

INDEPENDENT AUDITOR'S REPORT

**CITY OF RUTHTON
RUTHTON, MINNESOTA 56170**

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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Ruthton, Minnesota

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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
Brian Baartman	Council Member
Darwin Sietsema	Council Member
Rochelle VanderWoude	City Clerk-Treasurer
Ben Denton	City Attorney

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MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

PO Box 685
109 S Freeman Avenue
Luverne, Minnesota 56156
507 283-4055 Fax 507 283-4076
contactl@mtcocpa.com

PO Box 707
216 East Main
Pipestone, Minnesota 56164
507 825-4288 Fax 507 825-4280
contactp@mtcocpa.com

Tyler, Minnesota 56178
507 247-3939
Lake Wilson, Minnesota 56151
507 879-3538
Marshall, Minnesota 56258
507 337-0501

PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryi 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 Audit of the Financial Statements

Opinions

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

Basis for Qualified Opinions

The City has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Volunteer Firefighters' Relief Association in the governmental activities, business-type activities and each major fund and, accordingly, has not shown activity related to this standard.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinions", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ruthton, Ruthton, Minnesota, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue funds (Fire Department Fund, Small Cities Development Program Fund, Small Cities Development Program Fund II, and Cemetery Fund), for the year ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Ruthton, Ruthton, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ruthton, Ruthton, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

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. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2020, and in our report dated June 8, 2021, we expressed qualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2020, from which it was derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ruthton, Ruthton, Minnesota's basic financial statements. The accompanying combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to

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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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ruthton, Ruthton, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ruthton, Ruthton, Minnesota's internal control over financial reporting and compliance.

Meulebroeck, Taubert & Co., PLLP

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

June 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 (2021) and the prior year (2020) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2021 fiscal year include the following:

- Governmental Net position increased by \$54,538 or 5.32% from December 31, 2020.
- Proprietary Net position increased by \$9,860 or 1.48% from December 31, 2020.
- Total governmental expenditures decreased by \$252,386 in comparison to fiscal year 2020, due primarily to SCDP money paid out in 2020, and total governmental revenues decreased by \$170,825 in comparison to fiscal year 2020, due to SCDP money received in 2020.
- Total proprietary operating expenses increased by \$11,437 in comparison to fiscal year 2020, and proprietary operating revenues decreased by \$808 in comparison to fiscal year 2020.

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 \$1,756,953 at the close of the most recent fiscal year. This was an increase of 3.80% from the previous year total of \$1,692,555.

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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	773,866	665,889	131,188	91,751	905,054	757,640
Capital assets, net of depreciation	<u>527,723</u>	<u>575,877</u>	<u>576,979</u>	<u>609,238</u>	<u>1,104,702</u>	<u>1,185,115</u>
Total Assets	1,301,589	1,241,766	708,167	700,989	2,009,756	1,942,755
Deferred Outflows of Resources						
Related to Pensions	<u>16,903</u>	<u>2,241</u>	<u>19,448</u>	<u>2129</u>	<u>36,351</u>	<u>4,370</u>
Total Assets and Deferred Outflows of Resources	<u>1,318,492</u>	<u>1,244,007</u>	<u>727,615</u>	<u>703,118</u>	<u>2,046,107</u>	<u>1,947,125</u>
Liabilities						
Current and other liabilities	1,966	10,548	1,514	11,203	3,480	11,926
Net Pension Liability	<u>21,843</u>	<u>27,879</u>	<u>25,132</u>	<u>32,077</u>	<u>46,975</u>	<u>59,956</u>
Total Liabilities	23,809	38,592	26,646	40,783	50,455	71,882
Deferred Inflows of Resources						
Unearned Revenue	194,688	179,133	925	1,706	195,613	180,839
Related to Pensions	<u>20,035</u>	<u>860</u>	<u>23,051</u>	<u>989</u>	<u>43,086</u>	<u>1,849</u>
Total Deferred Inflows of Resources	<u>214,723</u>	<u>179,993</u>	<u>23,976</u>	<u>2,695</u>	<u>238,699</u>	<u>182,688</u>
Net Position						
Net Investment in Capital Assets	527,723	568,448	576,979	609,238	1,104,702	1,177,686
Restricted	248,198	227,823			248,198	227,823
Unrestricted	<u>304,039</u>	<u>229,151</u>	<u>100,014</u>	<u>57,895</u>	<u>404,053</u>	<u>287,046</u>
Net Position	<u>1,079,960</u>	<u>1,025,422</u>	<u>676,993</u>	<u>633,563</u>	<u>1,756,953</u>	<u>1,692,555</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>1,318,492</u>	<u>1,244,007</u>	<u>727,615</u>	<u>703,118</u>	<u>2,046,107</u>	<u>1,947,125</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.

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, 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for Services	31,645	30,251	129,039	129,847	160,684	160,098
Operating Grants and Contributions	39,021	221,253			39,021	221,253
General Revenues						
Property Taxes	132,124	143,848	1,327	13,227	133,451	157,075
State Aid Not Restricted						
For Specific Purposes	85,046	73,207			85,046	73,207
Unrestricted Investment Earnings	642	1,142	304	787	946	1,929
Other Revenues	<u>9,833</u>	<u>13,657</u>			<u>9,833</u>	<u>13,657</u>
Total Revenues	<u>298,311</u>	<u>483,358</u>	<u>130,670</u>	<u>143,861</u>	<u>428,981</u>	<u>627,219</u>
Expenses						
General Government	59,378	81,397			59,378	81,397
Public Safety	56,182	60,657			56,182	60,657
City Maintenance	26,133	23,766			26,133	23,766
Culture and Recreation	2,408	1,797			2,408	1,797
Public Works	61,721	57,002			61,721	57,002
Miscellaneous	27,146	25,153			27,146	25,153
Economic Development	12	204,545			12	203,545
Cemetery	10,793	5,198			10,793	5,198
Water			54,424	46,778	54,424	46,778
Sewer			45,856	45,002	45,856	45,002
Refuse			<u>20,530</u>	<u>18,511</u>	<u>20,530</u>	<u>18,511</u>
Total Expenses	<u>243,773</u>	<u>459,515</u>	<u>120,810</u>	<u>110,291</u>	<u>364,583</u>	<u>569,806</u>
Change in Net Position	<u>54,538</u>	<u>23,843</u>	<u>9,860</u>	<u>33,570</u>	<u>64,398</u>	<u>57,413</u>

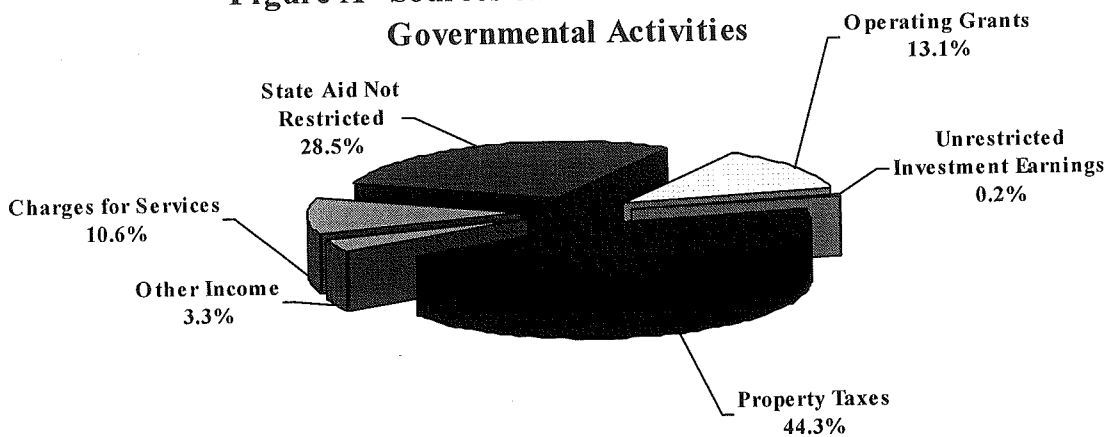
The City's total revenue consisted of program revenues of \$199,705, property taxes of \$133,451, state aids of \$85,046, investment earnings of \$946 and miscellaneous revenues of \$9,833.

The cost of all governmental and business-type activities this year was \$364,583.

