

FINANCIAL STATEMENTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Rockford, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Rockford, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2023

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Renee Hafften	Mayor	12/31/24
Wyatt Gutzke	Council Member	12/31/26
Denise Willenbring	Council Member	12/31/24
Mike Werman	Council Member	12/31/26
Heather Michalik	Council Member	12/31/26

APPOINTED

Anna Carlson	City Administrator
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FINANCIAL SECTION
CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Rockford, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rockford, Minnesota (the City), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund and Fire Department fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 80 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.

Supplementary Information

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



Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2024, 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 the City's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
June 4, 2024



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Management's Discussion and Analysis

As management of the City of Rockford, 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, 2023.

Financial Highlights

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was due to the increase in property taxes revenue, operating grants and contributions, the issuance of capital-related special assessments, and interest earned on investments.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to an increase in the General fund, due to the receipt of Public Safety Aid and interest earnings. The decrease in the TIF fund is due to the decertification of TIF District 1-3. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- Unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section increased from prior year.
- The City's total bonded debt decreased during the fiscal year. The decrease was a result of schedule debt service payments as shown on the outstanding debt table.

Overview of the Financial Statements

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

The financial statements 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 statements and schedules that further explains and supports the information in the financial statements. 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.

The following chart shows how the various parts of this annual report are arranged and related to one another:

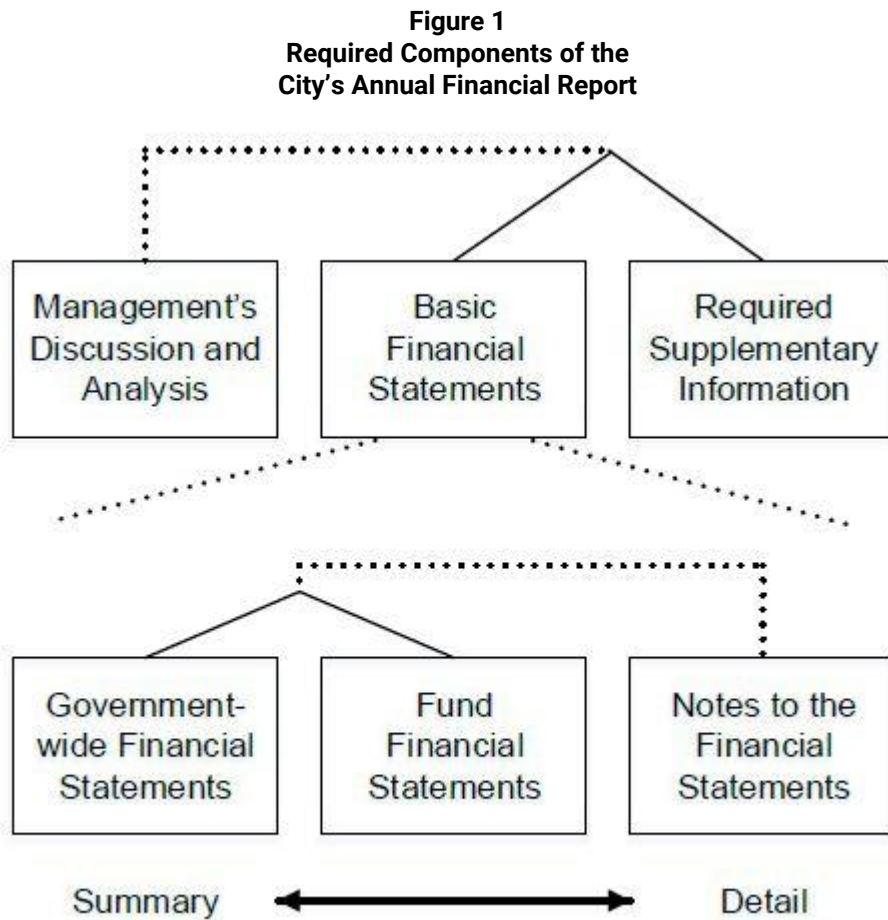


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City’s assets and 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 and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is reported as two separate special revenue funds. Although legally separate, it functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements start on page 31 of this report.

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Fire Department fund, Rockford Mall fund, and the TIF funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund, Economic Development Authority and Fire Department fund. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements start on page 36 of this report.

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

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

The basic proprietary fund financial statements start on page 45 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 start on page 49 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on page 80 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 88 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 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.

