This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 16, 2021

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue **Rating Application Made: S&P Global Ratings**

CITY OF RUSH CITY, MINNESOTA
(Chisago County)

$1,355,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021A

PROPOSAL OPENING: September 27, 2021, 10:00 A.M., C.T. **CONSIDERATION**: September 27, 2021, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $1,355,000* General Obligation Improvement Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City of Rush City, Minnesota (the "City") for the purpose of financing the costs associated with the Frandsen Avenue improvement project in the City's Industrial Park. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: October 21, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$55,000	2030	$65,000	2037	$70,000
2024	60,000	2031	65,000	2038	75,000
2025	60,000	2032	65,000	2039	75,000
2026	60,000	2033	65,000	2040	75,000
2027	65,000	2034	70,000	2041	80,000
2028	65,000	2035	70,000	2042	80,000
2029	65,000	2036	70,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $1,338,740.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $27,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF RUSH CITY
CITY COUNCIL

		Term Expires
Dan Dahlberg	Mayor	January 2023
Michael Louzek	Council Member	January 2025
Dan Meyer	Council Member	January 2023
Tom Schneider	Council Member	January 2025
Frank Storm	Council Member	January 2023

ADMINISTRATION

Amy Mell, City Administrator
Kay Mattson, Finance Director

PROFESSIONAL SERVICES

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Rush City, Minnesota (the "City") and the issuance of its $1,355,000* General Obligation Improvement Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on September 27, 2021.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of October 21, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City for the purpose of financing the costs associated with the Frandsen Avenue improvement project in the City's Industrial Park.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$1,355,000	
Total Sources		**$1,355,000**
Uses		
Total Underwriter's Discount (1.200%)	$16,260	
Costs of Issuance	38,000	
Deposit to Project Construction Fund	1,300,000	
Rounding Amount	740	
Total Uses		**$1,355,000**

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A+" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2020 have been audited by Burkhardt & Burkhardt, Ltd., Annandale, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the declaration of a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional $130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2018/19	2019/20	2020/21
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,940,000 - 0.50% [2] Over $1,940,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $150,000 - .75% Over $150,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $162,000 - .75% Over $162,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

[1] A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

[2] Applies to land and buildings. Exempt from referendum market value tax.

[3] Exempt from referendum market value tax.

[4] Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

[5] The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value $167,252,782[1]

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	$156,472,300	$ 1,700,671
Personal Property	3,846,000	70,535
Total Valuation	$160,318,300	$ 1,771,206
Less: Captured Tax Increment Tax Capacity[2]		(52,074)
Taxable Net Tax Capacity		$ 1,719,132

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 95.87% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of $167,252,782.

[2] The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 767,591	43.34%
Agricultural	24,481	1.38%
Commercial/industrial	520,266	29.37%
Public utility	11,268	0.64%
Railroad operating property	1,558	0.09%
Non-homestead residential	366,145	20.67%
Commercial & residential seasonal/rec.	9,362	0.53%
Personal property	70,535	3.98%
Total	$ 1,771,206	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2016/17	$110,706,900	$ 96,725,500	$ 1,211,254	$ 1,170,026	+ 5.33%
2017/18	118,655,500	104,824,000	1,300,250	1,257,451	+ 7.18%
2018/19	125,029,300	111,000,600	1,354,751	1,308,855	+ 5.37%
2019/20	146,564,900	133,188,900	1,596,360	1,548,050	+17.22%
2020/21	160,318,300	146,693,000	1,771,206	1,719,132	+ 9.38%

[1] Net Tax Capacity includes tax increment values.

[2] Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Plastech Corporation	Industrial	$100,264	5.66%
Rush City Senior Living, LLC	Apartments	66,904	3.78%
Individual	Industrial	64,968	3.67%
McBud Properties, LLC	Industrial	45,904	2.59%
RB & KC Johnson Enterprise, LLC	Commercial	37,180	2.10%
Holiday Stationstores, Inc.	Commercial	35,550	2.01%
East Central Energy	Utility	28,410	1.60%
Kwik Trip, Inc.	Commercial	28,086	1.59%
Minnesota Energy Resources Corporation	Utility	24,610	1.39%
Trikin Holdings, LLC	Apartments	2,025	0.11%
Total		$433,901	24.50%

City's Total 2020/21 Net Tax Capacity $1,771,206

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Chisago County.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Bonds)*	$1,965,000
Total G.O. debt secured by tax abatement revenues	1,235,000
Total G.O. debt secured by taxes	226,800
Total G.O. debt secured by utility revenues	886,000
Total General Obligation Debt*	$4,312,800

Other Obligations

Issue Date	Original Amount	Name of Issue	Final Maturity	Principal Outstanding
9/13/21	$200,000	City EDA Loan	12/31/31	$200,000

*Preliminary, subject to change.

[1] Outstanding debt is as of the dated date of the Bonds.

City of Rush City, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/21/2021)

	Improvement Refunding Bonds 1) Series 2016A		Improvement Bonds Series 2017A		Improvement Bonds Series 2021A							
Dated	07/07/2016		09/07/2017		10/21/2021							
Amount	$205,000		$635,000		$1,355,000*							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2022	30,000	615	35,000	13,963	0	15,550	65,000	30,127	95,127	1,900,000	3.31%	**2022**
2023	30,000	218	35,000	13,438	55,000	19,883	120,000	33,538	153,538	1,780,000	9.41%	**2023**
2024			35,000	12,803	60,000	19,623	95,000	32,426	127,426	1,685,000	14.25%	**2024**
2025			35,000	12,059	60,000	19,263	95,000	31,322	126,322	1,590,000	19.08%	**2025**
2026			35,000	11,316	60,000	18,813	95,000	30,128	125,128	1,495,000	23.92%	**2026**
2027			35,000	10,572	65,000	18,280	100,000	28,852	128,852	1,395,000	29.01%	**2027**
2028			35,000	9,675	65,000	17,646	100,000	27,321	127,321	1,295,000	34.10%	**2028**
2029			40,000	8,550	65,000	16,948	105,000	25,498	130,498	1,190,000	39.44%	**2029**
2030			40,000	7,350	65,000	16,184	105,000	23,534	128,534	1,085,000	44.78%	**2030**
2031			40,000	6,150	65,000	15,355	105,000	21,505	126,505	980,000	50.13%	**2031**
2032			40,000	4,950	65,000	14,478	105,000	19,428	124,428	875,000	55.47%	**2032**
2033			45,000	3,675	65,000	13,535	110,000	17,210	127,210	765,000	61.07%	**2033**
2034			20,000	2,700	70,000	12,488	90,000	15,188	105,188	675,000	65.65%	**2034**
2035			20,000	2,100	70,000	11,350	90,000	13,450	103,450	585,000	70.23%	**2035**
2036			20,000	1,500	70,000	10,160	90,000	11,660	101,660	495,000	74.81%	**2036**
2037			20,000	900	70,000	8,900	90,000	9,800	99,800	405,000	79.39%	**2037**
2038			20,000	300	75,000	7,521	95,000	7,821	102,821	310,000	84.22%	**2038**
2039					75,000	6,021	75,000	6,021	81,021	235,000	88.04%	**2039**
2040					75,000	4,446	75,000	4,446	79,446	160,000	91.86%	**2040**
2041					80,000	2,740	80,000	2,740	82,740	80,000	95.93%	**2041**
2042					80,000	920	80,000	920	80,920	0	100.00%	**2042**
	60,000	833	550,000	122,000	1,355,000	270,101	1,965,000	392,933	2,357,933			

* Preliminary, subject to change.

1) This represents the $205,000 Improvement Refunding portion of the $1,545,000 General Obligation Bonds, Series 2016A.

City of Rush City, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 10/21/2021)

	Tax Abatement Bonds 1) Series 2016A							
Dated	07/07/2016							
Amount	$1,340,000							
Maturity	02/01							
Calendar Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2022	85,000	22,360	85,000	22,360	107,360	1,150,000	6.88%	**2022**
2023	115,000	21,016	115,000	21,016	136,016	1,035,000	16.19%	**2023**
2024	115,000	19,349	115,000	19,349	134,349	920,000	25.51%	**2024**
2025	115,000	17,566	115,000	17,566	132,566	805,000	34.82%	**2025**
2026	115,000	15,669	115,000	15,669	130,669	690,000	44.13%	**2026**
2027	115,000	13,628	115,000	13,628	128,628	575,000	53.44%	**2027**
2028	115,000	11,443	115,000	11,443	126,443	460,000	62.75%	**2028**
2029	115,000	9,114	115,000	9,114	124,114	345,000	72.06%	**2029**
2030	115,000	6,641	115,000	6,641	121,641	230,000	81.38%	**2030**
2031	115,000	4,054	115,000	4,054	119,054	115,000	90.69%	**2031**
2032	115,000	1,351	115,000	1,351	116,351	0	100.00%	**2032**
	1,235,000	142,190	1,235,000	142,190	1,377,190			

1) This represents the $1,340,000 Tax Abatement portion of the $1,545,000 General Obligation Bonds, Series 2016A.

City of Rush City, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/21/2021)

	Promissory Note 1) 2019
Dated	10/31/2019
Amount	$252,000
Maturity	11/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	25,200	2,268	25,200	2,268	27,468	201,600	11.11%	**2021**
2022	25,200	2,016	25,200	2,016	27,216	176,400	22.22%	**2022**
2023	25,200	1,764	25,200	1,764	26,964	151,200	33.33%	**2023**
2024	25,200	1,512	25,200	1,512	26,712	126,000	44.44%	**2024**
2025	25,200	1,260	25,200	1,260	26,460	100,800	55.56%	**2025**
2026	25,200	1,008	25,200	1,008	26,208	75,600	66.67%	**2026**
2027	25,200	756	25,200	756	25,956	50,400	77.78%	**2027**
2028	25,200	504	25,200	504	25,704	25,200	88.89%	**2028**
2029	25,200	252	25,200	252	25,452	0	100.00%	**2029**
	226,800	11,340	226,800	11,340	238,140			

1) This issue is not subject to the debt limit.

City of Rush City, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 10/21/2021)

	Water Revenue Bonds Series 2011A		Sewer Revenue Note (PFA) Series 2012							
Dated	12/07/2011		05/30/2012							
Amount	$730,000		$990,727							
Maturity	02/01		08/20							
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2022	50,000	8,708	53,000	8,615	103,000	17,322	120,322	783,000	11.63%	**2022**
2023	50,000	7,358	54,000	7,808	104,000	15,165	119,165	679,000	23.36%	**2023**
2024	55,000	5,940	54,000	6,986	109,000	12,926	121,926	570,000	35.67%	**2024**
2025	55,000	4,331	55,000	6,164	110,000	10,495	120,495	460,000	48.08%	**2025**
2026	55,000	2,599	56,000	5,327	111,000	7,926	118,926	349,000	60.61%	**2026**
2027	55,000	866	57,000	4,475	112,000	5,341	117,341	237,000	73.25%	**2027**
2028			58,000	3,607	58,000	3,607	61,607	179,000	79.80%	**2028**
2029			59,000	2,724	59,000	2,724	61,724	120,000	86.46%	**2029**
2030			60,000	1,826	60,000	1,826	61,826	60,000	93.23%	**2030**
2031			60,000	913	60,000	913	60,913	0	100.00%	**2031**
	320,000	29,801	566,000	48,445	886,000	78,247	964,247			

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2020/21 Assessor's Estimated Market Value	$160,318,300
Multiply by 3%	0.03
Statutory Debt Limit	$ 4,809,549
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	0
Unused Debt Limit	$ 4,809,549

OVERLAPPING DEBT[1]

Taxing District	2020/21 Taxable Net Tax Capacity	% In City	Total G.O. Debt[2]	City's Proportionate Share
Chisago County	$65,966,871	2.6061%	$41,015,000	$1,068,892
I.S.D. 139 (Rush City)	6,471,599	26.5643%	6,850,000[3]	1,819,655
City's Share of Total Overlapping Debt				$2,888,546

[1] Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does ***not*** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

[2] Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

[3] Currently, the State of Minnesota is paying approximately 5.9% of the principal and interest on Rush City School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $404,150. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($167,252,782)	Debt/ Current Population Estimate (3,170)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	$ 1,965,000		
Tax Increment Revenues	1,235,000		
Taxes	226,800		
Utility Revenues	886,000		
Total General Obligation Debt (includes the Bonds)*	$ 4,312,800		
Less: G.O. Debt Paid Entirely from Revenues[1]	(886,000)		
Tax Supported General Obligation Debt*	$ 3,426,800	2.05%	$1,081.01
City's Share of Total Overlapping Debt[2]	$ 2,888,546	1.73%	$911.21
Total*	$ 6,315,346	3.78%	$1,992.22

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

[1] Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

[2] After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of $107,360, the City's net overlapping debt is $2,781,186, which results in a net overlapping debt/market value ratio of 1.66% and net overlapping debt/current population estimate ratio of $877.35.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2016/17	$ 518,763	$509,089	$516,579	99.58%
2017/18	558,471	549,304	556,117	99.58%
2018/19	592,517	579,323	588,811	99.37%
2019/20	629,642	619,122	625,316	99.31%
2020/21	460,390	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

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[1] This reflects the Final Levy Certification of the City after all adjustments have been made.

[2] Collections are through May 31, 2021.

[3] Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES[1]

	2016/17	2017/18	2018/19	2019/20	2020/21
Chisago County	69.276%	66.550%	65.861%	64.039%	63.787%
City of Rush City	44.443%	44.524%	45.359%	40.696%	38.522%
I.S.D. 139 (Rush City)	32.540%	34.859%	32.931%	29.081%	28.523%
Chisago County HRA	0.977%	0.907%	0.832%	0.765%	0.712%
East Central Regional Dev. Comm.	0.225%	0.217%	0.207%	0.199%	0.188%
Referendum Market Value Rates:					
I.S.D. 139 (Rush City)	0.13303%	0.13263%	0.28709%	0.28142%	0.27630%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Chisago County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

[1] After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1873. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has six (6) full-time employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

The City does not have any recognized and certified bargaining units.

POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of July 31, 2021)

Fund	Total Cash and Investments
General	$ 1,043,397
Special Revenue	567,849
Debt Service	353,000
Capital Projects	1,453,435
Enterprise Funds	2,005,648
Total Funds on Hand	$ 5,423,329

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2018	2019	2020
Water Fund			
Total Operating Revenues	$566,809	$553,756	$443,347
Less: Operating Expenses	(527,411)	(487,667)	(442,430)
Operating Income	$ 39,398	$ 66,089	$ 917
Plus: Depreciation	149,988	153,524	156,187
Revenues Available for Debt Service	$189,386	$219,613	$157,104
Sewer Fund			
Total Operating Revenues	$619,074	$638,160	$585,374
Less: Operating Expenses	(434,151)	(351,976)	(372,312)
Operating Income	$184,923	$286,184	$213,062
Plus: Depreciation	142,276	155,473	145,967
Revenues Available for Debt Service	$327,199	$441,657	$359,029
Water Access/Hookup Fund[1]			
Total Operating Revenues	$ 38,000	N/A	N/A
Less: Operating Expenses	0	N/A	N/A
Operating Income	$ 38,000	N/A	N/A
Plus: Depreciation	0	N/A	N/A
Revenues Available for Debt Service	$ 38,000	N/A	N/A
Sewer Access/Hookup Fund[1]			
Total Operating Revenues	$ 45,000	N/A	N/A
Less: Operating Expenses	0	N/A	N/A
Operating Income	$ 45,000	N/A	N/A
Plus: Depreciation	0	N/A	N/A
Revenues Available for Debt Service	$ 45,000	N/A	N/A
Storm Water/Sewer Fund			
Total Operating Revenues	$ 28,509	$ 31,646	$ 31,676
Less: Operating Expenses	(25,722)	(12,671)	(17,724)
Operating Income	$ 2,787	$ 18,975	$ 13,952
Plus: Depreciation	0	590	0
Revenues Available for Debt Service	$ 2,787	$ 19,565	$ 13,952