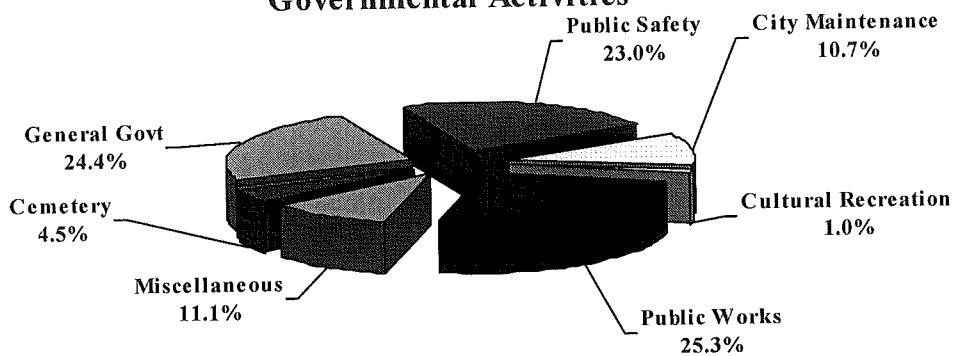
- The users of the city programs paid for 44.1%, or \$160,684, of the costs.
- The state government subsidized certain programs with grants and contributions. This totaled \$85,046, or 23.3%, of the total costs.

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.

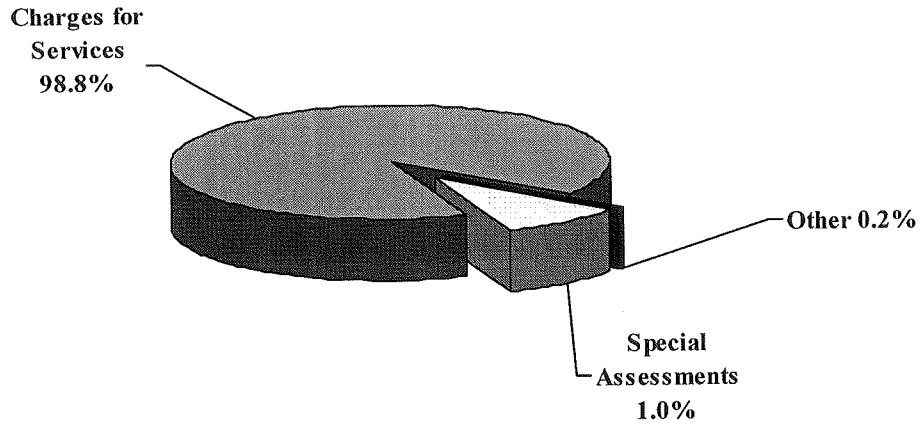
**Figure A - Sources of Revenue for Fiscal 2021
Governmental Activities**



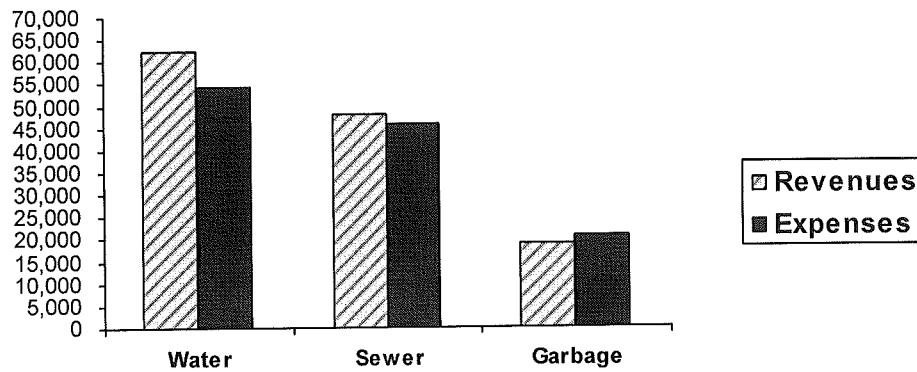
**Figure B - Expenses for Fiscal 2021
Governmental Activities**



**Figure C - Sources of Revenues for Fiscal Year 2021
Business-Type Activities**



**Figure D - Operating Revenues and Expenses for Fiscal Year 2021
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 \$559,246. The prior year fund balance was \$465,382, which is an increase of \$93,864. The General Fund increase of \$38,526 is due to decreased expenditures. The Fire Department Fund had an increase of \$50,518 due to a transfer in, the Small Cities Development Program Fund had a decrease of \$1,666, the Small Cities Development Program Fund II had an increase of \$6,434, and the Cemetery Fund had an increase of \$52.

The proprietary funds completed the year with a combined net position of \$676,993. The prior year net position was \$667,133. The Water Fund increased \$9,328. The Sewer fund increased \$2,309; the Garbage Fund decrease of \$1,777 was due to expenditures exceeding revenues.

Revenues and Expenditures/Expenses

Revenues of the city's governmental funds totaled \$296,293 while total expenditures were \$204,571. 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	251,039	148,296	(64,217)	38,526
Fire Department Fund	40,164	45,470	55,824	50,518
Small Cities Development Program Fund	382		(2,048)	(1,666)
Small Cities Development Program Fund II	4,383	12	2,063	6,434
Cemetery Fund	325	10,793	10,520	52
Total	<u>296,293</u>	<u>204,571</u>	<u>2,142</u>	<u>93,864</u>

Revenues of the city's proprietary funds totaled \$129,039, which total expenses were \$120,810. 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	62,299	54,424	1,453	9,328
Sewer Fund	47,987	45,856	178	2,309
Garbage Fund	18,753	20,530		(1,777)
Total	<u>129,039</u>	<u>120,810</u>	<u>1,631</u>	<u>9,860</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 2021, the City did not revise the original budget. The city's budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$45,464. The actual results for the year showed revenues exceeding expenditures by \$38,526.

- Actual revenues were over budget by \$34,164 due to various reasons.
- Actual expenditures were under budget by \$96,543 due to city maintenance costs being less than budgeted..

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, 2021 and 2020.

**Table 3
Capital Assets**

<u>Governmental Activities</u>	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Land	28,255	28,255	
Buildings	399,137	394,637	4,500
Equipment & Improvements	688,582	684,186	4,396
Infrastructure	1,119,487	1,115,787	3,700
Less accumulated depreciation	<u>(1,707,738)</u>	<u>(1,646,988)</u>	<u>(60,750)</u>
Total	<u>527,723</u>	<u>575,877</u>	<u>(48,154)</u>
Depreciation Expense	<u>70,992</u>	<u>76,451</u>	<u>(5,459)</u>
<u>Business-Type Activities</u>			
Land	44,519	44,519	
Water System & Equipment	902,963	896,362	6,601
Sewer System & Equipment	860,589	860,589	
Less accumulated depreciation	<u>(1,231,092)</u>	<u>(1,192,232)</u>	<u>(38,860)</u>
Total	<u>576,979</u>	<u>609,238</u>	<u>(32,259)</u>
Depreciation Expense	<u>38,860</u>	<u>37,600</u>	<u>1,260</u>

Capital asset activity occurring in 2021 included a new mower and jack for the cemetery, public works garage, a JD public works mower, Gilbertson Ave tile and street work, and two water fund pumps.