City of Rockford's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 6,729,351	\$ 6,723,470	\$ 5,881	\$ 6,470,651	\$ 5,165,436	\$ 1,305,215
Capital assets	12,254,101	12,356,779	(102,678)	10,757,120	11,060,356	(303,236)
Total Assets	<u>18,983,452</u>	<u>19,080,249</u>	<u>(96,797)</u>	<u>17,227,771</u>	<u>16,225,792</u>	<u>1,001,979</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>277,611</u>	<u>229,211</u>	<u>48,400</u>	<u>11,316</u>	<u>39,546</u>	<u>(28,230)</u>
Liabilities						
Long-term liabilities outstanding	2,856,942	3,314,565	(457,623)	4,012,107	4,448,623	(436,516)
Other liabilities	422,149	626,273	(204,124)	218,381	160,976	57,405
Total Liabilities	<u>3,279,091</u>	<u>3,940,838</u>	<u>(661,747)</u>	<u>4,230,488</u>	<u>4,609,599</u>	<u>(379,111)</u>
Deferred Inflows of Resources						
Deferred pension resources	244,088	211,774	32,314	13,625	6,138	7,487
Deferred lease resources	-	-	-	1,362,042	1,448,371	(86,329)
Total Deferred Inflows of Resources	<u>244,088</u>	<u>211,774</u>	<u>32,314</u>	<u>1,375,667</u>	<u>1,454,509</u>	<u>(78,842)</u>
Net Position						
Net investment in capital assets	9,938,584	9,778,936	159,648	6,788,559	6,753,861	34,698
Restricted	1,737,458	2,232,068	(494,610)	-	-	-
Unrestricted	<u>4,061,842</u>	<u>3,145,844</u>	<u>915,998</u>	<u>4,844,373</u>	<u>3,447,369</u>	<u>1,397,004</u>
Total Net Position	<u>\$ 15,737,884</u>	<u>\$ 15,156,848</u>	<u>\$ 581,036</u>	<u>\$ 11,632,932</u>	<u>\$ 10,201,230</u>	<u>\$ 1,431,702</u>
Net Position as a Percent of Total						
Net investment in						
capital assets	63.2 %	64.5 %		58.4 %	66.2 %	
Restricted	11.0	14.7		-	-	
Unrestricted	<u>25.8</u>	<u>20.8</u>		<u>41.6</u>	<u>33.8</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

An additional 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 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

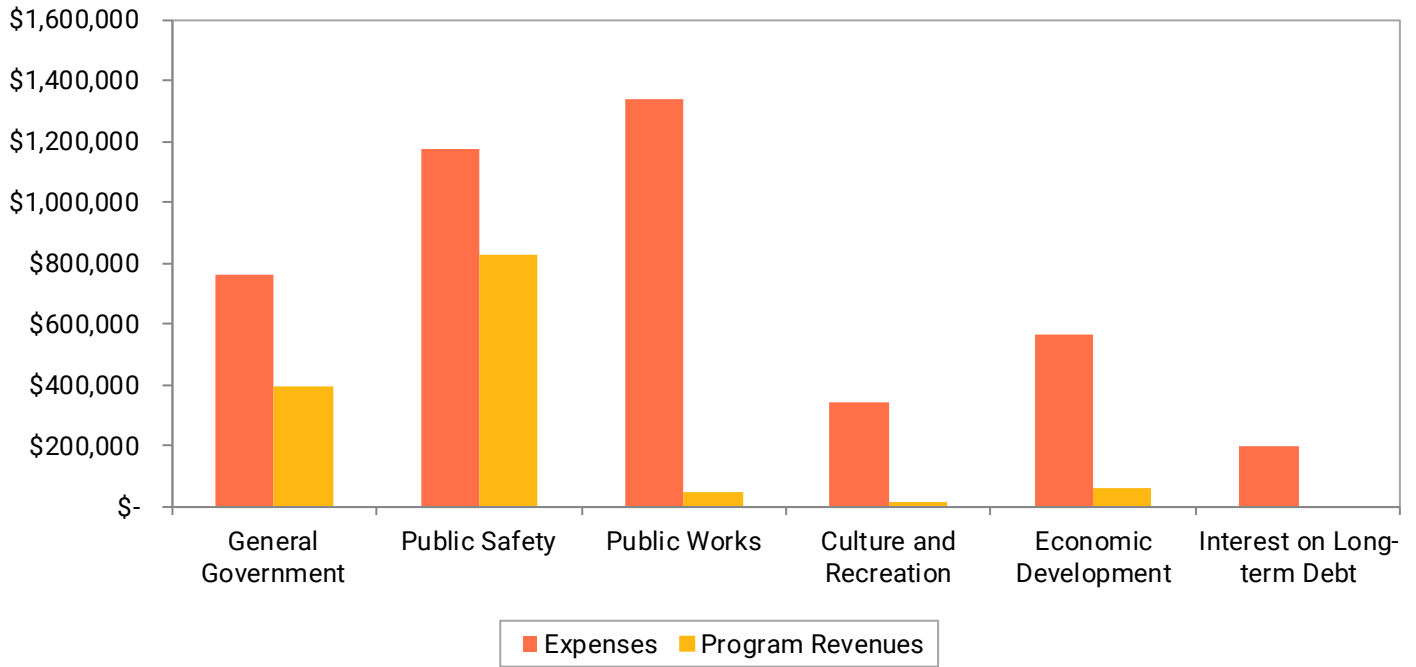
Governmental Activities. Governmental activities increased the City's net position, as shown below. This increase was mainly due to the increase in operating grants and contributions, property taxes and capital related special assessments. Key elements of this increase are as follows:

