schedule represents the amount of interest and principal that is due February 9 of each year. Interest is 4.25% throughout the term of the bond.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Balance Due</u>
					7,429.29
02-09-21	4.25%	7,429.29	351.71	7,781.00	0.00
Totals		<u>7,429.29</u>	<u>351.71</u>	<u>7,781.00</u>	

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

Honorable Mayor and
Members of the City Council
Ruthton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ruthton, Ruthton, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Ruthton, Ruthton, Minnesota's basic financial statements, and have issued our report thereon dated June 8, 2021.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be material weaknesses (2020-I and 2020-II).

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Ruthton, Ruthton, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and recommendations. 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 of Ruthton, Ruthton, Minnesota's noncompliance with the above reference provisions.

City of Ruthton, Ruthton, Minnesota's Response to Findings

The City of Ruthton, Ruthton, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City of Ruthton, Ruthton, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

June 8, 2021

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-I Lack of segregation of duties.

Condition: The City has limited personnel available to perform accounting duties.

Criteria: Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established.

Effect: As a result of the lack of segregation, personnel are performing duties which for internal control purposes should be performed by separate individuals.

Recommendation: The City should design internal controls to provide for proper segregation of duties.

Response: This is not unusual in a City of this size. The City has studied the situation and found that it is economically infeasible to design the system of internal control to adequately provide for the segregation of duties. The Council will monitor personnel duties.

2020-II Lack of expertise by City personnel to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The City personnel lack the expertise to prepare financial statements in accordance with generally accepted accounting principles.

Criteria: Internal controls should be in place that provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles.

Effect: City personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Recommendation: The City should provide personnel with adequate training to develop expertise to prepare financial statements in accordance with generally accepted accounting principles.

Response: This is not unusual in a City of this size. It is economically infeasible for the City to provide the necessary training for personnel to acquire and maintain this expertise. The City will continue to have the auditing firm prepare the financial statements and will have a review of the statements with the auditor.