City of Ruthton
Ruthton, Minnesota

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, 2021

	Primary Government			
	Governmental	Business-Type	Total	
	Activities	Activities	2021	2020
<u>Assets</u>				
Cash and Investments	516,663	115,957	632,620	494,911
Accounts Receivable	9,679	13,063	22,742	20,691
Delinquent Taxes / Assessments Receivable	12,536	925	13,461	15,768
Notes Receivable	216,210		216,210	205,808
Prepaid Items	18,778	1,243	20,021	20,462
Capital Assets (net of accumulated depreciation)	527,723	576,979	1,104,702	1,185,115
Total Assets	<u>1,301,589</u>	<u>708,167</u>	<u>2,009,756</u>	<u>1,942,755</u>
<u>Deferred Outflows of Resources</u>				
Related to Pensions	<u>16,903</u>	<u>19,448</u>	<u>36,351</u>	<u>4,370</u>
Total Assets and Deferred Outflows of Resources	<u><u>1,318,492</u></u>	<u><u>727,615</u></u>	<u><u>2,046,107</u></u>	<u><u>1,947,125</u></u>
<u>Liabilities</u>				
Accounts Payable and Other Current Liabilities	1,966	1,514	3,480	4,497
Noncurrent liabilities				7,429
Due within one year			46,975	59,956
Net Pension Liability	<u>21,843</u>	<u>25,132</u>	<u>46,975</u>	<u>59,956</u>
Total Liabilities	<u>23,809</u>	<u>26,646</u>	<u>50,455</u>	<u>71,882</u>
<u>Deferred Inflows of Resources</u>				
Unearned Revenue	194,688	925	195,613	180,839
Related to Pensions	<u>20,035</u>	<u>23,051</u>	<u>43,086</u>	<u>1,849</u>
Total Deferred Inflows of Resources	<u>214,723</u>	<u>23,976</u>	<u>238,699</u>	<u>182,688</u>
<u>Net Position</u>				
Net Investment in Capital Assets	527,723	576,979	1,104,702	1,177,686
Restricted for:				
Small Cities Development Program	240,051		240,051	219,728
Cemetery Fund	8,147		8,147	8,095
Unrestricted	<u>304,039</u>	<u>100,014</u>	<u>404,053</u>	<u>287,046</u>
Total Net Position	<u>1,079,960</u>	<u>676,993</u>	<u>1,756,953</u>	<u>1,692,555</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>1,318,492</u></u>	<u><u>727,615</u></u>	<u><u>2,046,107</u></u>	<u><u>1,947,125</u></u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

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	
							2021	2020
Governmental Activities:								
General Government	59,378	11,345	16,170	(31,863)		(31,863)	(57,574)	
Public Safety	56,182	20,300	18,736	(17,146)		(17,146)	(26,914)	
City Maintenance	26,133			(26,133)		(26,133)	(23,766)	
Cultural and Recreation	2,408			(2,408)		(2,408)	(1,797)	
Public Works	61,721			(61,721)		(61,721)	(57,002)	
Miscellaneous	27,146			(27,146)		(27,146)	(25,153)	
Economic Development	12		4,115	4,103		4,103	(10,607)	
Cemetery	10,793			(10,793)		(10,793)	(5,198)	
Total Governmental Activities	<u>243,773</u>	<u>31,645</u>	<u>39,021</u>	<u>-0-</u>	<u>(173,107)</u>	<u>-0-</u>	<u>(173,107)</u>	<u>(208,011)</u>
Business-Type Activities								
Water	54,424	62,299			7,875	7,875	16,281	
Sewer	45,856	47,987			2,131	2,131	3,532	
Garbage	20,530	18,753			(1,777)	(1,777)	(257)	
Total Business-Type Activities	<u>120,810</u>	<u>129,039</u>	<u>-0-</u>	<u>-0-</u>	<u>8,229</u>	<u>8,229</u>	<u>19,556</u>	
Total Government	<u>364,583</u>	<u>160,684</u>	<u>39,021</u>	<u>-0-</u>	<u>(173,107)</u>	<u>8,229</u>	<u>(164,878)</u>	<u>(188,455)</u>
General Revenues								
Property Taxes				132,124	1,327	133,451	157,075	
State Aid Not Restricted to Specific Purposes				85,046		85,046	73,207	
Unrestricted Investment Earnings				642	304	946	1,929	
Other Revenues				9,833		9,833	13,657	
Total General Revenues				<u>227,645</u>	<u>1,631</u>	<u>229,276</u>	<u>245,868</u>	
Change in Net Position				54,538	9,860	64,398	57,413	
Net Position - Beginning				1,025,422	667,133	1,692,555	1,635,142	
Net Position - Ending				<u>1,079,960</u>	<u>676,993</u>	<u>1,756,953</u>	<u>1,692,555</u>	

See accompanying notes to the financial statements.

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BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

<u>Assets</u>	<u>General</u>	<u>Fire Department Fund</u>	<u>Small Cities Development Program Fund</u>
Cash	430,278	54,397	15,846
Accounts Receivable	5,679	4,000	
Delinquent Taxes Receivable	12,536		
Notes Receivable			4,823
Prepaid Items	16,932	1,846	
Total Assets	<u>465,425</u>	<u>60,243</u>	<u>20,669</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	1,810	156	
Total Liabilities	<u>1,810</u>	<u>156</u>	<u>-0-</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue	17,966		
<u>Fund Balances</u>			
Fund Balance - Non-Spendable	16,932	1,846	
Fund Balance - Committed		58,241	20,669
Fund Balance - Unassigned	428,717		
Total Fund Balance	<u>445,649</u>	<u>60,087</u>	<u>20,669</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>465,425</u>	<u>60,243</u>	<u>20,669</u>

See accompanying notes to the financial statements.

Exhibit C

Small Cities Development Program Fund II	Cemetery Fund	Total Governmental Funds	
		2021	2020
7,995	8,147	516,663	417,303
		9,679	9,709
		12,536	13,953
211,387		216,210	205,808
		18,778	19,116
<u>219,382</u>	<u>8,147</u>	<u>773,866</u>	<u>665,889</u>
		1,966	3,284
<u>-0-</u>	<u>-0-</u>	<u>1,966</u>	<u>3,284</u>
194,688		212,654	197,223
		18,778	19,116
24,694	8,147	111,751	55,927
		428,717	390,339
<u>24,694</u>	<u>8,147</u>	<u>559,246</u>	<u>465,382</u>
<u>219,382</u>	<u>8,147</u>	<u>773,866</u>	<u>665,889</u>

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

	2021	2020
Total Governmental Fund Balances	559,246	465,382
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	2,235,461	2,222,865
Less: Accumulated Depreciation	(1,707,738)	(1,646,988)
	527,723	575,877
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred inflows of resources in the funds.		
	17,966	18,090
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	16,903	2,241
Deferred Inflows of Resources - Related to Pensions	(20,035)	(860)
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	(21,843)	(27,879)
Notes Payable	(21,843)	(7,429)
	(35,308)	(35,308)
Total net position - governmental activities	1,079,960	1,025,422

See accompanying notes to the financial statements.

City of Ruthton
Ruthton, Minnesota

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

	General Fund	Fire Department Fund	Small Cities Development Program Fund	Small Cities Development Program Fund II	Cemetery Fund	Total Governmental Funds	
						2021	2020
Revenues						132,248	133,031
Taxes	132,248					1,788	1,000
Licenses and Permits	1,788					98,782	84,050
State Aid	85,046	13,736				22,015	20,545
Charges for Services	4,115	17,900				17,076	15,972
Grants	12,076	5,000				2,022	381
Fines and Forfeits	2,022					2,400	5,000
Fire Calls		2,400				7,358	8,301
Miscellaneous	6,230	1,128				3,420	3,325
Pest Control	3,420					325	50
Sale of Lots					325	4,115	193,938
SCDP Revenue				4,115		4,094	500
Donations	4,094					650	1,025
Loan Interest Income			382	268			
Total Revenues	<u>251,039</u>	<u>40,164</u>	<u>382</u>	<u>4,383</u>	<u>325</u>	<u>296,293</u>	<u>467,118</u>
Expenditures						60,568	87,939
General Government	60,568					35,838	42,324
Public Safety	11,208	24,630				14,324	50,342
City Maintenance	14,324					1,848	1,237
Cultural and Recreation	1,848					46,613	33,058
Public Works	46,613					27,146	24,533
Miscellaneous	13,735	13,411				12	204,545
Economic Development				12		10,793	5,198
Cemetery					10,793	7,429	7,161
Principal		7,429					620
Interest							
Total Expenditures	<u>148,296</u>	<u>45,470</u>	<u>-0-</u>	<u>12</u>	<u>10,793</u>	<u>204,571</u>	<u>456,957</u>
Excess of Revenues (Expenditures)	<u>102,743</u>	<u>(5,306)</u>	<u>382</u>	<u>4,371</u>	<u>(10,468)</u>	<u>91,722</u>	<u>10,161</u>
Other Financing Sources (Uses)						642	1,142
Interest Income	483	124	15		20	1,500	4,281
Sale of Assets	1,500					68,263	25,731
Transfers In		55,700		2,063	10,500	(68,263)	(25,731)
Transfers Out	(66,200)		(2,063)			2,142	5,423
Total Other Financing Sources (Uses)	<u>(64,217)</u>	<u>55,824</u>	<u>(2,048)</u>	<u>2,063</u>	<u>10,520</u>		
Net Change in Fund Balances	38,526	50,518	(1,666)	6,434	52	93,864	15,584
Fund Balance-Beginning	407,123	9,569	22,335	18,260	8,095	465,382	449,798
Fund Balance-Ending	<u>445,649</u>	<u>60,087</u>	<u>20,669</u>	<u>24,694</u>	<u>8,147</u>	<u>559,246</u>	<u>465,382</u>