[1] The Funds were combined into the Storm Sewer/Water Fund in 2019 and 2020.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Adopted Budget 1)
Revenues					
Property taxes and tax increment	$347,848	$366,891	$452,113	$494,544	$473,619
Franchise fees	$0	$0	$16,097	$16,097	$16,000
Special assessments	$0	$0	$1,512	$1,987	$1,800
Intergovernmental revenue	881,002	916,354	925,329	1,221,765	1,001,744
Licenses and permits	10,821	16,694	19,378	13,961	8,720
Charges for services	150,914	194,219	233,942	257,467	231,725
Fines and fees	7,226	5,627	5,056	7,201	5,000
Other income and interest	13,864	9,905	16,580	25,380	14,350
Rent	18,221	19,275	0	0	0
Contributions and donations	7,223	8,677	0	0	0
Investment earnings	0	0	16,567	2,211	12,000
Miscellaneous	13,324	13,393	0	0	0
Total Revenues	$1,450,443	$1,551,035	$1,686,574	$2,040,613	$1,764,958
Expenditures					
Current:					
General government	$333,660	$348,285	$368,143	$502,847	$397,438
Public safety	452,464	493,336	564,737	557,571	601,816
Public works	183,873	195,528	224,126	206,419	230,965
Culture, parks and recreation	72,506	70,093	78,590	69,173	81,254
Economic development	53,838	11,534	0	0	0
Transportation (Airport)	0	0	152,201	145,377	125,925
Airport	91,363	147,098	0	0	0
Capital outlay	0	0	1,822	92,617	6,600
Total Expenditures	$1,187,704	$1,265,874	$1,389,619	$1,574,004	$1,443,998
Excess of revenues over (under) expenditures	$262,739	$285,161	$296,955	$466,609	$320,960
Other Financing Sources (Uses)					
Transfers in	$88,686	$65,286	$67,686	$69,286	$75,886
Transfers out	(297,527)	(284,826)	(334,505)	(404,398)	(395,044)
Total Other Financing Sources (Uses)	($208,841)	($219,540)	($266,819)	($335,112)	($319,158)
Net changes in Fund Balances	$53,898	$65,621	$30,136	$131,497	$1,802
General Fund Balance January 1	$760,238	$814,136	$520,572	$791,421	$953,477
Prior Period Adjustment	0	0	240,713	30,559	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	$814,136	$879,757	$791,421	$953,477	$955,279
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	$3,608	$3,786	$3,525	$35,060	$40,013
Assigned	1,327,354	0	0	0	0
Unassigned	(516,826)	875,971	787,896	918,417	915,266
Total	$814,136	$879,757	$791,421	$953,477	$955,279

1) The 2021 budget was adopted on December 14, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 3,079, and a current population estimate of 3,170, and comprising an area of 3.28 square miles, is located approximately 50 miles north of the Minneapolis/St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Minnesota Correctional Facility	State correctional facility	365
Plastech Corporation	Manufacture plastic injection molding	350
Dennis Kirk, Inc.	Sells parts for recreational vehicles	200
I.S.D. No. 139 (Rush City)	Elementary and secondary education	136
All About Home Caring	Home health services	100
Estates of Rush City	Nursing home	50
Innovative Basement Systems	Foundation repair and basement finishing	50
KWIK Trip	Gas and grocery store	49
McDonald Distributing Co.	Wholesale beer and bottled water distributor	45
Rush City Bakery	Retail and wholesale bakery	25

Source: *The City (August, 2021)*

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

BUILDING PERMITS

	2017	2018	2019	2020	2021[1]
New Single Family Homes					
No. of building permits	14	19	17	27	20
Valuation	$964,101	$2,213,018	$1,758,266	$3,171,895	$2,303,522
New Multiple Family Buildings					
No. of building permits	0	0	1	0	0
Valuation	$0	$0	$6,130,274	$0	$0
New Commercial/Industrial					
No. of building permits	0	1	1	1	0
Valuation	$0	$1,203,644	$277,000	$197,000	$0
All Building Permits *(including additions and remodelings)*					
No. of building permits	71	63	162	102	42
Valuation	$1,829,520	$3,218,797	$8,604,862	$3,758,957	$2,614,708

Source: The City.

[1] As of August 23, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	2,055
2010 U.S. Census population	3,079
2019 State Demographer's Estimate	3,170
Percent of Change 2000 - 2010	+49.83%

Income and Age Statistics

	The City	Chisago County	State of Minnesota	United States
2019 per capita income	$20,046	$35,021	$37,625	$34,103
2019 median household income	$46,005	$83,464	$71,306	$62,843
2019 median family income	$61,250	$95,532	$89,842	$77,263
2019 median gross rent	$827	$884	$977	$1,062
2019 median value owner occupied units	$152,200	$231,500	$223,900	$217,500
2019 median age	33.0 yrs.	41.3 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
City % of 2019 per capita income	53.28%	58.78%
City % of 2019 median family income	68.18%	79.27%

Housing Statistics

	The City		
	2010	2019	Percent of Change
All Housing Units	717	908	26.64%

Source: *2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Chisago County	Chisago County	State of Minnesota
2017	28,327	3.9%	3.4%
2018	28,665	3.4%	3.0%
2019	28,906	3.9%	3.2%
2020	27,862	6.2%	6.2%
2021, July	28,540	3.1%	3.4%

Source: *Minnesota Department of Employment and Economic Development.*

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF RUSH CITY
RUSH CITY, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2020

CITY OF RUSH CITY, MINNESOTA

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CITY OF RUSH CITY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020

ELECTED

Name	Title	Term Expires
Dan Dahlberg	Mayor	December 31, 2020
Dan Meyer	Council Member	December 31, 2022
Frank Storm	Council Member	December 31, 2022
Tom Schneider	Council Member	December 31, 2020
Michael Louzek	Council Member	December 31, 2020

APPOINTED

Name	Title
Amy Mell	Administrator
Sue Hochstatter	Deputy Clerk
Lisa Ripp	Utilities Clerk
Bob Carlson	Fire Chief
Chris Gray	Public Works

Burkhardt & Burkhardt, Ltd.

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Mankato, MN 56001
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F: 507.387.5199

Experienced... *Over 40 years combined experience*

Affordable... *Exceptional value for a reasonable price*

Friendly... *Family owned and run since 1990*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2020 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members of the Governmental Audit Quality Center of the American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants

Required Supplementary Information

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

Other Information

The supplemental information as listed in the table of contents under supplemental section 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the City's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 19, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

A-7

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rush City, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

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

(1) The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $14,986,382 (net position). Of this amount, $1,655,981 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

(2) Capital assets, less depreciation, total $23,813,075, representing a broad base of city-wide infrastructure.

(3) As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,726,821. $1,785,411 of this total amount, over 65%, is available for use within the City's designations.

(4) At the end of the current fiscal year, unassigned fund balance for the general fund was $918,417, or 58%, of total general fund expenditures.

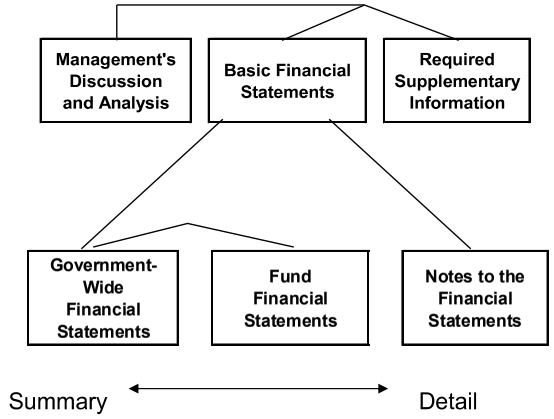
(5) The City had an increase in net position for governmental activities of $120,288 and an increase in net position for business-type activities of $417,118 during the current fiscal year for an overall increase of $537,406.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

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

FIGURE 1 – REQUIRED COMPONENTS OF THE CITY'S ANNUAL FINANCIAL REPORT



CITY OF RUSH CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital asset included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless or when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year; regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). The 2020 Statement provides for an increase in net position in the governmental funds and an increase in the business-type activities, as the investment in capital assets in the governmental activities decreased and business-type activities increased.

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

The government wide financial statements can be found on pages 19 and 20 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. The Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-nine individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Debt Service, and 1st Street Improvement Project funds. Data from the debt service and other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these debt service and nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 22 - 26 of this report.

Proprietary Funds

The City maintains only one type of Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary funds financial statements provide separate information for the Enterprise funds, all of which are major funds of the City.

The basic Proprietary fund financial statements can be found on pages 29 - 31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 32 - 62 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's share of net pension liabilities for defined benefits plans and schedules of contributions. Required supplementary information can be found starting on page 64 of this report.

Other Information

The combining statements and schedules referred to earlier in connection with debt service and nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund financial statements and schedules start on page 71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $14,986,382 at the close of the most recent fiscal year.

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

A condensed version of the Statement of Net Position on December 31, 2020 follows:

City of Rush City's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2020	*2019*	Increase (Decrease)	*2020*	*2019*	Increase (Decrease)
Assets						
Current and other assets	$ 3,200,077	$ 2,286,801	$ 913,276	$ 2,730,723	$ 2,402,887	$ 327,836
Capital assets	14,613,484	15,261,659	(648,175)	9,199,591	9,245,154	(45,563)
	17,813,561	17,548,460	265,101	11,930,314	11,648,041	282,273
Deferred Outflows of Resources						
Pension plan deferments	123,177	119,372	3,805	19,622	14,575	5,047
Liabilities						
Current liabilities	427,928	170,809	257,119	126,934	132,486	(5,552)
Long-term liabilities	2,400,584	2,601,149	(200,565)	983,251	1,088,035	(104,784)
	2,828,512	2,771,958	56,554	1,110,185	1,220,521	(110,336)
Deferred Inflows of Resources						
Pension plan deferments	121,844	102,196	19,648	46,560	66,022	(19,462)
Excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources	**$ 14,986,382**	**$ 14,793,678**	**$ 192,704**	**$ 10,793,191**	**$ 10,376,073**	**417,118**
Net Position						
Net Investment in Capital Assets	$ 12,322,805	$ 12,885,160	$ (562,355)	$ 8,258,591	$ 8,207,156	$ 51,435
Restricted	1,007,596	960,250	47,346	-	-	-
Unrestricted	1,655,981	948,268	707,713	2,534,600	2,168,917	365,683
Total net position	**$ 14,986,382**	**$ 14,793,678**	**$ 192,704**	**$ 10,793,191**	**$ 10,376,073**	**$ 417,118**

Assets of the governmental activities increased in 2020 by $265,101. This increase is predominantly due an increase in cash and cash equivalents of $366,022 because of increased revenues coupled with keeping expenditures in line. The increase long-term liabilities of the governmental activities is associated with accruals for vendor payments.

Assets of the business-type activities increased in 2020 by $282,273. This increase is predominantly due an increase in cash and cash equivalents of $621,565 because of decreased cash flows from capital and related financing activities. The decrease in long-term liabilities of the business-type activities represents scheduled note principal payments.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position $4,190,581 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for the government activities and business-type activities. Unrestricted net position in the governmental and business-type activities increased by $707,713 and $365,683, respectively.

CITY OF RUSH CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Governmental and business-type activities increased the City's net position by $537,406. Key elements of this increase are as follows:

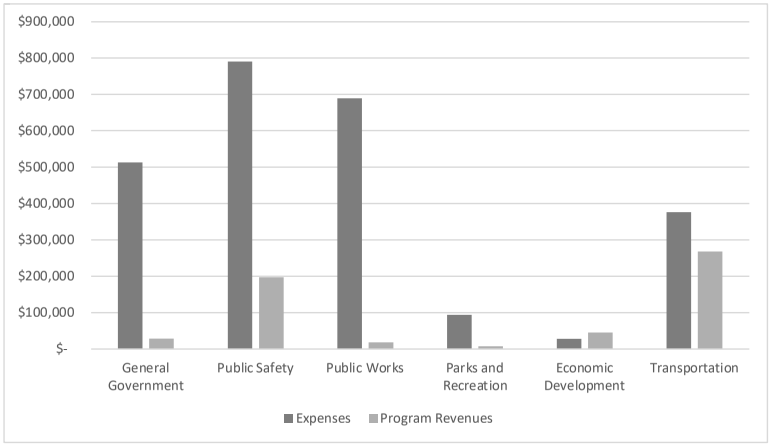
City of Rush City's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2020	*2019*	Increase (Decrease)	*2020*	*2019*	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$ 349,042	$ 279,017	$ 70,025	$ 1,060,397	$ 1,223,562	$ (163,165)
Operating grants and contributions	118,161	186,565	(68,404)	-	-	-
Capital grants and contributions	96,328	124,941	(28,613)	94,621	-	94,621
General revenues						-
Property taxes	632,661	625,744	6,917	-	45,000	(45,000)
Intergovernmental	1,149,137	848,518	300,619	-	-	-
Other sources	205,368	183,319	22,049	228,082	181,519	46,563
Total Revenue	2,550,697	2,248,104	302,593	1,383,100	1,450,081	(66,981)
Expenses						
General Government	513,203	397,509	115,694	-	-	-
Public Safety	790,671	721,601	69,070	-	-	-
Public Works	689,124	823,706	(134,582)	-	-	-
Parks and Recreation	94,129	105,929	(11,800)	-	-	-
Economic development	27,857	150,280	(122,423)	-	-	-
Transportation	376,266	408,543	(32,277)	-	-	-
Water	-	-	-	454,915	499,987	(45,072)
Sewer	-	-	-	381,128	361,250	19,878
Storm water	-	-	-	18,801	13,862	4,939
Interest on long-term debt	50,297	47,830	2,467	-	-	-
Total Expenses	2,541,547	2,655,398	(113,851)	854,844	875,099	(20,255)
Transfer	111,138	43,534	67,604	(111,138)	(43,534)	(67,604)
Change in Net Position	120,288	(363,760)	484,048	417,118	531,448	(114,330)
Net position - January 1 (previous)	14,793,678	15,172,507	378,829	10,376,073	9,762,088	(613,985)
Period period adjustment	72,416	(15,069)	(87,485)	-	82,536	82,536
Net position - January 1 (as restated)	14,866,094	15,157,438	(291,344)	10,376,073	9,844,625	531,448
Net position - December 31	$ 14,986,382	$ 14,793,678	$ 192,704	$ 10,793,191	$ 10,376,073	$ 417,118

Net position for the governmental activities increased $120,288 in 2020, this was an increase of $484,048 from the prior year. Most of the change was due to increased revenue while keeping expenses up minimally. Business-type net position increased $417,118, which was a decrease of $114,330 over the prior year. Decreased revenue from a major customer accounted for the majority of this decrease.

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

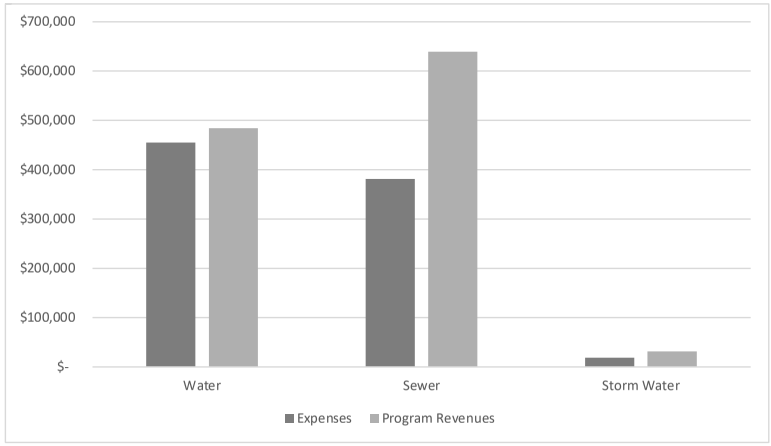
Expenses and Program Revenues – Governmental Activities



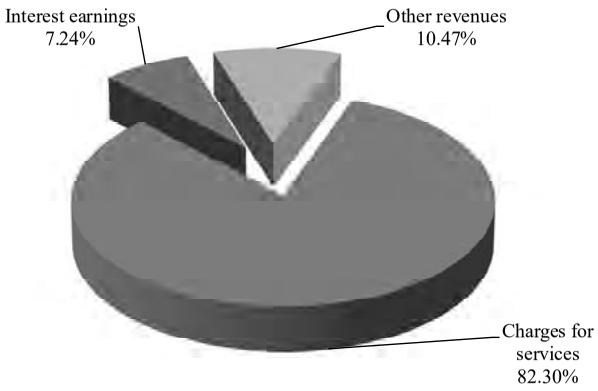
Revenues by Source – Governmental Activities

Below are specific graphs that provide comparisons of the business-type activities' direct program revenues with their expenditures. Excess revenues are retained within each fund until such time that capital replacement is needed.

Expenses and Program Revenues – Business-Type Activities



Revenue by Source – Business-Type Activities



FUND FINANCIAL ANALYSIS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,726,821. The unreserved fund balance constitutes $471,464 of the total combined ending fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending because it has already been committed to debt service payments and special revenue funds and other restrictions in the amount of $2,255,357.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was $953,477. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total unassigned fund balance represents 58% of total 2020 actual expenditures. The General fund balance increased $131,497, during the year, primarily due to revenues being over budget in intergovernmental revenues.