City of Rockford's Changes in Net Position

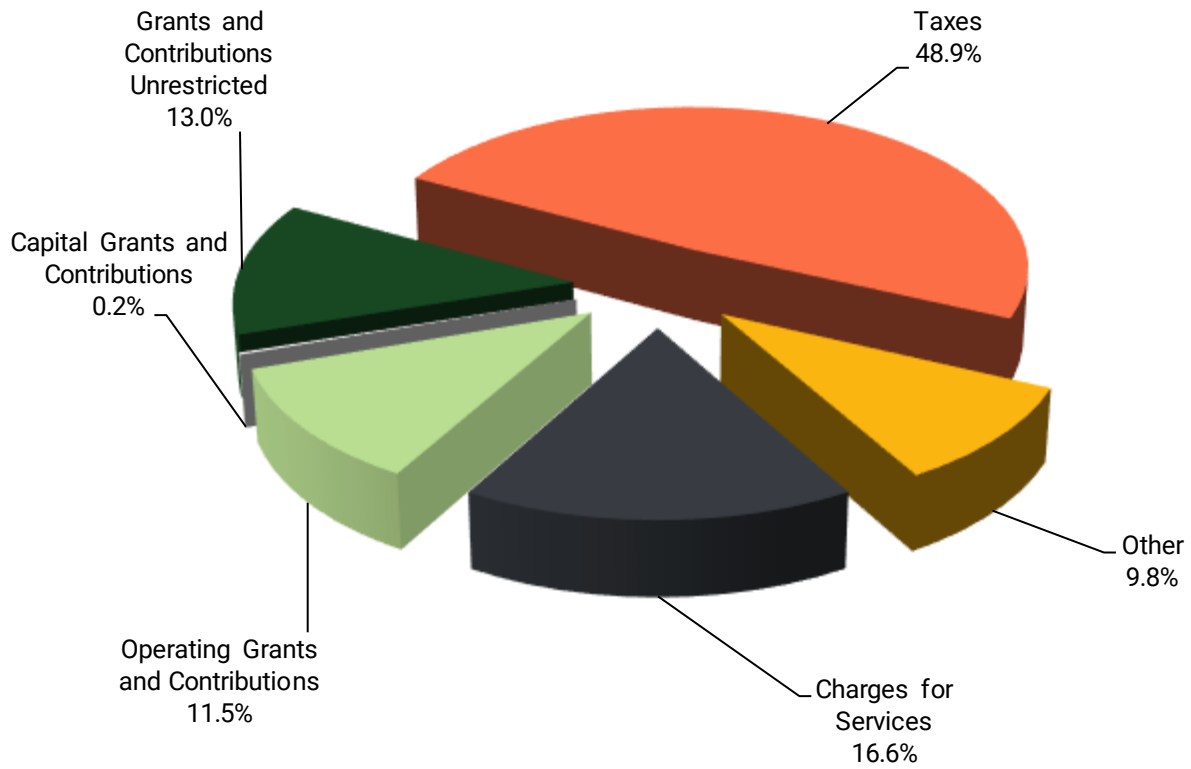
	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 788,516	\$ 827,068	\$ (38,552)	\$ 1,712,158	\$ 1,636,026	\$ 76,132
Operating grants and contributions	549,706	116,389	433,317	106,952	541	106,411
Capital grants and contributions	9,378	7,843	1,535	1,122,827	397,162	725,665
General revenues						
Taxes						
Property taxes	2,241,001	1,851,293	389,708	-	-	-
Tax increment	100,180	99,027	1,153	-	-	-
Grants and contributions not restricted to specific programs	624,009	1,113,300	(489,291)	-	-	-
Gain on sale of capital assets	92,904	23,881	69,023	-	7,500	(7,500)
Miscellaneous	60	2,830	(2,770)	-	-	-
Unrestricted investment earnings	377,958	107,548	270,410	165,121	10,020	155,101
Total Revenues	<u>4,783,712</u>	<u>4,149,179</u>	<u>634,533</u>	<u>3,107,058</u>	<u>2,051,249</u>	<u>1,055,809</u>
Expenses						
General government	762,743	692,814	69,929	-	-	-
Public safety	1,176,562	1,128,904	47,658	-	-	-
Public works	1,341,999	1,148,461	193,538	-	-	-
Culture and recreation	345,458	345,228	230	-	-	-
Economic development	565,129	64,551	500,578	-	-	-
Interest on long-term debt	198,743	201,454	(2,711)	-	-	-
Water	-	-	-	750,245	743,089	7,156
Sewer	-	-	-	737,153	815,401	(78,248)
Total Expenses	<u>4,390,634</u>	<u>3,581,412</u>	<u>809,222</u>	<u>1,487,398</u>	<u>1,558,490</u>	<u>(71,092)</u>
Increase in Net Position						
Before Transfers	393,078	567,767	(174,689)	1,619,660	492,759	1,126,901
Transfers - Capital Assets	115,140	1,094,347	(979,207)	(115,140)	(1,094,347)	979,207
Transfers - Internal Activities	72,818	74,032	(1,214)	(72,818)	(74,032)	1,214
Change in Net Position	581,036	1,736,146	(1,155,110)	1,431,702	(675,620)	2,107,322
Net Position, January 1	<u>15,156,848</u>	<u>13,420,702</u>	<u>1,736,146</u>	<u>10,201,230</u>	<u>10,876,850</u>	<u>(675,620)</u>
Net Position, December 31	<u>\$ 15,737,884</u>	<u>\$ 15,156,848</u>	<u>\$ 581,036</u>	<u>\$ 11,632,932</u>	<u>\$ 10,201,230</u>	<u>\$ 1,431,702</u>