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, 2021**

	2021	2020
Net Change in Governmental Fund Balances	93,864	15,584
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Outlay	22,838	65,874
Depreciation Expense	(70,992)	(76,451)
Disposal of Assets	(48,154)	(620) (11,197)
<p>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:</p>		
Payment of Loan Principal	7,429	7,161
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Increase in Pension Liability	1,523	1,478
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>		
	(124)	10,817
Change in Net Position of Governmental Activities	54,538	23,843

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, 2021

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes	136,406	136,406	132,248	(4,158)
Licenses and Permits	2,200	2,200	1,788	(412)
Federal Aid			12,076	12,076
State Aid	70,069	70,069	85,046	14,977
Charges for Services	3,800	3,800	4,115	315
Fines and Forfeits			2,022	2,022
Miscellaneous Revenues	4,400	4,400	13,744	9,344
Total Revenues	216,875	216,875	251,039	34,164
Expenditures				
General Government	76,464	76,464	60,568	15,896
Public Safety	18,725	18,725	11,208	7,517
City Maintenance	70,750	70,750	14,324	56,426
Culture and Recreation	2,400	2,400	1,848	552
Public Works	59,500	59,500	46,613	12,887
Miscellaneous	17,000	17,000	13,735	3,265
Total Expenditures	244,839	244,839	148,296	96,543
Excess of Revenues (Expenditures)	(27,964)	(27,964)	102,743	130,707
Other Financing Sources (Uses)				
Interest Income	500	500	483	(17)
Sale of Assets			1,500	1,500
Transfers Out	(18,000)	(18,000)	(66,200)	(48,200)
Total Other Financing Sources (Uses)	(17,500)	(17,500)	(64,217)	(46,717)
Net Change in Fund Balances	(45,464)	(45,464)	38,526	83,990
Fund Balance-Beginning			407,123	
Fund Balance-Ending			445,649	

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Rural Fire Protection	17,900	17,900	17,900	
Firemen's Relief Aid-State	10,250	10,250	13,736	3,486
Grants			5,000	5,000
Fire Calls			2,400	2,400
Miscellaneous Revenues	250	250	1,128	878
Total Revenues	<u>28,400</u>	<u>28,400</u>	<u>40,164</u>	<u>11,764</u>
<u>Expenditures</u>				
Insurance	3,500	3,500	1,261	2,239
Equipment Operating Expense	5,500	5,500	7,995	(2,495)
Firemen's Relief Association Contribution	10,250	10,250	13,059	(2,809)
Miscellaneous	1,500	1,500	2,039	(539)
Capital Outlay	5,000	5,000	2,002	2,998
Utilities	5,000	5,000	4,090	910
Training and Travel Expense	3,000	3,000	708	2,292
Professional Fees	900	900	960	(60)
Salaries	6,000	6,000	4,607	1,393
First Responders-Supplies, Repairs	1,000	1,000	968	32
Fire Truck Principal	7,429	7,429	7,429	
Fire Truck Interest Expense	352	352	352	
Total Expenditures	<u>49,431</u>	<u>49,431</u>	<u>45,470</u>	<u>3,961</u>
Excess Revenues (Expenditures)	<u>(21,031)</u>	<u>(21,031)</u>	<u>(5,306)</u>	<u>15,725</u>
<u>Other Financing Sources (Uses)</u>				
Interest Income			124	124
Transfers In	15,000	15,000	55,700	40,700
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>55,824</u>	<u>40,824</u>
Net Change in Fund Balance	<u>(6,031)</u>	<u>(6,031)</u>	50,518	<u>56,549</u>
Fund Balance-Beginning			9,569	
Fund Balance-Ending			<u>60,087</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, 2021

	<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	<u> </u>	<u> </u>	<u>382</u>	<u>382</u>
Total Revenues	<u>-0-</u>	<u>-0-</u>	<u>382</u>	<u>382</u>
<u>Expenditures</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues (Expenditures)	<u>-0-</u>	<u>-0-</u>	<u>382</u>	<u>382</u>
<u>Other Financing Sources (Uses)</u>				
Interest Income			15	15
Transfers Out			<u>(2,063)</u>	<u>(2,063)</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>(2,048)</u>	<u>(2,048)</u>
Net Change in Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>(1,666)</u>	<u>(1,666)</u>
Fund Balance-Beginning			<u>22,335</u>	
Fund Balance-Ending			<u>20,669</u>	

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				
Loan Interest Income			268	268
SCDP Revenue			4,115	4,115
Total Revenues	-0-	-0-	4,383	4,383
<u>Expenditures</u>				
Bank Charge			12	(12)
Total Expenditures	-0-	-0-	12	(12)
Excess of Revenues (Expenditures)	-0-	-0-	4,371	4,371
<u>Other Financing Sources (Uses)</u>				
Transfers In			2,063	2,063
Total Other Financing Sources (Uses)	-0-	-0-	2,063	2,063
Net Change in Fund Balance	-0-	-0-	6,434	6,434
Fund Balance-Beginning			18,260	
Fund Balance-Ending			24,694	

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, 2021

	<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	325	(1,175)
Total Revenues	<u>1,500</u>	<u>1,500</u>	325	<u>(1,175)</u>
<u>Expenditures</u>				
Capital Outlay			7,650	(7,650)
Gasoline			897	(897)
Labor	5,000	5,000	2,246	2,754
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>10,793</u>	<u>(5,793)</u>
Excess of Revenues (Expenditures)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(10,468)</u>	<u>(6,968)</u>
<u>Other Financing Sources (Uses)</u>				
Interest Income	20	20	20	
Transfers In	3,000	3,000	10,500	7,500
Total Other Financing Sources (Uses)	<u>3,020</u>	<u>3,020</u>	<u>10,520</u>	<u>7,500</u>
Net Change in Fund Balance	<u>(480)</u>	<u>(480)</u>	52	<u>532</u>
Fund Balance-Beginning			<u>8,095</u>	
Fund Balance-Ending			<u>8,147</u>	

See accompanying notes to the financial statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Total</u>	
				<u>2021</u>	<u>2020</u>
<u>Assets</u>					
<u>Current Assets</u>					
Cash	17,629	88,940	9,388	115,957	77,608
Receivables					
Accounts	6,454	4,829	1,780	13,063	10,982
Special Assessments	925			925	1,815
Due From Other Funds					3,140
Prepaid Items	1,243			1,243	1,346
Total Current Assets	<u>26,251</u>	<u>93,769</u>	<u>11,168</u>	<u>131,188</u>	<u>94,891</u>
<u>Noncurrent Assets</u>					
<u>Capital Assets</u>					
Land		44,519		44,519	44,519
Property and Equipment	902,963	860,589		1,763,552	1,756,951
Less: Accumulated Depreciation	(538,803)	(692,289)		(1,231,092)	(1,192,232)
Total Noncurrent Assets	<u>364,160</u>	<u>212,819</u>	<u>-0-</u>	<u>576,979</u>	<u>609,238</u>
Total Assets	<u>390,411</u>	<u>306,588</u>	<u>11,168</u>	<u>708,167</u>	<u>704,129</u>
<u>Deferred Outflows of Resources</u>					
Related to Pensions	<u>7,452</u>	<u>8,397</u>	<u>3,599</u>	<u>19,448</u>	<u>2,129</u>
Total Assets and Deferred Outflows of Resources	<u>397,863</u>	<u>314,985</u>	<u>14,767</u>	<u>727,615</u>	<u>706,258</u>
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Due To Other Funds					3,140
Accounts Payable	526		451	977	690
Sales Tax Payable			537	537	523
Total Current Liabilities	<u>526</u>	<u>-0-</u>	<u>988</u>	<u>1,514</u>	<u>4,353</u>
<u>Noncurrent Liabilities</u>					
Net Pension Liability	<u>9,630</u>	<u>10,851</u>	<u>4,651</u>	<u>25,132</u>	<u>32,077</u>
Total Noncurrent Liabilities	<u>9,630</u>	<u>10,851</u>	<u>4,651</u>	<u>25,132</u>	<u>32,077</u>
Total Liabilities	<u>10,156</u>	<u>10,851</u>	<u>5,639</u>	<u>26,646</u>	<u>36,430</u>
<u>Deferred Inflows of Resources</u>					
Unearned Revenue	925			925	1,706
Related to Pensions	<u>8,833</u>	<u>9,953</u>	<u>4,265</u>	<u>23,051</u>	<u>989</u>
Total Deferred Inflows of Resources	<u>9,758</u>	<u>9,953</u>	<u>4,265</u>	<u>23,976</u>	<u>2,695</u>
<u>Net Position</u>					
Net Investment in Capital Assets	364,160	212,819		576,979	609,238
Unrestricted	<u>13,789</u>	<u>81,362</u>	<u>4,863</u>	<u>100,014</u>	<u>57,895</u>
Total Net Position	<u>377,949</u>	<u>294,181</u>	<u>4,863</u>	<u>676,993</u>	<u>667,133</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>397,863</u>	<u>314,985</u>	<u>14,767</u>	<u>727,615</u>	<u>706,258</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, 2021