The Debt Service fund had a fund balance of $438,354. The fund was established to properly account for the resources necessary to meet debt service requirements.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finance of the fund have already been addressed in the discussion of the City's business-type activities.

The City's Proprietary funds have unrestricted net position as follows:

Water fund	$ 594,203
Sewer fund	2,082,286
Storm water fund	(141,889)

BUDGETARY HIGHLIGHTS

General Fund.

The City increased its general tax levy collectible in 2020 by 6.0% from the 2019 levy. Local government aid from the state has stabilized and with budget surpluses at the state level the last few years it appears that source of revenue is in good shape. There were no budget amendments during the year, and the City budgeted revenues to exceed expenditures by $349,795.

Revenues were over the budgeted sources by $308,779, with the following significant variances:

- Charges for services of $54,0442
- Intergovernmental revenue of $256,105

Expenditures were over the budgeted appropriations by $191,965, with the following significant variances:

- General government was over budget by $112,128
- Transportation was over budget by $24,852

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City continued to invest in capital equipment to provide the best services for its residents. Many donations and grants were obtained to help offset purchase costs. All bonded debt was reduced with annual payments.

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounts to $20,581,396 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- Completion of the 1st Street infrastructure improvement project
- Widening of 4th Street
- Airpacks for the fire department
- Turn out gear washer and dryer

City of Rush City's Capital Assets

	Governmental Activities			Business-type Activities		
	2020	***2019***	Increase (Decrease)	***2020***	***2019***	Increase (Decrease)
Land	$ 2,168,073	$ 2,168,073	$ -	$ 131,425	$ 131,425	$ -
Buildings and improvements	4,769,850	4,769,850	-	4,209,015	4,209,015	-
Equipment	4,384,006	4,134,036	249,970	487,829	487,829	-
Infrastructure	14,325,555	13,934,937	390,618	9,164,504	8,907,324	257,180
Construction in progress	-	496,613	(496,613)	-	-	-
Total	**$ 25,647,484**	**$ 25,503,509**	**$ 143,975**	**$ 13,992,773**	**$ 13,735,593**	**$ 257,180**

LONG-TERM DEBT

At the end of the fiscal year, the City had total long-term debt of $3,662,034. This consisted of $1,990,000 for G.O. improvement bonds/notes, $266,800 for G.O. promissory notes, $941,000 for G.O. revenue bonds, $448,779 for net pension liability, $11,194 for compensated absences, and $4,261 for bond premiums. State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% (percent) of the total estimated market value. More detailed information on the City's long-term debt is presented in the Notes to the Financial Statements.

Key elements of long-term debt are as follows:

	2020	*2019*	Increase (Decrease)
Governmental Activities:			
General Obligation Bonds	$ 1,990,000	$ 2,070,000	$ (80,000)
Promissory notes	266,800	302,000	(35,200)
Total Governmental Activities Long-Term Debt	2,256,800	2,372,000	(115,200)
Business-type Activities:			
General Obligation Revenue Bonds	941,000	1,038,000	(97,000)
Total Long-Term Debt	$ 3,197,800	$ 3,410,000	$ (212,200)
Bonded Debt:			
General Obligation Bonds	$ 1,990,000	$ 2,070,000	$ (80,000)
General Obligation Revenue Bonds	941,000	1,038,000	(97,000)
Total Bonded Debt	$ 2,931,000	$ 3,108,000	$ (177,000)

FACTORS BEARING ON THE CITY'S FUTURE

The economic outlook for Chisago County remains stable. The economy around the Rush City area remains strong with continued strong land and building prices. The city tax rate decreased by just over 4% between 2019 and 2020. New construction was strong again in 2020, with 23 permits approved for new single-family homes, and 2 new commercial mini storage units. Initial indications are that tax capacity is expected to remain stable with potential for slight growth going forward. All these factors were considered in preparing the City's budget for 2020 and will be for the 2021 fiscal year as well.

For the 2021 fiscal year, general fund revenue and expenditure projections remained conservative. The 2020 general fund budget for revenues was $1,731,834 (I have $1,796,520) and expenditures was $1,382,039 (I have $1,796,520). The 2020 general fund budget includes funding for the following:

- A portion of the School Resource Officer for Rush City Schools and the contract with Chisago County Sheriff's Office
- Future replacement of equipment, and public works and fire department vehicles
- Building repairs and improvements
- Additional funding for street improvement projects
- Operating the Rush City Regional Airport

The 2021 proprietary fund (water, sewer, and storm water) budget is $1,512,229 for revenues and $1,481,236 for expenditures, resulting in a net gain of $30,993. Reflected in the 2020 budget is a 0% general rate increase in water, sewer, and storm water rates, respectively. A water, sewer, and storm water rate study is being conducted and will be completed in 2021. The 2020 proprietary fund budget includes funding for the following:

- Operational expenses including wages, utilities and supplies related to water, sewer, refuse and storm water services
- Debt service expenses related to water, sewer, refuse and storm water funds
- Water Tank Maintenance Services Agreement

CITY OF RUSH CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Rush City, 325 S. Eliot Ave., Rush City, MN, 55069.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and Cash Equivalents	$ 1,717,265	$ 685,210	$ 2,402,475
Investments	775,746	1,759,326	2,535,072
Receivables:			
Accounts	38,585	106,039	144,624
Intergovernmental	76,906	0	76,906
Property Taxes	29,040	0	29,040
Special Assessments	157,216	143,405	300,621
Prepaid Expenses	4,401	2,722	7,123
Inventory	30,659	0	30,659
Property Held for Sale	404,280	0	404,280
Internal Balances	(34,021)	34,021	0
Capital Assets			
Assets not Being Depreciated	2,168,073	131,425	2,299,498
Other Capital Assets, Net of Depreciation	12,445,411	9,068,166	21,513,577
Total Assets	17,813,561	11,930,314	29,743,875
Deferred Outflows of Resources:			
Pension Plan Deferments	123,177	19,622	142,799
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 17,936,738	$ 11,949,936	$ 29,886,674
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Accrued Expenses	$ 194,897	$ 16,434	$ 211,331
Unearned Revenue	23,215	12,500	35,715
Current Portion of Long-Term Debt	209,816	98,000	307,816
Compensated Absences	11,194	0	11,194
Long-Term Debt, Net of Current Portion	2,080,862	843,000	2,923,862
Net Pension Liability	308,528	140,251	448,779
Total Liabilities	2,828,512	1,110,185	3,938,697
Deferred Inflows of Resources:			
Pension Plan Deferments	121,844	46,560	168,404
Net Position:			
Net Investment in Capital Assets	12,322,805	8,258,591	20,581,396
Restricted	1,007,596	0	1,007,596
Unrestricted	1,655,981	2,534,600	4,190,581
Total Net Position	14,986,382	10,793,191	25,779,573
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 17,936,738	$ 11,949,936	$ 29,886,674

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	$ 513,203	$ 28,200	$ 0	$ 0
Public Safety	790,671	123,301	73,784	0
Public Works	689,124	2,703	0	15,232
Parks and Recreation	94,129	7,150	0	0
Economic Development	27,857	45,088	0	0
Transportation	376,266	142,600	44,377	81,096
Interest on Long-term Debt	50,297	0	0	0
Total Governmental Activities	2,541,547	349,042	118,161	96,328
BUSINESS-TYPE ACTIVITIES:				
Water	454,915	443,347	0	40,817
Sewer	381,128	585,374	0	53,804
Storm Water	18,801	31,676	0	0
Total Business-type Activities	854,844	1,060,397	0	94,621
Total Primary Government	$ 3,396,391	$ 1,409,439	$ 118,161	$ 190,949
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				
Property Taxes, Levied for Debt Service				
Tax Increment				
Intergovernmental				
Unrestricted Investment Earnings				
Other revenues				
Transfers				
Total General Revenues				
Change in Net Position				
Net Position - January 1, as Previously Stated				
Prior Period Adjustment				
Net Position - January 1, as Restated				
Net Position - December 31				

The Notes to the Financial Statements are an Integral Part of this Statement.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total Primary Government
$ (485,003)	$ 0	$ (485,003)
(593,586)	0	(593,586)
(671,189)	0	(671,189)
(86,979)	0	(86,979)
17,231	0	17,231
(108,193)	0	(108,193)
(50,297)	0	(50,297)
(1,978,016)	0	(1,978,016)
0	29,249	29,249
0	258,050	258,050
0	12,875	12,875
0	300,174	300,174
(1,978,016)	300,174	(1,677,842)
540,280	0	540,280
92,381	0	92,381
64,374	0	64,374
1,149,137	0	1,149,137
20,043	93,227	113,270
120,951	134,855	255,806
111,138	(111,138)	0
2,098,304	116,944	2,215,248
120,288	417,118	537,406
14,793,678	10,376,073	25,169,751
72,416	0	72,416
14,866,094	10,376,073	25,242,167
$ 14,986,382	$ 10,793,191	$ 25,779,573

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Debt Service Funds	1st Street Improvement
ASSETS			
Cash and Cash Equivalents	$ 401,363	$ 438,322	$ 0
Investments	221,058	0	0
Receivables:			
Accounts	37,485	0	0
Intergovernmental	38,218	0	0
Property Taxes	26,889	0	0
Special Assessments	10,511	129,948	0
Prepaid Expense	4,401	0	0
Inventory	30,659	0	0
Due from Other Funds	470,144	0	0
Land Held for Sale	0	0	0
TOTAL ASSETS	$ 1,240,728	$ 568,270	$ 0
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accrued Expenses	$ 155,388	$ 0	$ 5,409
Unearned Revenue	23,215	0	0
Due to Other Funds	0	0	317,026
Advance from Other Funds	21,920	0	0
Total Liabilities	200,523	0	322,435
Deferred Inflows of Resources:			
Unavailable Revenue:			
Special Assessments	28,747	129,916	0
Due from Other Governments	38,097	0	0
Delinquent Taxes	19,884	0	0
Total Deferred Inflows of Resources	86,728	129,916	0
Fund Balance:			
Nonspendable	35,060	0	0
Restricted	0	438,354	0
Committed	0	0	0
Assigned	0	0	0
Unassigned	918,417	0	(322,435)
Total Fund Balance	953,477	438,354	(322,435)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,240,728	$ 568,270	$ 0

The Notes to the Financial Statements are an Integral Part of this Statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 877,580	$ 1,717,265
554,688	775,746
1,100	38,585
38,688	76,906
2,151	29,040
16,757	157,216
0	4,401
0	30,659
0	470,144
404,280	404,280
$ 1,895,244	$ 3,704,242
$ 17,171	$ 177,968
0	23,215
113,727	430,753
51,493	73,413
182,391	705,349
16,740	175,403
38,688	76,785
0	19,884
55,428	272,072
0	35,060
456,254	894,608
11,742	11,742
1,313,947	1,313,947
(124,518)	471,464
1,657,425	2,726,821
$ 1,895,244	$ 3,704,242

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

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

Total Fund Balances - Governmental Funds	$ 2,726,821
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	25,647,485
Less: Accumulated depreciation	(11,034,001)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	(1,990,000)
Notes and certificates payable	(266,800)
Capital leases	(29,616)
Discount/Premiums	(4,262)
Compensated absences payable	(11,194)
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	
Special assessments	175,403
Due from Other Governments	76,785
Delinquent property taxes	19,884
Net pension liabilities are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Net pension liability - general employees retirement pension fund	(201,491)
Net pension asset - volunteer firemen's relief pension fund	(107,037)
Deferred inflows and outflows of resources related to the pension liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance	
Deferred outflows of resources related to pensions	123,177
Deferred inflows of resources related to pensions	(121,844)
Governmental funds do not report a liability for accrued interest payable until due and payable.	(16,928)
Total Net Position - Governmental Activities	$ 14,986,382

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General	Debt Service Funds	1st Street Improvement
Revenues:			
Property Taxes	$ 494,544	$ 92,381	$ 0
Franchise Fees	16,097	0	0
Tax Increment	0	0	0
Special Assessments	1,987	21,230	0
Intergovernmental	1,221,765	0	0
Licenses and Permits	13,961	0	0
Charges for Services	257,467	0	0
Fines and Fees	7,201	0	0
Other Income	25,380	0	0
Investment Earnings	2,211	1,917	0
Total Revenues	2,040,613	115,528	0
Expenditures:			
Current:			
General Government	502,847	0	0
Public Safety	557,571	0	0
Public Works	206,419	0	0
Parks and Recreation	69,173	0	0
Economic Development	0	0	0
Transportation	145,377	0	0
Capital Outlay:			
General Government	19,062	0	0
Public Safety	48,459	0	0
Public Works	3,026	0	46,174
Transportation	22,070	0	0
Debt Service:			
Principal	0	80,000	0
Interest and Fiscal Fees	0	44,192	0
Total Expenditures	1,574,004	124,192	46,174
Excess of Revenue Over (Under) Expenditures	466,609	(8,664)	(46,174)
Other Financing Sources (Uses):			
Transfers In	69,286	19,748	220,352
Transfers Out	(404,398)	0	0
Total Other Financing Sources (Uses)	(335,112)	19,748	220,352
Change in Fund Balance	131,497	11,084	174,178
Fund Balance - January 1, as Previously Stated	791,421	427,270	(496,613)
Prior Period Adjustment	30,559	0	0
Fund Balance - January 1, as Restated	821,980	427,270	(496,613)
Fund Balance - December 31	$ 953,477	$ 438,354	$ (322,435)

The Notes to the Financial Statements are an Integral Part of this Statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 52,720	$ 639,645
0	16,097
64,374	64,374
6,810	30,027
69,700	1,291,465
0	13,961
45,331	302,798
0	7,201
62,470	87,850
17,832	21,960
319,237	2,475,378
0	502,847
13,660	571,231
31,267	237,686
6,000	75,173
27,967	27,967
80,351	225,728
4,233	23,295
62,976	111,435
92,864	142,064
9,050	31,120
63,971	143,971
6,780	50,972
399,119	2,143,489
(79,882)	331,889
450,851	760,237
(24,348)	(428,746)
426,503	331,491
346,621	663,380
1,310,804	2,032,882
0	30,559
1,310,804	2,063,441
$ 1,657,425	$ 2,726,821

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

Net Change in Fund Balances - Governmental Funds	$	663,380
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		224,814
Depreciation expense		(752,882)
Assets contributed to business-type activities		(220,352)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.		
Principal repayments		143,971
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due.		675
Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.		
Pension expense		(9,713)
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes		(6,984)
Grants		76,785
Special assessments		4,602
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(4,003)
Change in Net Position - Governmental Activities	$	120,288

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2020

	Budget			Over (Under) Final Budget
	Original	Final	Actual	
Revenues:				
Property Taxes	$ 497,899	$ 497,899	$ 494,544	$ (3,355)
Franchise Fees	16,000	16,000	16,097	97
Special Assessments	1,800	1,800	1,987	187
Intergovernmental	965,660	965,660	1,221,765	256,105
Licenses	7,250	7,250	13,961	6,711
Charges for Services	203,425	203,425	257,467	54,042
Fines	6,500	6,500	7,201	701
Other Income	18,300	18,300	25,380	7,080
Investment Earnings	15,000	15,000	2,211	(12,789)
Total Revenues	1,731,834	1,731,834	2,040,613	308,779
Expenditures:				
Current:				
General Government	390,719	390,719	502,847	112,128
Public Safety	570,907	570,907	557,571	(13,336)
Public Works	217,454	217,454	206,419	(11,035)
Parks and Recreation	75,834	75,834	69,173	(6,661)
Transportation	120,525	120,525	145,377	24,852
Capital Outlay:				
General Government	1,000	1,000	19,062	18,062
Public Safety	1,500	1,500	48,459	46,959
Public Works	1,000	1,000	3,026	2,026
Park and Recreation	1,100	1,100	0	(1,100)
Transportation	2,000	2,000	22,070	20,070
Total Expenditures	1,382,039	1,382,039	1,574,004	191,965
Excess of Revenues Over (Under) Expenditures	349,795	349,795	466,609	116,814
Other Financing Sources (Uses):				
Transfers Out	(411,535)	(411,535)	(404,398)	(7,137)
Transfers In	69,286	69,286	69,286	0
Total Other Financing Sources (Uses)	(342,249)	(342,249)	(335,112)	7,137
Change in Fund Balance	$ 7,546	$ 7,546	131,497	$ 123,951
Fund Balance - January 1, as Previously Stated			791,421	
Prior Period Adjustment			30,559	
Fund Balance - January 1, as Restated			821,980	
Fund Balance - December 31			$ 953,477	