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Garbage</u> <u>Fund</u>	<u>Total</u>	
				<u>2021</u>	<u>2020</u>
<u>Operating Revenues</u>					
Charges for Services	62,299	47,987	18,753	129,039	129,847
Total Revenues/Gross Margin	62,299	47,987	18,753	129,039	129,847
<u>Operating Expenses</u>					
Administration	34,923	26,497	20,530	81,950	71,773
Depreciation	19,501	19,359		38,860	37,600
Total Expenses	54,424	45,856	20,530	120,810	109,373
Operating Income (Loss)	7,875	2,131	(1,777)	8,229	20,474
<u>Non-Operating Revenues (Expenses)</u>					
Special Assessment Income	1,327			1,327	13,227
Interest Income	126	178		304	787
Amortization of Bond Discount					(408)
Interest Expense					(510)
Total Non-Operating Revenues (Expenses)	1,453	178	-0-	1,631	13,096
Change in Net Position	9,328	2,309	(1,777)	9,860	33,570
Total Net Position - January 1	368,621	291,872	6,640	667,133	633,563
Total Net Position - December 31	377,949	294,181	4,863	676,993	667,133

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities--	
<u>Cash Flows From Operating Activities</u>	Water	Sewer
Receipts from Customers and Users	61,219	47,474
Payments to Vendors and Suppliers	(17,567)	(7,442)
Payments to Employees	(17,844)	(20,073)
Net Cash Provided By Operating Activities	25,808	19,959
<u>Cash Flows From Noncapital Financing Activities</u>		
Receipts From Special Assessments	1,436	
(Increase) Decrease in Due From Other Funds		3,140
Increase (Decrease) in Due To Other Funds	(3,140)	
Net Cash Provided By Noncapital Financing Activities	(1,704)	3,140
<u>Cash Flows From Capital and Related Financing Activities</u>		
Water and Sewer System Improvements	(6,601)	
Principal Paid on Long-Term Debt		
Interest Paid on Long-Term Debt		
Net Cash (Used) By Capital and Related Financing Activities	(6,601)	-0-
<u>Cash Flows From Investing Activities</u>		
Interest Income	126	178
Net Cash Provided By Investing Activities	126	178
Net Increase (Decrease) in Cash and Cash Equivalents	17,629	23,277
Cash and Cash Equivalents, January 1	-0-	65,663
Cash and Cash Equivalents, December 31	17,629	88,940
Reconciliation of Operating Income To Net		
Cash Provided By Operating Activities		
Operating Income (Loss)	7,875	2,131
Depreciation	19,501	19,359
(Increase) Decrease in Accounts Receivable	(1,183)	(513)
(Increase) Decrease in Prepaid Items	103	
Increase (Decrease) in Accounts Payable	355	(67)
Increase (Decrease) in Sales Tax Payable		
Increase (Decrease) in Pension Liability	(843)	(951)
Net Cash Provided By Operating Activities	25,808	19,959

See accompanying notes to the financial statements.

--Enterprise Funds

Garbage	Total	
	2021	2020
18,368	127,061	128,861
(10,604)	(35,613)	(28,692)
(10,321)	(48,238)	(44,526)
<u>(2,557)</u>	<u>43,210</u>	<u>55,643</u>
	1,436	13,373
	3,140	7,503
	(3,140)	(7,503)
<u>-0-</u>	<u>1,436</u>	<u>13,373</u>
	(6,601)	(30,000)
		(10,000)
		(510)
<u>-0-</u>	<u>(6,601)</u>	<u>(40,510)</u>
	304	787
<u>-0-</u>	<u>304</u>	<u>787</u>
(2,557)	38,349	29,293
11,945	77,608	48,315
<u>9,388</u>	<u>115,957</u>	<u>77,608</u>
(1,777)	8,229	20,474
	38,860	37,600
(385)	(2,081)	(986)
	103	(204)
(1)	287	6
14	14	4
(408)	(2,202)	(1,251)
<u>(2,557)</u>	<u>43,210</u>	<u>55,643</u>

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2020, 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 July 6, 2022, 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, 2021

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, 2021, none of the City's bank balance of \$623,325 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, 2021 and 2020, the City had no investments.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 Capital Assets

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

	<u>Balance</u> <u>1/1/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/21</u>
Governmental Activities				
Capital assets not depreciated:				
Land	28,255			28,255
Capital assets depreciated:				
Buildings	394,637	4,500		399,137
Equipment & Improvements	684,186	14,638	(10,242)	688,582
Infrastructure	<u>1,115,787</u>	<u>3,700</u>		<u>1,119,487</u>
Total capital assets depreciated	2,194,610	22,838	(10,242)	2,207,206
Less accumulated depreciation for:				
Buildings	(184,967)	(13,704)		(198,671)
Equipment & Improvements	(542,099)	(41,615)	10,242	(573,472)
Infrastructure	<u>(919,922)</u>	<u>(15,673)</u>		<u>(935,595)</u>
Total accumulated depreciation	<u>(1,646,988)</u>	<u>(70,992)</u>	<u>10,242</u>	<u>(1,707,738)</u>
Total capital assets depreciated-net	<u>547,622</u>	<u>(48,154)</u>	<u>-0-</u>	<u>499,468</u>
Net Capital Assets	<u>575,877</u>	<u>(48,154)</u>	<u>-0-</u>	<u>527,723</u>
Business-Type Activities				
Capital assets not depreciated:				
Land	44,519			44,519
Capital assets depreciated:				
Water System & Equipment	896,362	6,601		902,963
Sewer System & Equipment	<u>860,589</u>			<u>860,589</u>
Total capital assets depreciated	1,756,951	6,601	-0-	1,763,552
Less accumulated depreciation for:				
Water System & Equipment	(519,302)	(19,501)		(538,803)
Sewer System & Equipment	<u>(672,930)</u>	<u>(19,359)</u>		<u>(692,289)</u>
Total accumulated depreciation	<u>(1,192,232)</u>	<u>(38,860)</u>	<u>-0-</u>	<u>(1,231,092)</u>
Total capital assets depreciated-net	<u>564,719</u>	<u>(32,259)</u>	<u>-0-</u>	<u>532,460</u>
Net Capital Assets	<u>609,238</u>	<u>(32,259)</u>	<u>-0-</u>	<u>576,979</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 **Capital Assets - continued**

Depreciation expense of \$109,851 for the year ended December 31, 2021 was charged to the following functions/programs:

Governmental Activities:

General Government	7,983
Public Safety	20,344
City Maintenance, including general infrastructure assets	15,509
Cultural and Recreation	560
Public Works	<u>26,595</u>
Total	<u>70,991</u>

Business-Type Activities:

Water	19,501
Sewer	<u>19,359</u>
Total	<u>38,860</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. Final payment was made on this obligation in 2021.

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Year-End Balance</u>
\$85,000 Promissory Note	\$85,000	4.25%	2/9/06	2/9/21	\$-0-

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	<u>7,429</u>	<u>-0-</u>	<u>7,429</u>	<u>-0-</u>	<u>-0-</u>
Governmental Activity					
Long-Term Liabilities	<u>7,429</u>	<u>-0-</u>	<u>7,429</u>	<u>-0-</u>	<u>-0-</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 5 **Fund Balance Classification**

Non-Spendable Fund Balance

The City has the following non-spendable fund balances as of December 31, 2021:

General Fund	16,932
Fire Department Fund	<u>1,846</u>
Total Non-Spendable	<u>18,778</u>

Restricted Fund Balance

The City has no restricted fund balances as of December 31, 2021.

Committed Fund Balance

The City has the following committed fund balances as of December 31, 2021:

Fire Department Fund	58,241
Small Cities Development Program Fund	20,669
Small Cities Development Program Fund II	24,694
Cemetery Fund	<u>8,147</u>
Total Committed	<u>111,751</u>

Assigned Fund Balance

The City has no assigned fund balances as of December 31, 2021.

Unassigned Fund Balance

The City has the following unassigned fund balances as of December 31, 2021:

General Fund	428,717
Total Unassigned	<u>428,717</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021 were \$5,693. The City's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At December 31, 2021, the City reported a liability of \$46,975 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. 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 \$1,392. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City's proportionate share was .0011% which was .001% higher than the proportionate share measured as of June 30, 2020.

City's Proportionate share of the net pension liability	\$46,975
State of Minnesota's proportionate share of the net pension Liability associated with the City	<u>\$ 1,392</u>
Total	<u>\$48,367</u>

For the year ended December 31, 2021, the City recognized pension expense of (\$3,612) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$112 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, 2021

Note 6 **Defined Benefit Pension Plans - continued**
A. **Public Employees Retirement Association (PERA) - continued**

4. Pension Costs - continued

At December 31, 2021, 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	\$263	\$1,422
Changes in actuarial assumptions		\$644
Difference between projected and actual investment earnings	\$28,682	\$41,020
Changes in proportion	\$4,497	-
Contributions paid to PERA subsequent to the measurement date	\$2,909	
Total	\$36,351	\$43,086

\$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
2022	(\$ 215)
2023	\$ 679
2024	\$ 988
2025	(\$ 11,096)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6 Defined Benefit Pension Plans - continued

Public Employees Retirement Association (PERA) - continued

5. Long-Term Expected Return on Investment

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

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 Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	100%	

6. Actuarial Methods and Assumptions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6 Defined Benefit Pension Plans - continued

Public Employees Retirement Association (PERA) - continued

6. Actuarial Methods and Assumptions - continued

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in plan provisions:

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

8. 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 (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the GERP net pension liability:	\$95,805	\$46,975	\$6,907

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6 **Defined Benefit Pension Plans - continued**
 Public Employees Retirement Association (PERA) - continued

9. 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	\$	12
Cemetery	\$	5,793

Note 10 **Interfund Transfers**

The following interfund transfers occurred during 2021:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 66,200	
Fire Department Fund		\$ 55,700
Cemetery		\$ 10,500
Small Cities Development Fund	\$ 2,063	
Small Cities Development Fund II		\$ 2,063

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

Note 11 **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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 12 **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, 2021

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%
June 30, 2021	0.0011%	\$46,975	\$1,392	\$48,367	\$75,907	61.9%	87.0%

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.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
DECEMBER 31, 2021

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%
December 31, 2021	\$5,813	\$5,813	\$0	\$77,507	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, 2021

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2021

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

A. General Employees Fund - continued

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

- The 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2021

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

A. General Employees Fund - continued

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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, 2021

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, 2021

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash	430,278	392,039
Accounts Receivable	5,679	5,554
Delinquent Taxes Receivable	12,536	13,953
Prepaid Items	16,932	16,784
Total Assets	<u>465,425</u>	<u>428,330</u>
<u>Liabilities, Deferred Inflows of Resources</u>		
<u>and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	<u>1,810</u>	<u>3,117</u>
Total Liabilities	1,810	3,117
<u>Deferred Inflows of Resources</u>		
Unearned Revenue	17,966	18,090
<u>Fund Balance</u>		
Fund Balance - Non-Spendable	16,932	16,784
Fund Balance - Unassigned	<u>428,717</u>	<u>390,339</u>
Total Fund Balance	<u>445,649</u>	<u>407,123</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>465,425</u>	<u>428,330</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>For The Years Ending December 31</u>			
	<u>2021</u>		<u>Variance with Budget</u>	<u>2020</u>
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>		
<u>Taxes</u>				
General Property Taxes	136,406	132,248	(4,158)	133,031
Total Taxes	136,406	132,248	(4,158)	133,031
<u>Licenses and Permits</u>	2,200	1,788	(412)	1,000
<u>Federal Aid</u>		12,076	12,076	15,972
<u>State Aid</u>				
Local Government Aid	67,319	67,319		69,439
Market Value Credit		578	578	592
State Police Aid	2,750	3,121	371	3,176
Small City Assistance		14,028	14,028	
Total State Aid	70,069	85,046	14,977	73,207
<u>Service Charges and Fines</u>				
Community Building Rent	1,500	1,825	325	390
Other Rental	300	730	430	585
Building and Other Permits	1,000	1,560	560	1,670
Interfund Service Charges	1,000		(1,000)	
Court Fines		2,022	2,022	381
Total Service Charges and Fines	3,800	6,137	2,337	3,026
<u>Miscellaneous Revenues</u>				
Donations		4,094	4,094	500
Pest Control	3,400	3,420	20	3,325
Other Miscellaneous	1,000	6,230	5,230	3,573
Total Miscellaneous Revenues	4,400	13,744	9,344	7,398
Total Revenues	216,875	251,039	34,164	233,634

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	For The Years Ending December 31			
	2021		Variance with Budget	2020
	Budget	Actual		Actual
<u>Expenditures</u>				
<u>General Government</u>				
Mayor and Council Salaries	7,500	6,525	975	5,700
Mayor and Council	1,300	450	850	699
Clerk-Treasurer Salary	27,664	27,140	524	25,944
Clerk-Treasurer Training and Travel	1,000	50	950	50
Assessor	2,000	1,960	40	2,003
Legal and Auditing	10,000	6,555	3,445	14,633
Payroll Taxes and Benefits	5,000	4,610	390	4,367
Printing and Publishing	1,000	595	405	819
Equipment and Improvements	4,500	760	3,740	9,036
City Office Supplies	5,000	3,075	1,925	2,994
City Office Utilities	7,500	4,437	3,063	4,164
City Office Miscellaneous	4,000	4,411	(411)	7,530
COVID				10,000
Total General Government	<u>76,464</u>	<u>60,568</u>	<u>15,896</u>	<u>87,939</u>
<u>Public Safety</u>				
Police Protection	9,500	9,483	17	9,483
Firemen's Relief Contribution	425	425		425
First Responders-Annual Contribution	1,300	1,300		1,300
Real Estate Rehabilitation	7,500		7,500	
Capital Outlay				2,795
Total Public Safety	<u>18,725</u>	<u>11,208</u>	<u>7,517</u>	<u>14,003</u>
<u>City Maintenance</u>				
Street Lighting	9,000	7,374	1,626	5,361
Snow Removal	1,250	250	1,000	250
Street Improvements	60,000	6,640	53,360	44,521
Street Supplies	500	60	440	210
Total City Maintenance	<u>70,750</u>	<u>14,324</u>	<u>56,426</u>	<u>50,342</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	For The Years Ending December 31			
	2021			2020
	Budget	Actual	Variance with Budget	Actual
<u>Expenditures - continued</u>				
<u>Culture and Recreation</u>				
Park Contracted Services		30	(30)	234
Park Utilities	800	446	354	372
Park Repairs and Maintenance	1,300	942	358	350
Park Miscellaneous	300	430	(130)	281
Total Culture and Recreation	<u>2,400</u>	<u>1,848</u>	<u>552</u>	<u>1,237</u>
<u>Public Works</u>				
Public Works Salary	9,500	9,682	(182)	9,183
Payroll Taxes and Benefits	1,500	1,467	33	1,391
Insurance		1,558	(1,558)	120
Utilities	7,500	5,871	1,629	6,045
Repairs and Maintenance	15,000	16,058	(1,058)	13,274
Miscellaneous	1,000	150	850	
Capital Outlay	25,000	11,827	13,173	3,045
Total Public Works	<u>59,500</u>	<u>46,613</u>	<u>12,887</u>	<u>33,058</u>
<u>Miscellaneous</u>				
Insurance	12,000	12,707	(707)	11,785
Miscellaneous	5,000	1,028	3,972	1,905
Total Miscellaneous	<u>17,000</u>	<u>13,735</u>	<u>3,265</u>	<u>13,690</u>
Total Expenditures	<u>244,839</u>	<u>148,296</u>	<u>96,543</u>	<u>200,269</u>
Excess Revenues (Expenditures)	(27,964)	102,743	130,707	33,365