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	$ 141,637	$ 543,573	$ 0	$ 685,210
Investments	564,456	1,194,870	0	1,759,326
Accounts Receivable	45,578	57,251	3,210	106,039
Prepaid Expense	1,282	1,282	158	2,722
Total Current Assets	752,953	1,796,976	3,368	2,553,297
Noncurrent Assets:				
Advance to Other Funds	0	295,626	0	295,626
Special Assessments	56,449	86,956	0	143,405
Assets Not Being Depreciated	0	131,425	0	131,425
Other Capital Asses, Net of Depreciation	4,298,002	4,666,376	103,788	9,068,166
Total Noncurrent Assets	4,354,451	5,180,383	103,788	9,638,622
Total Assets	5,107,404	6,977,359	107,156	12,191,919
Deferred Outflows of Resources:				
Pension Plan Deferments	9,262	9,262	1,098	19,622
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,116,666	$ 6,986,621	$ 108,254	$ 12,211,541
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities:				
Accrued Expenses	$ 10,192	$ 5,856	$ 224	$ 16,272
Due to Other Governments	162	0	0	162
Due To Other Funds	0	0	39,392	39,392
Unearned Revenue	0	12,500	0	12,500
Current Portion of Long-term Debt	50,000	48,000	0	98,000
Total Current Liabilities	60,354	66,356	39,616	166,326
Long-Term Liabilities:				
Advance from Other Funds	125,929	0	96,284	222,213
Revenue Notes/Bonds Payable	320,000	523,000	0	843,000
Net Pension Liability	66,201	66,201	7,849	140,251
Total Liabilities	572,484	655,557	143,749	1,371,790
Deferred Inflows of Resources:				
Pension Plan Deferments	21,977	21,977	2,606	46,560
Net Position:				
Net Investment in Capital Assets	3,928,002	4,226,801	103,788	8,258,591
Unrestricted	594,203	2,082,286	(141,889)	2,534,600
Total Net Position	4,522,205	6,309,087	(38,101)	10,793,191
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 5,116,666	$ 6,986,621	$ 108,254	$ 12,211,541

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Totals
Operating Revenue:				
Charges for Services	$ 443,347	$ 585,374	$ 31,676	$ 1,060,397
Operating Expenses:				
Personnel Services	93,116	93,114	17,134	203,364
Materials and Supplies	49,203	37,882	0	87,085
Professional Fees	23,765	34,085	0	57,850
Insurance	6,454	4,068	0	10,522
Utilities	25,841	16,708	0	42,549
Repairs and Maintenance	81,876	37,576	0	119,452
Contracted Services	2,872	1,435	0	4,307
Other Charges	3,116	1,477	0	4,593
Depreciation	156,187	145,967	590	302,744
Total Operating Expenses	442,430	372,312	17,724	832,466
Income from Operations	917	213,062	13,952	227,931
Nonoperating Revenues (Expenses)				
Interest and Fiscal Charges	(12,485)	(8,816)	(1,077)	(22,378)
Reimbursements	4,053	40	0	4,093
Access Fees and Other Income	96,773	128,610	0	225,383
Investment Earnings	24,908	68,127	192	93,227
Total Nonoperating Revenues (Expenses)	113,249	187,961	(885)	300,325
Income Before Transfers and Other Items	114,166	401,023	13,067	528,256
Transfers and Other Items				
Capital Contributions	90,440	55,132	74,780	220,352
Transfers In	2,500	0	4,000	6,500
Transfers Out	(136,596)	(124,114)	(77,280)	(337,990)
Total Transfers and Other Items	(43,656)	(68,982)	1,500	(111,138)
Change in Net Position	70,510	332,041	14,567	417,118
Net Position - January 1	4,451,695	5,977,046	(52,668)	10,376,073
Net Position - December 31	$ 4,522,205	$ 6,309,087	$ (38,101)	$ 10,793,191

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF RUSH CITY, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Storm Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From Customers and Users	$ 451,704	$ 589,543	$ 31,532	$ 1,072,779
Payments to Suppliers	(201,787)	(136,303)	(127)	(338,217)
Payments to Employees	(108,577)	(108,575)	(11,464)	(228,616)
Other Receipts (Payments)	60,009	74,846	0	134,855
Net Cash from Operating Activities	201,349	419,511	19,941	640,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments Received (Paid) on Interfund Loans	116,706	265,392	27,931	410,029
Net Investment Activity	10,401	25,925	0	36,326
Transfers In	2,500	0	4,000	6,500
Transfers Out	(136,596)	(124,114)	(77,280)	(337,990)
Net Cash from Noncapital Financing Activities	(6,989)	167,203	(45,349)	114,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Paid on Debt	(12,954)	(9,406)	(1,077)	(23,437)
Principal Paid on Debt	(50,000)	(47,000)	0	(97,000)
Special Assessment Collections	2,160	14,243	0	16,403
Acquisition and Construction of Capital Assets	(15,116)	(9,215)	(12,498)	(36,829)
Net Cash from Capital and Related Financing Activities	(75,910)	(51,378)	(13,575)	(140,863)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received (Paid)	426	6,144	192	6,762
Net Change in Cash and Cash Equivalents	118,876	541,480	(38,791)	621,565
Cash and Cash Equivalents - January 1	22,761	2,093	38,791	63,645
Cash and Cash Equivalents - December 31	$ 141,637	$ 543,573	$ 0	$ 685,210
Reconciliation of Operating Income to Net Cash from Operating Activities:				
Income (Loss) from Operations	$ 917	$ 213,062	$ 13,952	$ 227,931
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:				
Other Receipts (Payments)	60,009	74,846	0	134,855
Depreciation Expense	156,187	145,967	590	302,744
(Increase) Decrease in Accounts Receivable	8,357	4,169	(144)	12,382
(Increase) Decrease in Prepaid Expense	(100)	(100)	(127)	(327)
Increase (Decrease) in Due to Other Governments	(12)	0	0	(12)
Increase (Decrease) in Pension Resources	(12,490)	(12,490)	467	(24,513)
Increase (Decrease) in Net Pension Liability	293	293	5,130	5,716
Increase (Decrease) in Accrued Expenses	(11,812)	(6,236)	73	(17,975)
Net Cash from Operating Activities	$ 201,349	$ 419,511	$ 19,941	$ 640,801

The Notes to the Financial Statements are an Integral Part of this Statement.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Rush City, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Blended component units, although legally separate entities are in substance part of the City's operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Included in the City's reporting entity, based upon the application of these criteria, is the following blended component unit. The blended component unit presented had a December 31 year end.

Economic Development Authority. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five-member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the City. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

C. Measurement focus, basis of accounting and financial statement presentation

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the financial activity of the City's debt service relating to debt issues.

The *1st Street Infrastructure fund* accounts for construction activity related to the street and utility improvements for 1st Street.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

The City reports the following major proprietary funds:

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

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

The *Storm Sewer fund* accounts for the costs associated with the City's storm water utility system and ensures that user charges are sufficient to meet those costs.

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

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.

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 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

6. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

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

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

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

Negotiable certificates of deposit and taxable municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 3 for the City's recurring fair value measurements as of December 31, 2020. The City has adopted a formal investment policy.

Property taxes

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

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

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

Land held for resale

Land held for resale is carried at the lower of cost or net realizable value.

Inventory and Prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the thresholds below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Assets	Capitalization Threshold
Land improvements	$ 10,000
Buildings and improvements	25,000
Infrastructure	100,000
Machinery and equipment	5,000

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant, and equipment of the City, as well as component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

Compensated absences/Severance benefits

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Upon retirement or termination, employees in good standing are entitled to payout for the lesser of their vacation balance or twenty days. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, because of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment benefits other than pensions

Employees of the City pay health care premiums based on their age and level of coverage. Since the insurance rate is based on age, the City does not have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The City's personnel policy does not provide for any contributions upon employee retirement.

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

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), Rush City Volunteer Fire Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

PERA has a special funding situation for their public employees police and fire pension funds. The State of Minnesota contributes $9 million annually on October 1 until both PEPFP and MSRS State Patrol become 90% funded (on a Market Value of Asset Basis).

Long-term obligations

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

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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance

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

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

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

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

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

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

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

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

The City has not formally adopted a fund balance policy for the General fund.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the City Council for review. The City Council holds public hearings, and a final budget is prepared and adopted in December.

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

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2020, the General fund had expenditures over appropriations of $191,965. The excess of expenditures over appropriations was funded with additional revenues.

C. Deficit Fund Equity

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Major	
1st Street Improvement	$ 322,435
Nonmajor - Special Revenue	
Small Cities DEED Grant	2,136
Airport Master Plan	49,274
TIF #5	6,000
Nonmajor - Capital Projects	
Brookside improvement	141
Airport Improvement	66,967
Enterprise	
Storm Water	38,101

The fund deficits are planned to be eliminated with future interfund transfers or revenue.

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

On December 31, 2020, the carrying amount of deposits was $2,402,475 and the bank balance was $2,490,940. On December 31, 2020, all demand and time deposits were enrolled in the Insured Cash Sweep (ICS) program. The ICS program allows deposits over the FDIC limit to be fully insured by placing funds into multiple member financial institutions.

Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the City's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A.07 limits the City's investments.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies do not address concentration risk.

Negotiable certificates of deposit:	
Synchrony Bk Retail	$ 252,245
Goldman Sachs Bank	257,742
Taxable municipal bonds:	
NY City Transitional Fin Auth	610,032
New York St Dorm Auth	409,492
Connecticit State GO Bonds	256,035
Federal Home Loan Banks	273,830

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policies do not limit the maturities of investments; however, when purchasing investments, the City considers such things as interest rates and cash flow needs.

As of December 31, 2020, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

	Credit Risk		Fair Value Measurements	Interest Risk - Maturity Duration in Years		
Deposit/Investments	Rating	Agency	Using	Less Than 1	1 to 5	Total
Pooled investment at amortized cost						
FlexInsured money market funds	N/R	N/R	NAV	N/A	N/A	$ 475,696
Investment pools/ municipal bonds						
Negotiable certificates of deposit	N/R	N/R	Level 2	N/A	1,549,389	1,549,389
Taxable municipal bonds	A1	Moody	Level 2	N/A	509,987	509,987
Total investments						**$ 2,535,072**

NAV - Investments measured at the net asset value
N/A - Not applicable
N/R - Not rated

The City's investment in certain money market funds is measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. The money market funds are held at various financial institutions in the name of the City in a FlexInsured Account. These are not held by the broker and are not covered by SIPC insurance.

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

A reconciliation of cash and investment as shown on the Statement of Net Position for the City is as follows:

	Governmenal Funds	Proprietary Funds
Carrying amount of demand deposits	$ 1,717,165	$ 685,210
Time deposits	-	-
Petty cash	100	-
Cash and Cash equivalents	1,717,265	685,210
Investments	775,746	1,759,326
Total cash and investments	$ 2,493,011	$ 2,444,536

B. Receivables

Taxes receivables as of the year-end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Accounts receivable on the statement of net position consist of the following:

Nature of Receivable	Receivable Balance	Allowance for Uncollectibles	Total
Franchise fees	$ 1,361	$ -	$ 1,361
Building permits	11,355	-	11,355
Fines	291	-	291
Assessment searches	150	-	150
Fire calls	1,600	-	1,600
Management and operations	95,026	-	95,026
Fuel	5,708	-	5,708
Proprietary funds	106,039	-	106,039
Total	$ 221,530	$ -	$ 221,530

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

	Unavailable	Unearned
Special assessments not yet due (nonmajor)	$ 175,403	$ -
Delinquent property taxes	19,884	-
State aid reimbursement	76,785	
Escrow account held by city	-	23,215
Total deferred inflows of resources/unearned revenue	$ 272,072	$ 23,215

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

The only receivables not expected to be collectible within one year are the following: General Fund: $15,000 of delinquent taxes, Debt Service Fund: $100,000 of special assessments, Fire Equipment Fund: $200 of special assessments, and Nonmajor: $10,000 of special assessments.

C. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	$ 2,168,073	$ -	$ -	$ 2,168,073
Construction in progress	496,613	-	(496,613)	-
Total capital assets not being depreciated	2,664,686	-	(496,613)	2,168,073
Capital assets being depreciated				
Buildings and Improvements	4,769,850	-	-	4,769,850
Infrastructure	13,934,937	390,618	-	14,325,555
Machinery and equipment	4,304,036	110,458	(30,487)	4,384,007
Total capital assets being depreciated	23,008,823	501,076	(30,487)	23,479,412
Less accumulated depreciation for				
Buildings and Improvements	(1,896,095)	(146,164)	-	(2,042,259)
Infrastructure	(5,893,630)	(369,195)	-	(6,262,825)
Machinery and equipment	(2,493,681)	(237,522)	2,286	(2,728,917)
Total accumulated depreciation	(10,283,406)	(752,881)	2,286	(11,034,001)
Total capital assets being depreciated, net	12,725,417	(251,805)	(28,201)	12,445,411
Governmental activities capital assets, net	$ 15,390,103	$ (251,805)	$ (524,814)	$ 14,613,484

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated				
Land	$ 131,425	$ -	$ -	$ 131,425
Total capital assets not being depreciated	131,425	-	-	131,425
Capital assets being depreciated				
Buildings and improvements	4,209,015	-	-	4,209,015
Distribution system	8,907,324	257,180	-	9,164,504
Machinery and equipment	487,829	-	-	487,829
Total capital assets being depreciated	13,604,168	257,180	-	13,861,348
Less accumulated depreciation for				
Buildings and improvements	(1,182,878)	(60,126)	-	(1,243,004)
Distribution system	(2,997,462)	(208,689)	-	(3,206,151)
Machinery and equipment	(310,099)	(33,928)	-	(344,027)
Total accumulated depreciation	(4,490,439)	(302,743)	-	(4,793,182)
Total capital assets being depreciated, net	9,113,729	(45,563)	-	9,068,166
Business-type activities capital assets, net	$ 9,245,154	$ (45,563)	$ -	$ 9,199,591

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

Governmental activities:	
General government	$ 13,422
Public safety	144,430
Public works	440,273
Parks and recreation	18,716
Airport	136,040
Total depreciation expense - governmental activities	$ 752,881
Business-type activities:	
Water	$ 156,186
Sewer	145,967
Storm water	590
Total depreciation expense - business-type activities	$ 302,743

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Long-term debt

General Obligation Revenue Bonds/Notes

The City issued general obligation revenue bonds and notes where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes if anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. G.O. revenue bonds and notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue					
Bonds, 2011A	$ 730,000	0.95 - 3.15%	12/7/11	2/1/27	$ 370,000
G.O. Wastewater Revenue					
Note of 2012	920,505	1.52%	8/29/12	8/20/31	571,000
Total general obligation revenue bonds/notes					$ 941,000

General Obligation Improvement Bonds

The City issues general obligation improvement bonds to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation special assessment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2017A	635,000	1.50 - 3.00	8/1/18	2/1/38	$ 580,000
Total general obligation special assessment bonds					$ 580,000

General Obligation Bonds

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation notes have been issued for governmental activities. General obligation notes are direct obligations and pledge the full faith and credit of the City. General obligation notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation					
Bonds, 2016A	1,545,000	1.00 - 2.35%	2/1/17	2/1/32	$ 1,410,000
Total general obligation bonds					$ 1,410,000

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Promissory Notes

The City issued promissory notes to provide funds for the acquisition and construction of the industrial park and finance part of a fire truck. Promissory notes have been issued for governmental activities. Promissory notes are direct obligations and pledge the full faith and credit of the City. Promissory notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Chisago County HRA/EDA					
Promissory Note, 2014	100,000	0.00%	7/21/14	11/1/24	$ 40,000
East Central Energy					
Promissory Note, 2019	252,000	1.00%	10/31/19	11/1/29	226,800
Total promissory notes					$ 266,800

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

Year Ending December 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	$ 180,200	$ 41,073	$ 221,273	$ 98,000	$ 18,636	$ 116,636
2022	185,200	38,954	224,154	99,000	16,668	115,668
2023	215,200	36,435	251,635	99,000	14,572	113,572
2024	185,200	33,664	218,864	105,000	12,409	117,409
2025	175,200	30,886	206,086	106,000	10,039	116,039
2026-2030	860,800	106,476	967,276	378,000	20,070	398,070
2031-2035	395,000	25,980	420,980	56,000	852	56,852
2036-2038	60,000	2,700	62,700	-	-	-
Total	$ 2,256,800	$ 316,168	$ 2,572,968	$ 941,000	$ 93,246	$ 1,034,246

Outstanding non-exchange financial guaranteed obligations

On December 7, 2011, the City issued $730,000 general obligation water revenue bonds. The bonds mature annually through February 1, 2027, with semiannual interest payments. The state of Minnesota through their public facilities authority (PFA) has guaranteed to make all required payments that the City is unable to make. The City is required to repay the PFA with interest for any payments the PFA makes pursuant to the guarantee. As of December 31, 2020, the City has made all required debt service payments on the guaranteed debt. On December 31, 2020, the outstanding principal amount of the guaranteed debt was $370,000.