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>For The Years Ending December 31</u>			<u>2020</u>
	<u>2021</u>		<u>Variance</u>	
<u>Other Financing Sources (Uses)</u>	<u>Budget</u>	<u>Actual</u>	<u>with Budget</u>	<u>Actual</u>
Interest Income	500	483	(17)	741
Sale of Assets		1,500	1,500	2,131
Transfers Out	(18,000)	(66,200)	(48,200)	(19,731)
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>(64,217)</u>	<u>(46,717)</u>	<u>(16,859)</u>
Net Change in Fund Balance	<u>(45,464)</u>	38,526	<u>83,990</u>	16,506
Fund Balance-January 1		<u>407,123</u>		<u>390,617</u>
Fund Balance-December 31		<u>445,649</u>		<u>407,123</u>

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021

	Fire Department Fund	Small Cities Development Program Fund	Small Cities Development Program Fund II	Cemetery Fund	Totals	
					2021	2020
<u>Assets</u>						
Cash	54,397	15,846	7,995	8,147	86,385	25,264
Prepaid Items	1,846				1,846	2,332
Accounts Receivable	4,000				4,000	4,155
Notes Receivable		4,823	211,387		216,210	205,808
Total Assets	<u>60,243</u>	<u>20,669</u>	<u>219,382</u>	<u>8,147</u>	<u>308,441</u>	<u>237,559</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Accounts Payable	156				156	167
Total Liabilities	<u>156</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>156</u>	<u>167</u>
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue			194,688		194,688	179,133
<u>Fund Balance</u>						
Fund Balance - Non-Spendable	1,846				1,846	2,332
Fund Balance - Committed	58,241	20,669	24,694	8,147	111,751	55,927
Total Fund Balance	<u>60,087</u>	<u>20,669</u>	<u>24,694</u>	<u>8,147</u>	<u>113,597</u>	<u>58,259</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>60,243</u>	<u>20,669</u>	<u>219,382</u>	<u>8,147</u>	<u>308,441</u>	<u>237,559</u>

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

	Fire Department Fund	Small Cities	Small Cities	Cemetery Fund	Totals	
		Development Program Fund	Development Program Fund II		2021	2020
<u>Revenues</u>						
Rural Fire Protection	17,900				17,900	17,900
Firemen's Relief Aid-State	13,736				13,736	10,843
Fire Calls	2,400				2,400	5,000
Grants	5,000				5,000	
Sale of Lots				325	325	50
Miscellaneous Revenues	1,128				1,128	4,728
SCDP Revenue			4,115		4,115	193,938
Loan Interest Income		382	268		650	1,025
Total Revenues	40,164	382	4,383	325	45,254	233,484
<u>Expenditures</u>						
Admin Fee						9,000
Bank Charge			12		12	
Rehab Expenses						195,545
Public Safety	24,630				24,630	28,321
Firemen's Relief Association	13,059				13,059	10,843
Fire Truck Principal	7,429				7,429	7,161
Fire Truck Interest Expense	352				352	620
Cemetery				10,793	10,793	5,198
Total Expenditures	45,470	-0-	12	10,793	56,275	256,688
Excess Revenues (Expenditures)	(5,306)	382	4,371	(10,468)	(11,021)	(23,204)
<u>Other Financing Sources (Uses)</u>						
Interest Income	124	15		20	159	401
Sale of Equipment						2,150
Transfers In	55,700		2,063	10,500	68,263	25,731
Transfers Out		(2,063)			(2,063)	(6,000)
Total Other Financing Sources (Uses)	55,824	(2,048)	2,063	10,520	66,359	22,282
Net Change in Fund Balances	50,518	(1,666)	6,434	52	55,338	(922)
Fund Balance-January 1	9,569	22,335	18,260	8,095	58,259	59,181
Fund Balance-December 31	60,087	20,669	24,694	8,147	113,597	58,259

FIRE DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

For The Years Ending December 31

	2021		Variance with Budget	2020
	Budget	Actual		Actual
<u>Revenues</u>				
Rural Fire Protection	17,900	17,900		17,900
Firemen's Relief Aid-State	10,250	13,736	3,486	10,843
Grants		5,000	5,000	
Fire Calls		2,400	2,400	5,000
Miscellaneous Revenues	250	1,128	878	4,310
Total Revenues	<u>28,400</u>	<u>40,164</u>	<u>11,764</u>	<u>38,053</u>
<u>Expenditures</u>				
Insurance	3,500	1,261	2,239	889
Equipment Operating Expense	5,500	7,995	(2,495)	5,226
Firemen's Relief Association Contributions	10,250	13,059	(2,809)	10,843
Miscellaneous	1,500	2,039	(539)	220
Capital Outlay	5,000	2,002	2,998	10,589
Utilities	5,000	4,090	910	2,438
Training and Travel Expense	3,000	708	2,292	1,984
Professional Fees	900	960	(60)	940
Salaries	6,000	4,607	1,393	5,070
First Responders-Supplies, Repairs	1,000	968	32	965
Fire Truck Principal	7,429	7,429		7,161
Fire Truck Interest Expense	352	352		620
Total Expenditures	<u>49,431</u>	<u>45,470</u>	<u>3,961</u>	<u>46,945</u>
Excess Revenues (Expenditures)	(21,031)	(5,306)	15,725	(8,892)
<u>Other Financing Sources (Uses)</u>				
Interest Income		124	124	351
Sale of Equipment				2,150
Transfers In	15,000	55,700	40,700	15,000
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>55,824</u>	<u>40,824</u>	<u>17,501</u>
Net Change in Fund Balance	<u>(6,031)</u>	50,518	<u>56,549</u>	8,609
Fund Balance-January 1		9,569		960
Fund Balance-December 31		<u>60,087</u>		<u>9,569</u>

SMALL CITIES DEVELOPMENT PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	For The Years Ending December 31			2020
	2021		Variance with Budget	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>		
Loan Interest Income		382	382	945
Miscellaneous Revenue				418
Total Revenues	-0-	382	382	1,363
<u>Expenditures</u>				
Total Expenditures	-0-	-0-	-0-	-0-
Excess Revenues (Expenditures)	-0-	382	382	1,363
<u>Other Financing Sources (Uses)</u>				
Interest Income		15	15	9
Transfers Out		(2,063)	(2,063)	(6,000)
Total Other Financing Sources (Uses)	-0-	(2,048)	(2,048)	(5,991)
Net Change in Fund Balance	-0-	(1,666)	(1,666)	(4,628)
Fund Balance-January 1		22,335		26,963
Fund Balance-December 31		20,669		22,335

SMALL CITIES DEVELOPMENT PROGRAM FUND II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	For The Years Ending December 31			
	2021			2020
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<u>Revenues</u>				
Loan Interest Income		268	268	80
SCDP Revenue		4,115	4,115	193,938
Total Revenues	-0-	<u>4,383</u>	<u>4,383</u>	<u>194,018</u>
<u>Expenditures</u>				
Admin Fee				9,000
Bank Charge		12	(12)	
Rehab Expenses				195,545
Total Expenditures	-0-	<u>12</u>	<u>(12)</u>	<u>204,545</u>
Excess Revenues (Expenditures)	-0-	<u>4,371</u>	<u>4,371</u>	<u>(10,527)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In		2,063	2,063	6,000
Total Other Financing Sources (Uses)	-0-	<u>2,063</u>	<u>2,063</u>	<u>6,000</u>
Net Change in Fund Balance	-0-	<u>6,434</u>	<u>6,434</u>	(4,527)
Fund Balance-January 1.		18,260		<u>22,787</u>
Fund Balance-December 31		<u>24,694</u>		<u>18,260</u>

CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	For The Years Ending December 31			
	2021		Variance	2020
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>with Budget</u>	<u>Actual</u>
Sale of Lots	1,500	325	(1,175)	50
Total Revenues	1,500	325	(1,175)	50
<u>Expenditures</u>				
Capital Outlay		7,650	(7,650)	
Gasoline		897	(897)	430
Labor	5,000	2,246	2,754	2,238
Miscellaneous				37
Repairs and Maintenance				2,493
Total Expenditures	5,000	10,793	(5,793)	5,198
Excess Revenues (Expenditures)	(3,500)	(10,468)	(6,968)	(5,148)
<u>Other Financing Sources (Uses)</u>				
Interest Income	20	20		41
Transfers In	3,000	10,500	7,500	4,731
Total Other Financing Sources (Uses)	3,020	10,520	7,500	4,772
Net Change in Fund Balance	(480)	52	532	(376)
Fund Balance-January 1		8,095		8,471
Fund Balance-December 31		8,147		8,095

PROPRIETARY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2021

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Totals</u>	
				<u>2021</u>	<u>2020</u>
Cash	17,629	88,940	9,388	115,957	77,608
Accounts Receivable	6,454	4,829	1,780	13,063	10,982
Prepaid Items	1,243			1,243	1,346
Due from Other Funds					3,140
Delinquent Assessments Receivable	925			925	1,815
Water System and Equipment	902,963			902,963	896,362
Accumulated Depreciation	(538,803)			(538,803)	(519,302)
Sewer System and Improvements		860,589		860,589	860,589
Accumulated Depreciation		(692,289)		(692,289)	(672,930)
Land		44,519		44,519	44,519
Related to Pensions	7,452	8,397	3,599	19,448	2,129
Total Assets	<u>397,863</u>	<u>314,985</u>	<u>14,767</u>	<u>727,615</u>	<u>706,258</u>
<u>Liabilities and Fund Equity</u>					
<u>Liabilities</u>					
Due to Other Funds					3,140
Accounts Payable	526		451	977	690
Sales Tax Payable			537	537	523
Unearned Revenue	925			925	1,706
Related to Pensions	8,833	9,953	4,265	23,051	989
Net Pension Liability	9,630	10,851	4,651	25,132	32,077
Total Liabilities	<u>19,914</u>	<u>20,804</u>	<u>9,904</u>	<u>50,622</u>	<u>39,125</u>
<u>Fund Equity</u>					
Retained Earnings	377,949	294,181	4,863	676,993	667,133
Total Liabilities and Fund Equity	<u>397,863</u>	<u>314,985</u>	<u>14,767</u>	<u>727,615</u>	<u>706,258</u>

PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Totals</u>	
				<u>2021</u>	<u>2020</u>
<u>Revenues</u>					
Sewer Charge		47,987		47,987	48,534
Water and Garbage Collection	62,299		18,753	81,052	81,313
Total Operating Revenues	<u>62,299</u>	<u>47,987</u>	<u>18,753</u>	<u>129,039</u>	<u>129,847</u>
<u>Expenses</u>					
Administrative					36
Garbage Collection Fees			5,864	5,864	5,783
Maintenance and Operational	14,313	5,756	30	20,099	11,991
Dues	320			320	320
Insurance	1,594			1,594	1,411
Special Fees and Taxes	1,640		2,162	3,802	3,805
Salaries	15,496	17,432	7,751	40,679	38,668
Payroll Taxes and Benefits	1,505	1,690	766	3,961	4,607
Supplies			1,430	1,430	3
City Clean-Up			2,527	2,527	2,259
Utilities		1,619		1,619	2,421
Refunds					415
Miscellaneous	55			55	54
Depreciation	19,501	19,359		38,860	37,600
Total Operating Expense	<u>54,424</u>	<u>45,856</u>	<u>20,530</u>	<u>120,810</u>	<u>109,373</u>
Operating Income (Loss)	7,875	2,131	(1,777)	8,229	20,474
<u>Non-Operating Revenues (Expenses)</u>					
Special Assessment Income	1,327			1,327	13,227
Interest Income	126	178		304	787
Amortization of Bond Discount					(408)
Interest Expense					(510)
Total Non-Operating Revenues (Expenses)	<u>1,453</u>	<u>178</u>	<u>-0-</u>	<u>1,631</u>	<u>13,096</u>
Net Income (Loss)	9,328	2,309	(1,777)	9,860	33,570
Retained Earnings-January 1	368,621	291,872	6,640	667,133	633,563
Retained Earnings-December 31	<u>377,949</u>	<u>294,181</u>	<u>4,863</u>	<u>676,993</u>	<u>667,133</u>

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Revenues</u>	<u>2021</u>	<u>2020</u>
Water Collection	62,299	63,059
Total Operating Revenues	<u>62,299</u>	<u>63,059</u>
<u>Expenses</u>		
Maintenance and Operational	14,313	7,459
Dues	320	320
Insurance	1,594	1,411
Special Fees and Taxes	1,640	1,640
Salaries	15,496	14,743
Payroll Taxes and Benefits	1,505	1,752
Miscellaneous	55	54
Refunds		240
Depreciation	<u>19,501</u>	<u>18,241</u>
Total Operating Expense	<u>54,424</u>	<u>45,860</u>
Operating Income (Loss)	7,875	17,199
<u>Non-Operating Revenues (Expenses)</u>		
Special Assessment Income	1,327	13,227
Interest Income	126	254
Amortization of Bond Discount		(408)
Interest Expense		<u>(510)</u>
Total Non-Operating Revenues (Expenses)	<u>1,453</u>	<u>12,563</u>
Net Income (Loss)	9,328	29,762
Retained Earnings-January 1	<u>368,621</u>	<u>338,859</u>
Retained Earnings-December 31	<u><u>377,949</u></u>	<u><u>368,621</u></u>

SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Revenues</u>	<u>2021</u>	<u>2020</u>
Sewer Charge	47,987	48,534
Total Operating Revenues	<u>47,987</u>	<u>48,534</u>
<u>Expenses</u>		
Maintenance and Operational	5,756	4,532
Utilities	1,619	2,421
Salaries	17,432	16,546
Payroll Taxes and Benefits	1,690	1,969
Depreciation	19,359	19,359
Refunds		175
Total Operating Expense	<u>45,856</u>	<u>45,002</u>
Operating Income (Loss)	2,131	3,532
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	178	533
Total Non-Operating Revenues (Expenses)	<u>178</u>	<u>533</u>
Net Income (Loss)	2,309	4,065
Retained Earnings-January 1	<u>291,872</u>	<u>287,807</u>
Retained Earnings-December 31	<u><u>294,181</u></u>	<u><u>291,872</u></u>

GARBAGE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Revenues</u>	<u>2021</u>	<u>2020</u>
Garbage Collection	18,753	18,254
Total Operating Revenues	<u>18,753</u>	<u>18,254</u>
<u>Expenses</u>		
Administrative		36
Garbage Collection Fees	5,864	5,783
Special Fees and Taxes	2,162	2,165
Salaries	7,751	7,379
Payroll Taxes and Benefits	766	886
Repairs and Maintenance	30	
Supplies	1,430	3
City Clean-Up	2,527	2,259
Total Operating Expense	<u>20,530</u>	<u>18,511</u>
Net Income	(1,777)	(257)
Retained Earnings-January 1	6,640	6,897
Retained Earnings-December 31	<u><u>4,863</u></u>	<u><u>6,640</u></u>

MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

PO Box 685
109 S Freeman Avenue
Luverne, Minnesota 56156
507 283-4055 Fax 507 283-4076
contactl@mtcoepa.com

PO Box 707
216 East Main
Pipestone, Minnesota 56164
507 825-4288 Fax 507 825-4280
contactp@mtcoepa.com

Tyler, Minnesota 56178
507 247-3939
Lake Wilson, Minnesota 56151
507 879-3538
Marshall, Minnesota 56258
507 337-0501

PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

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, and each major fund of the City of Ruthton, Ruthton, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Ruthton, Ruthton, Minnesota's basic financial statements, and have issued our report thereon dated June 27, 2022.

Report on 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 (2021-I and 2021-II).

Report on 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*. 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

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

Purpose of this Report

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



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

June 27, 2022

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

2021-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.

2021-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.