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO special assessment bonds	$ 610,000	$ -	$ (30,000)	$ 580,000	$ 30,000
GO Bonds	1,460,000	-	(50,000)	1,410,000	115,000
Bond Premiums/discounts	4,498	-	(236)	4,262	-
Total GO debt	2,074,498	-	(80,236)	1,994,262	145,000
Promissory notes	302,000	-	(35,200)	266,800	35,200
Capital leases	58,387	-	(28,771)	29,616	29,616
Net pension liability	314,658	200,380	(206,510)	308,528	-
Compensated absences	7,191	17,054	(13,051)	11,194	-
Governmental activity long-term liabilities	$ 2,756,734	$ 217,434	$ (363,768)	$ 2,610,400	$ 209,816
Business-type activities:					
GO revenue bonds/notes	$ 1,038,000	$ -	$ (97,000)	$ 941,000	$ 98,000
Net pension liability	134,535	44,387	(38,671)	140,251	-
Compensated absences	4,094	9,957	(10,412)	3,639	-
Business-type activity long-term liabilities	$ 1,176,629	$ 54,344	$ (146,083)	$ 1,084,890	$ 98,000

E. Capital Leases

During the year ended December 31, 2016, the City entered into a lease agreement for street sweeper. This lease agreement qualifies as capital lease for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the purchase date.

	Governmental Activities
Asset	
Machinery and equipment	$ 170,000
Less accumulated depreciation	(52,889)
Total	$ 117,111

Capital leases currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Street sweeper					
Lease of 2016	$ 170,000	2.90%	4/27/16	4/27/21	$ 29,616
Total obligations under capital lease					$ 29,616

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Annual payment requirements to maturity for capital leases are as follows:

Year Ending December 31	Governmental Activities Principal	Interest
2021	$ 29,616	$ 870
Total	$ 29,616	$ 870

F. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	Transferred To						
Transferred From	General	Debt Service	1st Street Infrastructure	Nonmajor Governmental	Water	Storm Water	Total
General				$ 400,398		$ 4,000	$ 404,398
Nonmajor Govt.	4,600	19,748					24,348
Water	28,128		90,440	18,028			136,596
Sewer	36,558		55,132	32,424			124,114
Storm Water			74,780		2,500		77,280
Total	$ 69,286	$ 19,748	$ 220,352	$ 450,851	$ 2,500	$ 4,000	$ 766,736

The purpose of the above transfers was to provide funding for debt service, capital improvement project close outs and operating purposes.

Internal Balances

Receivable Fund	Payable Fund	Amount
General	SCDP Grant	$ 2,136
General	EDA fund	1,254
General	Airport improvement grant	66,967
General	Airport master plan	37,370
General	TIF #5	6,000
General	Storm Water	39,392
General	1st Street Infrastructure	317,026
Sewer	General	21,920
Sewer	EDA fund	5,378
Sewer	Industrial Park	46,115
Sewer	Water	125,929
Sewer	Storm Water	96,284
Total		$ 765,771

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances present at year-end.

G. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2020 included the following:

	General	Debt Service	1st Street Improvement	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:					
Prepaid expense	$ 4,401				$ 4,401
Inventory	30,659				30,659
Total nonspendable	35,060	-	-	-	35,060
Restricted:					
Debt service		438,354			438,354
TIF #3				404,475	404,475
TIF #2				20,656	20,656
TIF #4				31,123	31,123
Total restricted	-	438,354	-	456,254	894,608
Restricted:					
Economic development				11,742	11,742
Assigned:					
Fire equipment				444,587	444,587
Irving addition improvement				59,314	59,314
Industrial park				443,265	443,265
Capital equipment				63,687	63,687
2017 airport project				3,528	3,528
Capital projects				299,567	299,567
Total assigned	-	-	-	1,313,947	1,313,947
Unassigned:					
General	918,417				918,417
1st street improvement			(322,435)		(322,435)
Small cities DEED				(2,136)	(2,136)
Airport master plan				(49,274)	(49,274)
TIF #5				(6,000)	(6,000)
Brookside improvement				(141)	(141)
Airport improvement				(66,967)	(66,967)
Total unassigned	918,417	-	(322,435)	(124,518)	471,464
Total fund balance	**$ 953,477**	**$ 438,354**	**$ (322,435)**	**$ 1,657,425**	**$ 2,726,821**

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2020 includes the following:

Net Investment in Capital Assets:	
Land	$ 2,168,073
Buildings and improvements	4,769,850
Infrastructure	14,325,555
Machinery and equipment	4,384,006
Less: accumulated depreciation	(11,034,001)
Less: long-term debt outstanding	(2,286,416)
Less: bond premiums	(4,261)
Total Net Investment in Capital Assets	12,322,805
Restricted for:	
Debt service	1,007,596
Unrestricted	1,655,981
Total Governmental Activities Net Position	$ 14,986,382

Business-Type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2020 includes the following:

Net Investment in Capital Assets:	
Land	$ 131,425
Buildings and improvements	4,209,015
Distribution system	9,164,504
Machinery and equipment	487,829
Less: accumulated depreciation	(4,793,182)
Less: long-term debt outstanding	(941,000)
Total Net Investment in Capital Assets	8,258,591
Unrestricted	2,534,600
Total Business-Type Activities Net Position	$ 10,793,191

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

A. Plan Description

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

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

B. Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former Minneapolis Employee Retirement Fund (MERF) members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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. Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020 were $30,867. The City's contributions were equal to the required contributions as set by state statute.

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

D. Pension Costs

On December 31, 2020, the City reported a liability of $341,742 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2020. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $10,582. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportion was 0.0057% which was a decrease of 0.0005% from its proportion measured as of June 30, 2019. For the year ended December 31, 2020, the City recognized pension expense of $(66,491) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional $921 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.

On December 31, 2020, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,682	$ 1,608
Differences between projected and actual investment earnings	29,581	43,856
Changes in actuarial assumptions	(998)	16,011
Changes in proportion	-	51,975
District's contributions subsequent to the measurement date	16,548	-
Total	$ 47,813	$ 113,450

$16,548 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP 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 inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	$ (67,064)
2022	(21,473)
2023	(1,967)
2024	8,319
2025	-
Thereafter	-

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Measurement Date	June 30, 2020
Valuation Date	July 1, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Investment Rate of Return	7.50%
Inflation	2.50% per year
Projected Salary Increase	3.25% after 26 years of service

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for the General Employees Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25% per year for all future years for the General Employees Plan.

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

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

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

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

City's proportionate share of NPL

Plan		1 % Decrease	Current	1 % Increase
	Rate	6.50%	7.50%	8.50%
City's proportionate share of the GERP net pension liability:		$ 547,692	$ 341,742	$ 171,848

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued PERA financial report. That 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.

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

All active or probationary members of the Rush City Fire Department are covered by a Defined Benefit Plan (the Plan) administered by the Rush City Fire Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association issues a publicly available financial report. The report may be obtained by writing to Rush City Fire Relief Association, P.O. Box 556 Rush City, Minnesota 55069.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Fire Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

If a member is terminated prior to age 50 with at least 10 years of service, a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination, reduced for less than 20 years of service. For members that terminate with at least 10 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant's beneficiary.

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability without regard to vesting.

A survivor benefit is paid based on years of service (not less than 5 years) times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Benefit in the amount of 20% of the total benefit paid, but not more than $2,000.

Summary of Participant Data	
Active members	25
Inactive members entitled to future benefits	7
Inactive members or beneficiaries currently receiving benefits	0
Total number of participants	32

B. Benefits Provided

Benefits are provided to Fire Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of $2,500 (effective January 1, 2020) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than $1,000. If a member is both age 50 and has completed 10 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed $46,492 in fire state aid to the plan for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. There were statutorily required contributions to the pension plan for the year ended December 31, 2020 of $4,858 paid by the City. In addition, the City made voluntary contributions of $0 to the plan.

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

D. Pension Costs

On December 31, 2019, the Association reported a liability of $107,037. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The following table presents the changes in net pension liability during the year:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at Previous Fiscal Year 12/31/2018	$ 778,841	$ 672,433	$ 106,408
Changes for the year:			
Service cost	26,114	-	26,114
Interest	39,630	-	39,630
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	75,053	-	75,053
Contributions - State and local	-	43,631	(43,631)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	99,948	(99,948)
Other additions (e.g. receivables)	-	-	-
Benefit payments, including member contribution refunds	(100,187)	(100,187)	-
Administrative expense	-	(3,411)	3,411
Other deductions (e.g. payables)	-	-	-
Net changes	40,610	39,981	629
Balance at Current Fiscal Year 12/31/2019	$ 819,451	$ 712,414	$ 107,037

During the measurement period, the benefit level was increased from $2,300 to $2,500.

For the year ended December 31, 2020 the City recognized pension expense of $57,409.

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

On December 31, 2020, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ -
Differences between projected and actual investment earnings	43,636	54,954
Changes in actuarial assumptions	-	-
District's contributions subsequent to the measurement date	51,350	-
Total	$ 94,986	$ 54,954

$51,350 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	$ 807
2022	807
2023	807
2024	(13,739)
2025	-
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Measurement Date	December 31, 2019
Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Investment Rate of Return	5.25%
Inflation	2.50% per year
Lump Sum Benefit Increase	N/A*

* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments as follows:

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2018, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the December 31, 2018; valuation was based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2019.

The following changes in actuarial assumptions occurred in 2019:

- None

The long-term expected rate of return on pension plan investments is 5.25%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's assets allocation as of the measurement date are summarized in the following table:

Asset class	Allocation	Real rate of return	Nom rate of return
Domestic equity	44.91%	4.76%	7.26%
International equity	9.04%	5.41%	7.91%
Fixed income	37.15%	2.01%	4.51%
Real estate and alternatives	0.67%	4.53%	7.03%
Cash and equivalents	8.23%	-0.74%	3.24%
Total	100.00%		
			6.33%
	Reduced for assumed investment expense		-1.00%
	Net assumed rate of return		5.25%

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation." The actuary believes that the plan's current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan's long-term expected investment return as the liability discount rate.

Note 4 DEFINED BENEFIT PENSION PLANS-(Continued)

G. Pension Liability Sensitivity

The following presents the Association's net pension liability for plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Association's 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:

Association's Net Pension Liability		
1 Percent Decrease	Current	1 Percent Increase
4.25%	5.25%	6.25%
$ 123,357	$ 107,037	$ 91,180

H. Pension Plan Fiduciary Net Position

Detailed information about the relief association's defined benefit pension plan's fiduciary net position is available in a separately issued financial report. That report may be obtained by writing to the City of Rush City at P.O. Box 556 Rush City, Minnesota, 55069.

Note 5 OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has $1,410,000 of debt outstanding subjected to this limit on December 31, 2020.

C. Tax increment districts

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

Note 5 OTHER INFORMATION-(Continued)

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2020 was $906,839 for LGA. This accounted for 44 percent of General fund revenues.

The City receives a significant amount of its water and sewer revenues from a single customer. During the year ended December 31, 2020 the amount received was $199,021 and 274,366 for water and sewer service, respectively. This accounted for 45 and 52 percent of the water and sewer funds' operating revenue, respectively.

Note 6 TAX ABATEMENT

The City is authorized by Minnesota statute §469.1813 to enter into property tax abatement agreements for the purpose of attracting or retaining businesses if the City expects the benefits to the City of the proposed abatement agreement to at least equal the costs of the proposed agreement. Tax abatements may be granted only after holding a public hearing on the proposed abatement. In any year, the total amount of property taxes abated by the City may not exceed ten percent of the net tax capacity of the City for the taxes payable year to which the abatement applies, or $200,000, whichever is greater. The City determines the percentage amount and duration of the tax abatement, which generally is not to exceed 15 years, except in certain cases where abatement duration can be increased to 20 years.

For the ended December 31, 2020, the City abated property taxes totaling $1,817 under this program, including the following tax abatement agreement that exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

Type Business	Purpose	Percent Abated	Term	Ending	Amount Abated
Dental Facility	To construct a state-of-the-art dental facility located within the City	85%	10 years	2020	$ 1,817

Note 7 PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

The City participates in the Deferred Compensation Plan, a voluntary savings plan administered by Aspire Financial Services LLC for eligible employees. The Deferred Compensation Plan is a tax qualified plan under Section 457 of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes,* Chapter 352.965, established the Deferred Compensation Plan. An eligible employee who decides to participate contributes a minimum of one percent of salary. Total contributions made by the City during the fiscal year 2020 were $0.

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 8 LEASES

Operating Leases

The has the following operating leases existing on December 31, 2020:

Leased property	Term	Renewal option	Payment terms
Hangars	Ten years	2 ten year periods	$0.13 per square foot through 2020 then $0.15 per square foot through 2030
Agriculture	One years	Annually renews	$70 per acre for three of plots and $80 per acre for the fourth
Building	One year	Annually renews	$750 per month with $60 going to manager and $690 going to City

Future minimum operating lease commitments are as follows:

Year ending December 31,	
2021	$ 28,551
2022	28,551
2023	28,551
2024	28,551
2025	30,509
2026-2030	152,545

Note 9 PRIOR PERIOD RESTATEMENT

Correction of Errors

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position been restated to record a prior period adjustment to correct a previously undisclosed capital lease and airport fuel inventory. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

	Governmental Activities
Beginning net position, as previously stated	$ 14,793,678
Adjustment to record capital lease	41,857
Adjustment to record fuel inventory	30,559
Beginning net position, as restated	$ 14,866,094

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2020

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2020	6/30/2020	0.0057%	$ 341,742	$ 10,582	$ 352,324	$ 394,062	89.4%	79.1%
12/31/2019	6/30/2019	0.0062%	$ 342,784	$ 10,500	$ 353,284	$ 390,646	90.4%	80.2%
12/31/2018	6/30/2018	0.0067%	$ 371,689	$ 12,157	$ 383,846	$ 473,939	81.0%	79.5%
12/31/2017	6/30/2017	0.0075%	$ 478,795	$ 6,059	$ 484,854	$ 448,790	108.0%	75.9%
12/31/2016	6/30/2016	0.0079%	$ 641,441	$ 8,374	$ 649,815	$ 510,839	127.2%	68.9%
12/31/2015	6/30/2015	0.0080%	$ 414,602	$ -	$ 414,602	$ 480,534	86.3%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
Year Ended December 31, 2020

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2020	6/30/2020	$ 30,725	$ 30,725	$ -	$ 409,667	7.50%
12/31/2019	6/30/2019	$ 32,661	$ 32,661	$ -	$ 435,480	7.50%
12/31/2018	6/30/2018	$ 33,866	$ 33,866	$ -	$ 451,547	7.50%
12/31/2017	6/30/2017	$ 36,470	$ 36,470	$ -	$ 486,267	7.50%
12/31/2016	6/30/2016	$ 36,634	$ 36,634	$ -	$ 488,453	7.50%
12/31/2015	6/30/2015	$ 34,573	$ 34,573	$ -	$ 460,973	7.50%

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF CHAGNES IN NET PENSION LIABILITY AND RELATED RATIOS
RUSH CITY FIRE RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Total Pension Liability	**2019**	**2018**
Service cost	$ 26,114	$ 25,477
Interest	39,630	41,876
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Changes in benefit terms	75,053	-
Benefit payments, including member contribution refunds	(100,187)	(121,358)
Net change in total pension liability	40,610	(54,005)
Total Pension Liability - beginning	778,841	832,846
Total Pension Liability - ending	$ 819,451	$ 778,841
Plan Fiduciary Net Position		
Contributions - state and local	$ 43,631	$ 38,373
Contributions - donation and other income	-	-
Contributions - member	-	-
Net investment income	99,948	(34,201)
Other additions (e.g. receivable)	-	-
Benefit payments, including member contribution refunds	(100,187)	(121,358)
Administrative expenses	(3,412)	(3,048)
Other deductions (e.g. payables)	-	-
Net change in plan fiduciary net position	39,980	(120,234)
Plan Fiduciary Net Position - beginning	672,434	792,668
Plan Fiduciary Net Position - ending	$ 712,414	$ 672,434
Net Pension (Asset) Liability - ending	$ 107,037	$ 106,407
FNP as a percentage of the TPL	86.94%	86.34%

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

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
RUSH CITY FIRE RELIEF ASSOCIATION
(Last 10 Fiscal Years)

Fiscal year ending	**Actuarially determined contribution**	**Contributions in relation to the ADC**	**Contribution deficiency (excess)**	**Payroll**	**Contributions as a percentage of payroll**	**NPL as a percent of payroll**
December 31, 2019	-	$ 0	$ 0	-	-	-
December 31, 2018	-	$ 0	$ 0	-	-	-

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

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2020 changes:

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

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

2019 changes:

Changes in Actuarial Assumptions. The mortality 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:

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

2017 changes:

Change of Assumptions. The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2 044 and 2.5 percent per year thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

CITY OF RUSH CITY, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2020

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

A. Public Employees Retirement Association – (Continued)

2015 changes:

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

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

B. Volunteer Fire Relief Association

2019 changes:

Changes in Plan Provision: During the measurement period, the benefit level was increased from $2,300 to $2,500.

Changes in Actuarial Assumptions: None.

2018 changes:

Changes in Actuarial Assumptions: None.

SUPPLEMENTARY INFORMATION SECTION

A-45

CITY OF RUSH CITY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 454,103	$ 423,477	$ 877,580
Investments	0	554,688	554,688
Taxes Receivable	2,151	0	2,151
Accounts Receivable	0	1,100	1,100
Special Assessments	0	16,757	16,757
Due from Other Governments	38,688	0	38,688
Land Held for Sale	20,249	384,031	404,280
TOTAL ASSETS	$ 515,191	$ 1,380,053	$ 1,895,244
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts Payable	$ 13,779	$ 3,392	$ 17,171
Due to Other Funds	46,760	66,967	113,727
Advance from Other Funds	5,378	46,115	51,493
Total Liabilities	65,917	116,474	182,391
Deferred Inflows of Resources:			
Unavailable Revenue	38,688	16,740	55,428
Fund Balance:			
Restricted	456,254	0	456,254
Committed	11,742	0	11,742
Assigned	0	1,313,947	1,313,947
Unassigned	(57,410)	(67,108)	(124,518)
Total Fund Balance	410,586	1,246,839	1,657,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 515,191	$ 1,380,053	$ 1,895,244

CITY OF RUSH CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues:			
General Property Taxes	$ 25,000	$ 27,720	$ 52,720
Tax Increment	64,374	0	64,374
Intergovernmental	42,408	27,292	69,700
Charges for Services	0	45,331	45,331
Other Income	29,508	32,962	62,470
Special Assessments	0	6,810	6,810
Interest Income	1,916	15,916	17,832
Total Revenues	163,206	156,031	319,237
Expenditures:			
Current:			
Public Safety	0	13,660	13,660
Public Works	0	31,267	31,267
Parks and Recreation	0	6,000	6,000
Economic Development	22,410	5,557	27,967
Transportation	80,351	0	80,351
Capital Outlay:			
General Government	0	4,233	4,233
Public Safety	0	62,976	62,976
Public Works	0	92,864	92,864
Transportation	0	9,050	9,050
Debt Service:			
Principal	10,000	53,971	63,971
Interest and Fiscal Charges	266	6,514	6,780
Total Expenditures	113,027	286,092	399,119
Excess of Revenue Over (Under) Expenditures	50,179	(130,061)	(79,882)
Other Financing Sources (Uses):			
Transfers In	15,875	434,976	450,851
Transfers Out	(19,748)	(4,600)	(24,348)
Total Other Financing Sources (Uses)	(3,873)	430,376	426,503
Change in Fund Balance	46,306	300,315	346,621
Fund Balance - January 1	364,280	946,524	1,310,804
Fund Balance - December 31	$ 410,586	$ 1,246,839	$ 1,657,425

CITY OF RUSH CITY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
December 31, 2020

	Small Cities DEED Grant	Economic Development Authority	Airport Master Plan	TIF District No. 3
ASSETS				
Cash and Cash Equivalents	$ 0	$ 0	$ 0	$ 404,474
Taxes Receivable	0	0	0	0
Due from Other Governments	0	0	38,688	0
Land Held for Sale	0	20,249	0	0
TOTAL ASSETS	$ 0	$ 20,249	$ 38,688	$ 404,474
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	$ 0	$ 1,875	$ 11,904	$ 0
Due to Other Funds	2,136	1,254	37,370	0
Advance from Other Funds	0	5,378	0	0
Total Liabilities	2,136	8,507	49,274	0
Deferred Outflows of Resources:				
Unavailable Revenue	0	0	38,688	0
Fund Balance:				
Restricted	0	0	0	404,474
Committed	0	11,742	0	0
Unassigned	(2,136)	0	(49,274)	0
Total Fund Balance	(2,136)	11,742	(49,274)	404,474
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCE	$ 0	$ 20,249	$ 38,688	$ 404,474

TIF District No. 2	TIF District No. 4	TIF District No. 5	Total
$ 20,656	$ 28,973	$ 0	$ 454,103
0	2,151	0	2,151
0	0	0	38,688
0	0	0	20,249
$ 20,656	$ 31,124	$ 0	$ 515,191
$ 0	$ 0	$ 0	$ 13,779
0	0	6,000	46,760
0	0	0	5,378
0	0	6,000	65,917
0	0	0	38,688
20,656	31,124	0	456,254
0	0	0	11,742
0	0	(6,000)	(57,410)
20,656	31,124	(6,000)	410,586
$ 20,656	$ 31,124	$ 0	$ 515,191

CITY OF RUSH CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For the Year Ended December 31, 2020

	Small Cities DEED Grant	Economic Development Authority	Airport Master Plam	TIF District No. 3
Revenues:				
Property Taxes	$ 0	$ 25,000	$ 0	$ 0
Tax Increment	0	0	0	49,141
Intergovernmental	0	0	42,408	0
Other Income	763	28,745	0	0
Interest Income	2	0	0	1,678
Total Revenues	765	53,745	42,408	50,819
Expenditures:				
Current:				
Economic Development	0	20,599	0	0
Transportation	0	0	80,351	0
Debt Service:				
Principal	0	10,000	0	0
Interest and Fiscal Charges	0	266	0	0
Total Expenditures	0	30,865	80,351	0
Excess of Revenue Over (Under) Expenditures	765	22,880	(37,943)	50,819
Other Financing Sources (Uses):				
Transfers In	0	0	15,000	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	15,000	0
Change in Fund Balance	765	22,880	(22,943)	50,819
Fund Balance - January 1	(2,901)	(11,138)	(26,331)	353,655
Fund Balance - December 31	$ (2,136)	$ 11,742	$ (49,274)	$ 404,474

TIF District No. 2	TIF District No. 4	TIF District No. 5	Total
$ 0	$ 0	$ 0	$ 25,000
0	15,233	0	64,374
0	0	0	42,408
0	0	0	29,508
91	145	0	1,916
91	15,378	0	163,206
0	936	875	22,410
0	0	0	80,351
0	0	0	10,000
0	0	0	266
0	936	875	113,027
91	14,442	(875)	50,179
0	0	875	15,875
0	(19,748)	0	(19,748)
0	(19,748)	875	(3,873)
91	(5,306)	0	46,306
20,565	36,430	(6,000)	364,280
$ 20,656	$ 31,124	$ (6,000)	$ 410,586

CITY OF RUSH CITY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
December 31, 2020

	Irving Addition Improvement	Industrial Park	Capital Equipment	Capital Projects
ASSETS				
Cash and Cash Equivalents	$ 59,314	$ 105,349	$ 56,457	$ 86,512
Investments	0	0	7,230	215,928
Accounts Receivable	0	0	0	0
Special Assessments	0	0	0	16,071
Land Held for Sale	0	384,031	0	0
TOTAL ASSETS	$ 59,314	$ 489,380	$ 63,687	$ 318,511
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	$ 0	$ 0	$ 0	$ 2,891
Due to Other Funds	0	0	0	0
Advance from Other Funds	0	46,115	0	0
Total Liabilities	0	46,115	0	2,891
Deferred Inflows of Resources:				
Unavailable Revenue	0	0	0	16,054
Fund Balance:				
Assigned	59,314	443,265	63,687	299,566
Unassigned	0	0	0	0
Total Fund Balance	59,314	443,265	63,687	299,566
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 59,314	$ 489,380	$ 63,687	$ 318,511

Airport Improvement	2017 Airport Project	Fire Equipment	Brookside Improvement	Total
$ 0	$ 3,528	$ 111,957	$ 360	$ 423,477
0	0	331,530	0	554,688
0	0	1,100	0	1,100
0	0	686	0	16,757
0	0	0	0	384,031
$ 0	$ 3,528	$ 445,273	$ 360	$ 1,380,053
$ 0	$ 0	$ 0	$ 501	$ 3,392
66,967	0	0	0	66,967
0	0	0	0	46,115
66,967	0	0	501	116,474
0	0	686	0	16,740
0	3,528	444,587	0	1,313,947
(66,967)	0	0	(141)	(67,108)
(66,967)	3,528	444,587	(141)	1,246,839
$ 0	$ 3,528	$ 445,273	$ 360	$ 1,380,053

CITY OF RUSH CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
For the Year Ended December 31, 2020

	Irving Addition Improvement	Industrial Park	Capital Equipment	Capital Projects
Revenues:				
Property Taxes	$ 0	$ 0	$ 0	$ 0
Intergovernmental	0	0	0	11,894
Charges for Services	0	10,380	0	0
Other Income	0	0	0	0
Special Assessments	0	0	0	5,750
Interest Income	262	455	2,507	7,198
Total Revenues	262	10,835	2,507	24,842
Expenditures:				
Current:				
Public Safety	0	0	0	0
Public Works	0	0	0	30,277
Parks and Recreation	0	0	0	6,000
Economic Development	0	5,557	0	0
Capital Outlay:				
General Government	0	0	4,233	0
Public Safety	0	0	0	0
Public Works	0	0	935	91,929
Transportation	0	0	0	9,050
Debt Service:				
Principal	0	0	28,771	0
Interest and Fiscal Charges	0	2,278	1,716	0
Total Expenditures	0	7,835	35,655	137,256
Excess of Revenue Over (Under) Expenditures	262	3,000	(33,148)	(112,414)
Other Financing Sources (Uses):				
Transfers In	0	47,269	94,854	179,800
Transfers Out	0	0	(4,600)	0
Total Other Financing Sources (Uses)	0	47,269	90,254	179,800
Change in Fund Balance	262	50,269	57,106	67,386
Fund Balance - January 1	59,052	392,996	6,581	232,180
Fund Balance - December 31	$ 59,314	$ 443,265	$ 63,687	$ 299,566

Airport Improvement	2017 Airport Project	Fire Equipment	Brookside Improvement	Total
$ 0	$ 0	$ 27,720	$ 0	$ 27,720
0	2,028	13,370	0	27,292
0	0	34,951	0	45,331
0	0	32,962	0	32,962
0	0	1,060	0	6,810
47	0	5,447	0	15,916
47	2,028	115,510	0	156,031
0	0	13,660	0	13,660
0	0	0	990	31,267
0	0	0	0	6,000
0	0	0	0	5,557
0	0	0	0	4,233
0	0	62,976	0	62,976
0	0	0	0	92,864
0	0	0	0	9,050
0	0	25,200	0	53,971
0	0	2,520	0	6,514
0	0	104,356	990	286,092
47	2,028	11,154	(990)	(130,061)
21,054	1,500	89,650	849	434,976
0	0	0	0	(4,600)
21,054	1,500	89,650	849	430,376
21,101	3,528	100,804	(141)	300,315
(88,068)	0	343,783	0	946,524
$ (66,967)	$ 3,528	$ 444,587	$ (141)	$ 1,246,839

CITY OF RUSH CITY, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2020

	G.O. Improvement Bonds 2017B	G.O. Bond 2016A	Total Debt Service Funds
ASSETS			
Cash and Cash Equivalents	$ 346,880	$ 91,442	$ 438,322
Special Assessments	126,557	3,391	129,948
TOTAL ASSETS	$ 473,437	$ 94,833	$ 568,270
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources:			
Unavailable Revenue	$ 126,557	$ 3,359	$ 129,916
Fund Balance:			
Restricted	346,880	91,474	438,354
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 473,437	$ 94,833	$ 568,270

CITY OF RUSH CITY, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS
For the Year Ended December 31, 2020

	G.O. Improvement Bonds 2017A	G.O. Bonds 2016A	Total Debt Service Funds
Revenues:			
Property Taxes	$ 21,381	$ 71,000	$ 92,381
Special Assessments	19,688	1,542	21,230
Interest Income	1,548	369	1,917
Total Revenues	42,617	72,911	115,528
Expenditures:			
Debt Service:			
Principal	30,000	50,000	80,000
Interest and Fiscal Charges	17,653	26,539	44,192
Total Expenditures	47,653	76,539	124,192
Excess of Revenue Over (Under) Expenditures	(5,036)	(3,628)	(8,664)
Other Financing Sources (Uses):			
Transfers In	0	19,748	19,748
Total Other Financing Sources (Uses)	0	19,748	19,748
Change in Fund Balance	(5,036)	16,120	11,084
Fund Balance - January 1	351,916	75,354	427,270
Fund Balance - December 31	$ 346,880	$ 91,474	$ 438,354

CITY OF RUSH CITY, MINNESOTA

BALANCE SHEET
GENERAL FUND
December 31, 2020
(With Comparative Amounts For December 31, 2019)

	2020	Restated 2019
ASSETS		
Cash and Cash Equivalents	$ 401,363	$ 321,019
Investments	221,058	221,261
Accounts Receivable	37,485	19,432
Property Taxes	26,889	31,043
Prepaid Expense	4,401	3,525
Inventory	30,659	30,559
Due from Other Funds	470,144	277,980
Due from Other Governments	38,218	121
Special Assessments	10,511	10,157
TOTAL ASSETS	$ 1,240,728	$ 915,097
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accrued Expenses	$ 155,388	$ 15,802
Unearned Revenue	23,215	18,000
Advance to Other Funds	21,920	22,320
Total Liabilities	200,523	56,122
Deferred Inflows of Resources:		
Unavailable Revenue	86,728	36,995
Fund Balance:		
Nonspendable	35,060	3,525
Unassigned	918,417	818,455
Total Fund Balance	953,477	821,980
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,240,728	$ 915,097

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Revenues:					
Taxes:					
Property Taxes	$ 497,899	497,899	$ 494,544	$ (3,355)	$ 452,113
Franchise Taxes	16,000	16,000	16,097	97	16,097
Total Taxes	513,899	513,899	510,641	(3,258)	468,210
Special Assessments	1,800	1,800	1,987	187	1,512
Intergovernmental:					
State Grants and Aids	0	0	8,842	8,842	0
Local Government Aid	904,895	904,895	906,839	1,944	846,383
Pera Aid	1,765	1,765	0	(1,765)	1,765
Market Value Credit	0	0	353	353	370
Insurance Premium Tax-Fire	36,000	36,000	46,492	10,492	40,631
Airport Maintenance Aid	23,000	23,000	26,136	3,136	33,180
Other Federal Grants	0	0	233,103	233,103	0
Grant Dollars	0	0	0	0	3,000
Total Intergovernmental	965,660	965,660	1,221,765	256,105	925,329
Licenses	7,250	7,250	13,961	6,711	19,378
Charges for Services:					
Municipal Bldg/CC Rent	2,000	2,000	550	(1,450)	2,125
City Hall Rent Revenue	17,000	17,000	18,150	1,150	17,400
Zoning and Subdivision Fees	1,500	1,500	1,980	480	1,365
Assessment Search Fees	1,000	1,000	4,020	3,020	2,160
Admin Charges to Other Funds	0	0	30	30	0
Animal Fees	25	25	40	15	25
Fire Contract Revenue	50,000	50,000	78,173	28,173	55,191
Mowing/Weed Cleaning Chrg	2,400	2,400	5,126	2,726	7,115
Medical Services	1,000	1,000	3,470	2,470	2,154
Park Fees	0	0	0	0	2,000
Airport Hangar Lease	10,200	10,200	13,179	2,979	11,686
Agricultural Leases	5,500	5,500	5,330	(170)	5,330
Airplane Fuel	110,000	110,000	124,091	14,091	124,853
Cleanup Day Revenue	2,500	2,500	2,703	203	2,198
Garden Plots	300	300	625	325	340
Total Charges for Services	203,425	203,425	257,467	54,042	233,942
Fines	6,500	6,500	7,201	701	5,056
Other Income	18,300	18,300	25,380	7,080	16,580
Investment Earnings	15,000	15,000	2,211	(12,789)	16,567
Total Revenues	1,731,834	1,731,834	2,040,613	308,779	1,686,574

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures:					
General Government:					
Mayor and Council:					
Full-Time Employees Regular	$ 16,030	$ 16,030	$ 15,018	$ (1,012)	$ 14,910
Part-Time Employees	800	800	0	(800)	0
PERA	250	250	345	95	345
Social Security	1,043	1,043	931	(112)	924
Medicare	244	244	218	(26)	216
Worker's Comp Insurance	200	200	120	(80)	216
Public Officials Bond	65	65	0	(65)	0
Travel Expenses	1,000	1,000	0	(1,000)	1,006
Legal Notices Publishing	400	400	539	139	133
General Notices and Pub Info	0	0	345	345	252
Dues and Subscriptions	6,000	6,000	5,534	(466)	5,165
Conferences and Schools	1,000	1,000	0	(1,000)	1,308
Government Building:					
City Hall:					
Full-Time Employees Regular	1,807	1,807	1,199	(608)	2,380
Part-Time Employees	1,400	1,400	1,964	564	1,378
PERA	241	241	95	(146)	176
Social Security	199	199	195	(4)	226
Medicare	47	47	46	(1)	53
Employer Paid Health	311	311	255	(56)	347
Employer Paid HSA/Flex	66	66	66	0	83
Employer Paid Life	4	4	4	0	4
Worker's Comp Insurance	130	130	78	(52)	104
Cleaning Supplies	1,500	1,500	245	(1,255)	788
Repair/Maint Supply	300	300	100	(200)	0
Professional Services	500	500	234	(266)	100
General Liability Insurance	3,300	3,300	2,929	(371)	2,701
Electric Utilities	8,000	8,000	8,423	423	8,887
Gas Utilities	5,000	5,000	2,847	(2,153)	4,468
Refuse/Garbage Disposal	1,350	1,350	1,264	(86)	1,106
Water Systems	300	300	288	(12)	282
Repairs/Maint Buildings	2,000	2,000	1,357	(643)	892
Building Lease	25,500	25,500	28,144	2,644	25,328
Elections:					
Part-Time Employees	0	0	4,673	4,673	0
Social Security	0	0	290	290	0
Medicare	0	0	68	68	0
Office Supplies	500	500	2,341	1,841	0
Printed Forms	0	0	346	346	0
Professional Services	2,000	2,000	75	(1,925)	0
Travel Expenses	2,000	2,000	393	(1,607)	0
Legal Notices Publishing	100	100	14	(86)	0

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures (Continued):					
General Government:					
Government Building:					
Community Center:					
Part-Time Employees	$ 1,400	$ 1,400	$ 1,901	$ 501	$ 1,416
Social Security	87	87	122	35	85
Medicare	20	20	29	9	20
Worker's Comp Insurance	130	130	78	(52)	104
Cleaning Supplies	1,500	1,500	189	(1,311)	1,360
Repair/Maint Supply	300	300	222	(78)	203
Professional Services	900	900	87	(813)	824
Telephone	1,500	1,500	1,621	121	1,587
General Liability Insurance	700	700	743	43	698
Electric Utilities	3,200	3,200	3,345	145	3,594
Water Utilities	500	500	368	(132)	403
Gas Utilities	1,800	1,800	1,546	(254)	1,783
Refuse/Garbage Disposal	500	500	524	24	451
Repairs/Maint Buildings	3,000	3,000	5,890	2,890	881
Miscellaneous	100	100	0	(100)	0
Licenses	266	266	315	49	315
Finance:					
Full-Time Employees Regular	134,500	134,500	122,446	(12,054)	134,316
Overtime	500	500	0	(500)	0
Part-Time Employees	8,500	8,500	3,258	(5,242)	8,268
PERA	10,762	10,762	10,722	(40)	10,586
Social Security	8,897	8,897	7,643	(1,254)	7,904
Medicare	2,081	2,081	1,788	(293)	1,848
Employer Paid Health	23,500	23,500	21,588	(1,912)	23,575
Employer Paid HSA/Flex	3,839	3,839	3,839	0	3,920
Employer Paid Life	200	200	320	120	321
Worker's Comp Insurance	1,500	1,500	900	(600)	1,200
Office Supplies	3,800	3,800	3,488	(312)	1,729
Service Contracts	8,000	8,000	11,922	3,922	12,373
Professional Srvs	12,000	12,000	10,386	(1,614)	12,073
Telephone	5,300	5,300	4,711	(589)	5,043
Postage	1,500	1,500	134	(1,366)	928
Travel Expenses	700	700	160	(540)	859
General Liability Insurance	5,200	5,200	4,231	(969)	4,488
Repairs/Maint Machinery/Equip	200	200	0	(200)	0
Conferences and Schools	400	400	90	(310)	655
Miscellaneous	400	400	20	(380)	280
Service Charge	250	250	74	(176)	0

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures (Continued):					
General Government:					
Finance:					
Professional Services	$ 8,500	$ 8,500	$ 12,400	$ 3,900	$ 8,000
General Notices and Pub Info	200	200	0	(200)	0
Legal Fees	10,000	10,000	3,952	(6,048)	3,667
Postage	2,100	2,100	1,650	(450)	1,637
Publishing Newsletter	10,000	10,000	8,997	(1,003)	9,052
CARES Act Expenditures	0	0	141,383	141,383	0
Planning & Zoning:					
Full-Time Employees Regular	17,543	17,543	16,198	(1,345)	17,048
Part-Time Employees	1,500	1,500	1,230	(270)	630
PERA	1,316	1,316	1,363	47	1,276
Social Security	1,088	1,088	1,015	(73)	967
Medicare	254	254	237	(17)	226
Employer Paid Health	3,000	3,000	2,700	(300)	2,475
Employer Paid HSA/Flex	451	451	451	0	451
Employer Paid Life	23	23	23	0	23
Worker's Comp Insurance Prem	125	125	75	(50)	100
Professional Services	1,500	1,500	3,244	1,744	688
Travel Expenses	200	200	0	(200)	0
Legal Notices Publishing	300	300	113	(187)	50
Conferences and Schools	900	900	50	(850)	0
Filing Fees	200	200	0	(200)	0
Tax Abatement Twin Win	0	0	1,817	1,817	3,591
Interest	0	0	266	266	394
Total General Government	390,719	390,719	502,847	112,128	368,143
Public Safety:					
Police Department:					
Professional Services	403,000	403,000	382,418	(20,582)	399,685
Telephone	50	50	43	(7)	42
Civil Defense:					
Repairs/Maint Machinery/Equip	300	300	0	(300)	0
Other Operating Supplies	400	400	0	(400)	0
Professional Services	1,000	1,000	0	(1,000)	0
Miscellaneous	0	0	570	570	0

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures (Continued):					
Public Safety:					
Fire Department:					
Part-Time Employees	$ 28,000	$ 28,000	$ 23,640	$ (4,360)	$ 33,259
Social Security	1,736	1,736	1,840	104	2,065
Medicare	406	406	430	24	483
Worker's Comp Insurance	23,000	23,000	16,125	(6,875)	23,224
Office Supplies	600	600	535	(65)	50
Cleaning Supplies	200	200	64	(136)	287
Motor Fuels	3,200	3,200	3,540	340	4,238
Other Operating Supplies	3,000	3,000	1,345	(1,655)	2,685
Fire Prevention	3,000	3,000	1,449	(1,551)	2,883
Repair/Maint Supply	3,000	3,000	9,103	6,103	8,194
Professional Services	3,500	3,500	5,656	2,156	3,386
Other Professional Services	0	0	2,200	2,200	0
Personnel Testing	5,000	5,000	4,707	(293)	5,742
Uniforms & Accessories	2,000	2,000	2,370	370	1,156
Contract 800 MHZ w County	7,865	7,865	3,263	(4,602)	7,475
Telephone	1,900	1,900	1,860	(40)	1,899
Postage	300	300	314	14	446
Radio Units	600	600	976	376	896
Travel Expenses	5,000	5,000	1,554	(3,446)	5,551
General Liability Insurance	5,000	5,000	3,040	(1,960)	2,595
Repairs/Maint Buildings	2,500	2,500	761	(1,739)	0
Repairs/Maint Machinery/Equip	15,000	15,000	9,642	(5,358)	8,252
Dues and Subscriptions	1,100	1,100	1,829	729	1,041
Conferences and Schools	8,000	8,000	3,370	(4,630)	8,300
Miscellaneous	250	250	30	(220)	272
Fire Pension Contributions	42,000	42,000	51,350	9,350	40,631
CARES Act Expenditures	0	0	23,547	23,547	0
Total Public Safety	570,907	570,907	557,571	(13,336)	564,737
Public Works:					
Street Lighting:					
Repair/Maint Supply	500	500	8,472	7,972	1,133
General Liability Insurance	0	0	4,047	4,047	0
Electric Utilities	32,000	32,000	12,047	(19,953)	32,138
Repairs/Maint Machinery/Equip	500	500	16,542	16,042	12,108
Other Equipment Rentals	500	500	0	(500)	0
City Aesthetics:					
City Beautification Objects	8,200	8,200	8,288	88	5,610
Repairs/Maint Machinery/Equip	400	400	0	(400)	0
Other Equipment Rentals	600	600	0	(600)	0
Public Health:					
Professional Services	260	260	260	0	260
General Liability Insurance	400	400	0	(400)	353
Refuse/Garbage Disposal	3,200	3,200	1,470	(1,730)	3,193
Miscellaneous	100	100	42	(58)	45

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures (Continued):					
Public Works:					
Public Works:					
Full-Time Employees Regular	$ 61,644	$ 61,644	$ 62,727	$ 1,083	$ 57,710
Overtime	2,960	2,960	538	(2,422)	2,210
Part-Time Employees	1,500	1,500	3,336	1,836	2,442
Pager Pay	2,240	2,240	2,212	(28)	2,130
PERA	5,330	5,330	5,371	41	4,843
Social Security	4,406	4,406	4,441	35	3,991
Medicare	1,031	1,031	1,038	7	933
Employer Paid Health	10,680	10,680	10,386	(294)	9,477
Employer Paid HSA/Flex	2,277	2,277	2,277	0	2,637
Employer Paid Life	121	121	121	0	130
Worker's Comp Insurance	6,400	6,400	4,480	(1,920)	6,240
Safety Supplies	500	500	264	(236)	306
Motor Fuels	4,800	4,800	4,691	(109)	8,753
Other Operating Supplies	3,500	3,500	851	(2,649)	3,179
Repair/Maint Supply	8,000	8,000	8,555	555	7,516
Street Maint Materials	4,500	4,500	3,523	(977)	5,849
Sign Repair Materials	700	700	104	(596)	2,290
Professional Services	5,000	5,000	2,850	(2,150)	7,232
Personnel Testing	480	480	120	(360)	240
Uniforms & Accessories	2,400	2,400	1,488	(912)	2,076
Mowing Contractual	2,000	2,000	3,510	1,510	2,300
Telephone	1,800	1,800	2,774	974	1,934
Travel Expenses	300	300	0	(300)	246
General Liability Insurance	6,500	6,500	5,923	(577)	5,325
Electric Utilities	4,200	4,200	3,538	(662)	4,024
Gas Utilities	4,200	4,200	3,669	(531)	3,717
Refuse/Garbage Disposal	1,475	1,475	2,562	1,087	1,939
Repair & Maint Services	0	0	0	0	4,046
Repairs/Maint Buildings	1,500	1,500	1,238	(262)	131
Repairs/Maint Machinery/Equip	14,000	14,000	5,379	(8,621)	6,733
Other Equipment Rentals	750	750	400	(350)	300
Conferences and Schools	1,000	1,000	0	(1,000)	2,937
Miscellaneous	600	600	173	(427)	229
Interest on Interfund Loan	0	0	263	263	606
Engineering Fees	4,000	4,000	5,345	1,345	4,635
CARES Act Expenditures	0	0	1,104	1,104	0
Total Public Works	217,454	217,454	206,419	(11,035)	224,126

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures (Continued):					
Parks and Recreation:					
Parks Commission:					
Professional Services	$ 2,000	$ 2,000	$ 0	$ (2,000)	$ 2,000
General Liability Insurance	100	100	232	132	84
Aquatic Center Expense	15,000	15,000	11,673	(3,327)	7,161
Community Appreciation Supplie	600	600	0	(600)	511
Miscellaneous	2,500	2,500	2,500	0	0
Other Operating Supplies	400	400	67	(333)	3,551
Miscellaneous	150	150	0	(150)	240
Parks Department:					
Full-Time Employees Regular	23,244	23,244	20,576	(2,668)	30,973
Overtime	560	560	102	(458)	316
Part-Time Employees	2,000	2,000	6,642	4,642	3,053
PERA	1,785	1,785	1,594	(191)	2,337
Social Security	1,476	1,476	1,657	181	2,055
Medicare	345	345	387	42	481
Employer Paid Health	4,520	4,520	4,280	(240)	4,833
Employer Paid HSA/Flex	858	858	858	0	1,100
Employer Paid Life	43	43	43	0	54
Worker's Comp Insurance	800	800	480	(320)	640
Motor Fuels	350	350	250	(100)	300
Repair/Maint Supply	1,000	1,000	2,237	1,237	896
Professional Services	300	300	450	150	240
General Liability Insurance	750	750	1,334	584	717
Electric Utilities	1,300	1,300	1,018	(282)	1,137
Refuse/Garbage Disposal	625	625	625	0	625
Repairs/Maint Buildings	300	300	405	105	1,250
Repairs/Maint Machinery/Equip	2,200	2,200	900	(1,300)	2,145
Other Rentals	400	400	0	(400)	1,265
Miscellaneous	200	200	0	(200)	199
Sign Repair Materials	0	0	104	104	0
Library:					
Part-Time Employees	2,000	2,000	2,535	535	1,887
Social Security	124	124	162	38	114
Medicare	29	29	38	9	27
Worker's Comp Insurance	225	225	135	(90)	180
Cleaning Supplies	600	600	245	(355)	666
Other Operating Supplies	100	100	71	(29)	0
Professional Services	600	600	347	(253)	515
Electric Utilities	4,500	4,500	3,570	(930)	3,771
Water Utilities	400	400	304	(96)	322
Gas Utilities	3,000	3,000	2,009	(991)	2,063
Refuse/Garbage Disposal	450	450	524	74	451
Professional Srvs	0	0	0	0	250
Books and Pamphlets	0	0	0	0	181
Promotions	0	0	200	200	0
CARES Act Expenditures	0	0	619	619	0
Total Parks and Recreation	75,834	75,834	69,173	(6,661)	78,590

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	Budget		2020 Actual	Over (Under) Final	2019 Actual
	Original	Final	Amounts	Budget	Amounts
Current Expenditures (Continued):					
Transportation:					
Full-Time Employees Regular	$ 2,725	$ 2,725	$ 2,725	$ 0	$ 2,725
Part-Time Employees	1,200	1,200	1,500	300	1,200
Worker's Comp Insurance	150	150	90	(60)	120
Cleaning Supplies	200	200	137	(63)	192
Motor Fuels	86,200	86,200	91,998	5,798	108,254
Other Operating Supplies	500	500	0	(500)	230
Repair/Maint Supply	200	200	841	641	0
Professional Services	2,500	2,500	5,215	2,715	550
Telephone	900	900	1,277	377	1,257
Other Advertising	2,500	2,500	910	(1,590)	2,827
General Liability Insurance	6,200	6,200	4,842	(1,358)	5,857
Electric Utilities	3,500	3,500	3,083	(417)	3,288
Gas Utilities	900	900	549	(351)	554
Refuse/Garbage Disposal	500	500	491	(9)	450
Repairs/Maint Buildings	500	500	391	(109)	3,114
Repairs/Maint Machinery/Equip	3,000	3,000	2,852	(148)	13,988
Other Rentals	1,800	1,800	0	(1,800)	1,725
Dues and Subscriptions	350	350	340	(10)	216
Miscellaneous	1,500	1,500	156	(1,344)	730
Property Taxes	5,200	5,200	4,380	(820)	4,924
Engineering Fees	0	0	23,600	23,600	0
Total Transportation	120,525	120,525	145,377	24,852	152,201
Capital Outlay:					
General Government	1,000	1,000	19,062	18,062	0
Public Safety	1,500	1,500	48,459	46,959	0
Public Works	1,000	1,000	3,026	2,026	722
Park and Recreation	1,100	1,100	0	(1,100)	1,100
Transportation	2,000	2,000	22,070	20,070	0
Total Capital Outlay	6,600	6,600	92,617	86,017	1,822
Total Expenditures	1,382,039	1,382,039	1,574,004	191,965	1,389,619
Excess of Revenues Over (Under) Expenditures	349,795	349,795	466,609	116,814	296,955
Other Financing Sources (Uses):					
Operating Transfers Out	(411,535)	(411,535)	(404,398)	(7,137)	(334,505)
Operating Transfers In	69,286	69,286	69,286	0	67,686
Total Other Financing Sources (Uses)	(342,249)	(342,249)	(335,112)	7,137	(266,819)
Change in Fund Balance	$ 7,546	$ 7,546	131,497	$ 123,951	30,136
Fund Balance - January 1, as Previously Stated			821,980		761,285
Prior Period Adjustment			0		30,559
Fund Balance - January 1, as Restated			821,980		791,844
Fund Balance - December 31			$ 953,477		$ 821,980

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF NET POSITION
WATER FUND
December 31, 2020
(With Comparative Amounts For December 31, 2019)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	$ 141,637	$ 22,761
Investments	564,456	550,373
Accounts Receivable	45,578	53,935
Due from Other Funds	0	120,000
Prepaid Expense	1,282	1,183
Total Current Assets	752,953	748,252
Noncurrent Assets:		
Advance to Other Funds	0	11,695
Special Assessments	56,449	17,792
Other Capital Assets, Net of Depreciation	4,298,002	4,348,634
Total Noncurrent Assets	4,354,451	4,378,121
Total Assets	5,107,404	5,126,373
Deferred Outflows of Resources:		
Pension Plan Deferments	9,262	7,140
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,116,666	$ 5,133,513
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	$ 10,192	$ 22,474
Due to Other Governments	162	174
Current Portion of Long-term Debt	50,000	50,000
Total Current Liabilities	60,354	72,648
Long-Term Liabilities:		
Revenue Bonds Payable	320,000	370,000
Advance from Other Funds	125,929	140,918
Net Pension Liability	66,201	65,908
Total Liabilities	572,484	649,474
Deferred Inflows of Resources:		
Pension Plan Deferments	21,977	32,344
Net Position:		
Net Investment in Capital Assets	3,928,002	3,928,634
Unrestricted	594,203	523,061
Total Net Position	4,522,205	4,451,695
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 5,116,666	$ 5,133,513

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	$ 526,000	$ 443,347	$ (82,653)	$ 553,756
Operating Expenses:				
Personnel Services	104,993	93,116	(11,877)	115,643
Materials and Supplies	50,950	49,203	(1,747)	57,583
Professional Fees	38,300	23,765	(14,535)	31,100
Insurance	6,000	6,454	454	5,553
Utilities	26,800	25,841	(959)	25,543
Repairs and Maintenance	200,750	81,876	(118,874)	91,513
Contracted Services	2,550	2,872	322	3,119
Other Charges	3,425	3,116	(309)	4,089
Depreciation	0	156,187	156,187	153,524
Total Operating Expenses	433,768	442,430	8,662	487,667
Income (Loss) from Operations	92,232	917	(91,315)	66,089
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(11,320)	(12,485)	(1,165)	(12,320)
Reimbursements	0	4,053	4,053	11,375
Access Fees and Other Income	19,800	96,773	76,973	33,287
Investment Earnings	10,000	24,908	14,908	31,143
Total Nonoperating Revenues (Expenses)	18,480	113,249	94,769	63,485
Income (Loss) Before Transfers and Other Items	110,712	114,166	3,454	129,574
Transfers and Other Items				
Capital Contributions	0	90,440	90,440	14,312
Transfers In	2,500	2,500	0	2,500
Transfers Out	(62,130)	(136,596)	(74,466)	(49,523)
Total Transfers and Other Items	(59,630)	(43,656)	15,974	(32,711)
Change in Net Position	$ 51,082	70,510	$ 19,428	96,863
Net Position - January 1		4,451,695		4,354,832
Net Position - December 31		$ 4,522,205		$ 4,451,695

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND
December 31, 2020
(With Comparative Amounts For December 31, 2019)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	$ 543,573	$ 2,093
Investments	1,194,870	1,158,812
Accounts Receivable	57,251	61,422
Due from Other Funds	0	200,000
Prepaid Expense	1,282	1,183
Total Current Assets	1,796,976	1,423,510
Noncurrent Assets:		
Advance to Other Funds	295,626	361,018
Special Assessments	86,956	47,395
Assets Not Being Depreciated	131,425	131,425
Other Capital Assets, Net of Depreciation	4,666,376	4,747,996
Total Noncurrent Assets	5,180,383	5,287,834
Total Assets	6,977,359	6,711,344
Deferred Outflows of Resources:		
Pension Plan Deferments	9,262	7,140
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 6,986,621	$ 6,718,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	$ 5,856	$ 12,686
Unearned Revenue	12,500	12,500
Current Portion of Long-term Debt	48,000	47,000
Total Current Liabilities	66,356	72,186
Long-Term Liabilities:		
Revenue Note Payable	523,000	571,000
Net Pension Liability	66,201	65,908
Total Liabilities	655,557	709,094
Deferred Inflows of Resources:		
Pension Plan Deferments	21,977	32,344
Net Position:		
Net Investment in Capital Assets	4,226,801	4,261,422
Unrestricted	2,082,286	1,715,624
Total Net Position	6,309,087	5,977,046
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 6,986,621	$ 6,718,484

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	$ 623,500	$ 585,374	$ (38,126)	$ 638,160
Operating Expenses:				
Personnel Services	104,993	93,114	(11,879)	115,966
Materials and Supplies	14,700	37,882	23,182	10,814
Professional Fees	27,945	34,085	6,140	13,399
Insurance	2,400	4,068	1,668	1,989
Utilities	22,200	16,708	(5,492)	18,766
Repairs and Maintenance	198,000	37,576	(160,424)	30,300
Contracted Services	3,000	1,435	(1,565)	3,809
Other Charges	2,625	1,477	(1,148)	1,460
Depreciation	0	145,967	145,967	155,473
Total Operating Expenses	375,863	372,312	(3,551)	351,976
Income (Loss) from Operations	247,637	213,062	(34,575)	286,184
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(9,405)	(8,816)	589	(9,274)
Property Taxes	0	0	0	45,000
Reimbursements	0	40	40	0
Access Fees and Other Income	31,650	128,610	96,960	44,219
Investment Earnings	24,000	68,127	44,127	60,931
Total Nonoperating Revenues (Expenses)	46,245	187,961	141,716	140,876
Income (Loss) Before Transfers and Other Items	293,882	401,023	107,141	427,060
Transfers and Other Items				
Capital Contributions	0	55,132	55,132	42,552
Transfers In	87,229	0	(87,229)	0
Transfers Out	(68,558)	(124,114)	(55,556)	(72,564)
Total Transfers and Other Items	18,671	(68,982)	(87,653)	(30,012)
Change in Net Position	$ 312,553	332,041	$ 19,488	397,048
Net Position - January 1		5,977,046		5,579,998
Net Position - December 31		$ 6,309,087		$ 5,977,046

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF NET POSITION
STORM WATER FUND
December 31, 2020
(With Comparative Amounts For December 31, 2019)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	$ 0	$ 38,791
Accounts Receivable	3,210	3,066
Prepaid Expense	158	31
Total Current Assets	3,368	41,888
Noncurrent Assets:		
Other Capital Assets, Net of Depreciation	103,788	17,099
Total Noncurrent Assets	103,788	17,099
Total Assets	107,156	58,987
Deferred Outflows of Resources:		
Pension Plan Deferments	1,098	295
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 108,254	$ 59,282
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	$ 224	$ 152
Due To Other Funds	39,392	0
Total Current Liabilities	39,616	152
Long-Term Liabilities:		
Advance from Other Funds	96,284	107,745
Net Pension Liability	7,849	2,719
Total Liabilities	143,749	110,616
Deferred Inflows of Resources:		
Pension Plan Deferments	2,606	1,334
Net Position:		
Net Investment in Capital Assets	103,788	17,100
Unrestricted	(141,889)	(69,768)
Total Net Position	(38,101)	(52,668)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 108,254	$ 59,282

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
STORM WATER FUND
For the Year Ended December 31, 2020
(With Comparative Amounts For The Year Ended December 31, 2019)

	2020 Budget	2020 Actual	Over (Under) Budget	2019 Actual
Operating Revenues:				
Charges for Services	$ 32,000	$ 31,676	$ (324)	$ 31,646
Operating Expenses:				
Personnel Services	12,423	17,134	4,711	4,656
Professional Fees	1,800	0	(1,800)	35
Repairs and Maintenance	20,000	0	(20,000)	7,390
Depreciation	0	590	590	590
Total Operating Expenses	34,223	17,724	(16,499)	12,671
Income (Loss) from Operations	(2,223)	13,952	16,175	18,975
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	0	(1,077)	(1,077)	(1,191)
Investment Earnings	0	192	192	564
Total Nonoperating Revenues (Expenses)	0	(885)	(885)	(627)
Income (Loss) Before Transfers and Other Items	(2,223)	13,067	15,290	18,348
Transfers and Other Items				
Capital Contributions	0	74,780	74,780	17,689
Transfers In	4,000	4,000	0	4,000
Transfers Out	(15,038)	(77,280)	(62,242)	(2,500)
Total Transfers and Other Items	(11,038)	1,500	12,538	19,189
Change in Net Position	$ (13,261)	14,567	$ 27,828	37,537
Net Position - January 1		(52,668)		(90,205)
Net Position - December 31		$ (38,101)		$ (52,668)

OTHER REQUIRED REPORTS

Burkhardt & Burkhardt, Ltd.
Certified Public Accountants
Website: www.bnbcpas.com

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate fund information of the City of Rush City, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2021.

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 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying schedule of findings and responses. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 28, 2021

*Members of the Governmental Audit Quality Center, American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rush City, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the 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. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses. However, other material weaknesses may exist that have not been identified.

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 City's financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2020-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 2020-002 and 2020-003.

Members of the Governmental Audit Quality Center, American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
June 28, 2021

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses:

2020-001. Material Audit Adjustments

Condition: During our audit, we proposed material audit adjustments to adjust prior year general ledger accounts to the proper year-end balances.

Criteria The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.

Cause: The City failed to ensure the completeness and accuracy of financial records and related information.

Effect: The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: The City should consider performing a thorough review the general ledger accounts, especially those affected by operational changes made during the year. This review should contemplate adjustments made to the general ledger accounts, as well as those that have not been made, to ensure all necessary adjustments are completed.

Corrective Acton Plan (CAP)

A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.

B. *Actions Planned in Response to the Finding:* The City will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.

C. *Official Responsible for Ensuring Corrective Action:* The City Administrator will monitor the effectiveness of the above actions and make changes as considered appropriate.

D. *Planned Completion Date for the Corrective Action:* The corrective action plan for this finding will be December 31, 2021.

E. *Plan to Monitor Completion of Corrective Action:* The City Council will be monitoring this corrective action plan to review the recommendations and take appropriate action.

Significant Deficiencies:

2020-001. Auditor Prepared Financial Statements and Related Footnotes

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented or detected and corrected as a result of the City's current internal control.

Significant Deficiencies – (Continued):

2020-002. Auditor Prepared Financial Statements and Related Footnotes – (Continued)

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

Corrective Action Plan (CAP)

A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.

B. *Actions Planned in response to Finding:* The City does not plan to take any action but is aware of the condition. Based on the cost of correcting this deficiency, the City has decided to accept the risk associated with this deficiency.

C. *Official Responsible for Ensuring CAP:* The City Administrator will review the financial statements and related footnotes and approve them.

D. *Planned Completion Date for CAP:* The corrective action plan for this finding will be ongoing.

E. *Plan to Monitor Completion of CAP:* The City Council will monitor this corrective action plan to review the recommendations and take appropriate action.

2020-003. Segregation of Duties

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.

Effect: The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

Corrective Action Plan (CAP)

A. *Explanation of Disagreement with Audit Finding:* There is no disagreement with the audit finding.

B. *Actions Planned in response to Finding:* The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

C. *Official Responsible for Ensuring CAP:* The City Administrator will monitor the effectiveness of the above actions and make changes as considered appropriate.

D. *Planned Completion Date for CAP:* The corrective action plan for this finding will be ongoing.

E. *Plan to Monitor Completion of CAP:* The City Council will monitor this corrective action plan to review the recommendations and take appropriate action.

CITY OF RUSH CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
LEGAL COMPLIANCE AND INTERNAL CONTROL
December 31, 2020

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

2020-004. Deposits and Investments

MSA 118A.04, subd. 9 requires annually, prior to completing an initial investment transaction with each broker, the city must provide to that broker a written statement of investment restrictions.

During 2020 the City did not receive acknowledgments from investment brokers and failed to follow the provisions of MSA 118A.09.

City's response:

The City will ensure acknowledgments will be received by all investment brokers transacting with the city.

STATUS OF PRIOR FINANCIAL STATEMENT FINDINGS

The prior audit contained three findings:

2019-001. Material Audit Adjustments

Condition: During the course of the audit, we proposed material audit adjustments to adjust certain general ledger accounts to the proper year-end balances.

Current status: This condition is noted during the current year audit of the financial statements.

2019-002. Preparation of financial statements and related footnotes

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Current status: This condition is noted during the current year audit of the financial statements.

2019-003. Segregation of Duties

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Current status: This condition is noted during the current year audit of the financial statements.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

$_____
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021A
CITY OF RUSH CITY
COUNTY OF CHISAGO
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Rush City, County of Chisago, Minnesota (the "Issuer"), of its $_____ General Obligation Improvement Bonds, Series 2021A, bearing a date of original issue of October 21, 2021 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

[Appendix D to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Rush City, Minnesota (the "Issuer"), in connection with the issuance of its $_____ General Obligation Improvement Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on September 27, 2021 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 4 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2021, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2021, the Issuer shall, or shall cause the Dissemination Agent to provide, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, by not later than December 31, 2022, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB its Audited Financial Statements by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Reporting of Significant Events. This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to rights of security holders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive

agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 9. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: _____, 2021.

CITY OF RUSH CITY, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX E

TERMS OF PROPOSAL

$1,355,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2021A
CITY OF RUSH CITY, MINNESOTA

Proposals for the purchase of $1,355,000* General Obligation Improvement Bonds, Series 2021A (the "Bonds") of the City of Rush City, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on September 27, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City for the purpose of financing the costs associated with the Frandsen Avenue improvement project in the City's Industrial Park. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated October 21, 2021, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$55,000	2030	$65,000	2037	$70,000
2024	60,000	2031	65,000	2038	75,000
2025	60,000	2032	65,000	2039	75,000
2026	60,000	2033	65,000	2040	75,000
2027	65,000	2034	70,000	2041	80,000
2028	65,000	2035	70,000	2042	80,000
2029	65,000	2036	70,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about October 21, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $1,338,740 plus accrued interest on the principal sum of $1,355,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of $27,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5^{th}) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Rush City, Minnesota

PROPOSAL FORM

The City Council **September 27, 2021**
City of Rush City, Minnesota (the "City")

RE: $1,355,000* General Obligation Improvement Bonds, Series 2021A (the "Bonds")
DATED: October 21, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $_____ (not less than $1,338,740) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2023	_____	% due	2030	_____	% due	2037
_____	% due	2024	_____	% due	2031	_____	% due	2038
_____	% due	2025	_____	% due	2032	_____	% due	2039
_____	% due	2026	_____	% due	2033	_____	% due	2040
_____	% due	2027	_____	% due	2034	_____	% due	2041
_____	% due	2028	_____	% due	2035	_____	% due	2042
_____	% due	2029	_____	% due	2036			

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $27,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about October 21, 2021.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds.
YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from October 21, 2021 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Rush City, Minnesota, on September 27, 2021.

By: _____ By: _____

Title: _____ Title: _____