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

Expenses and Program Revenues - Governmental Activities



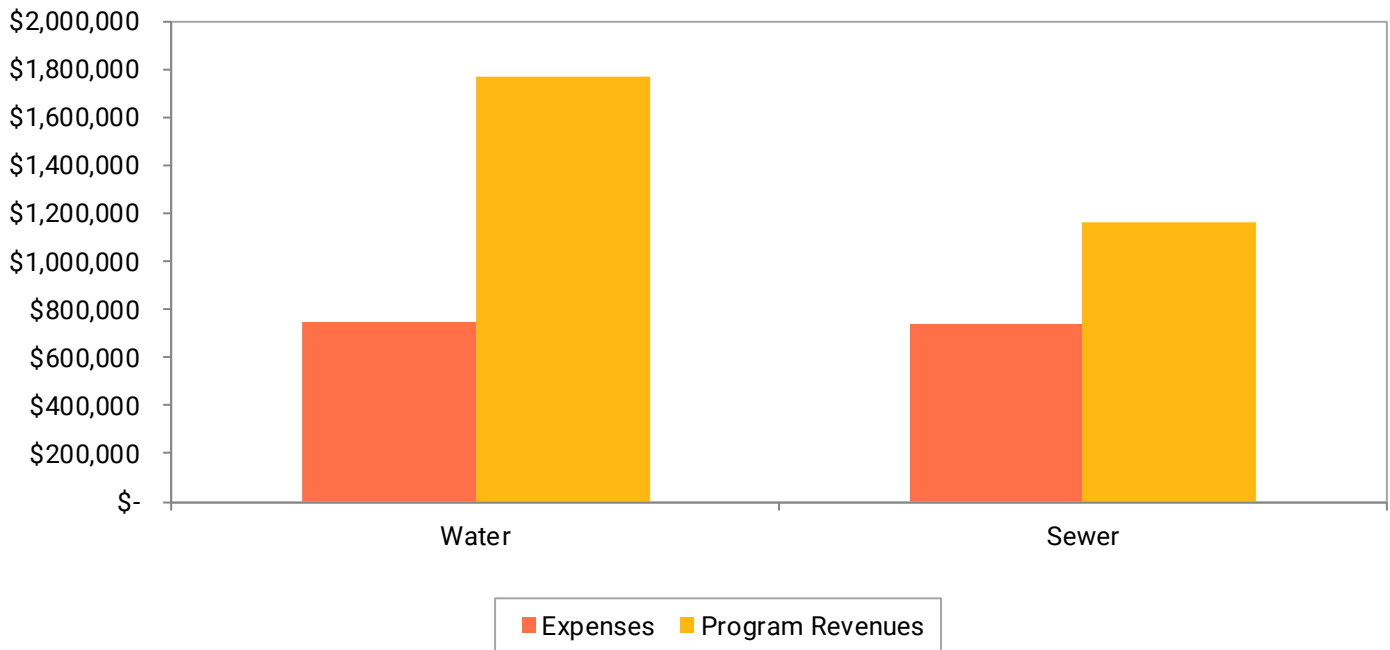
Revenues by Source - Governmental Activities



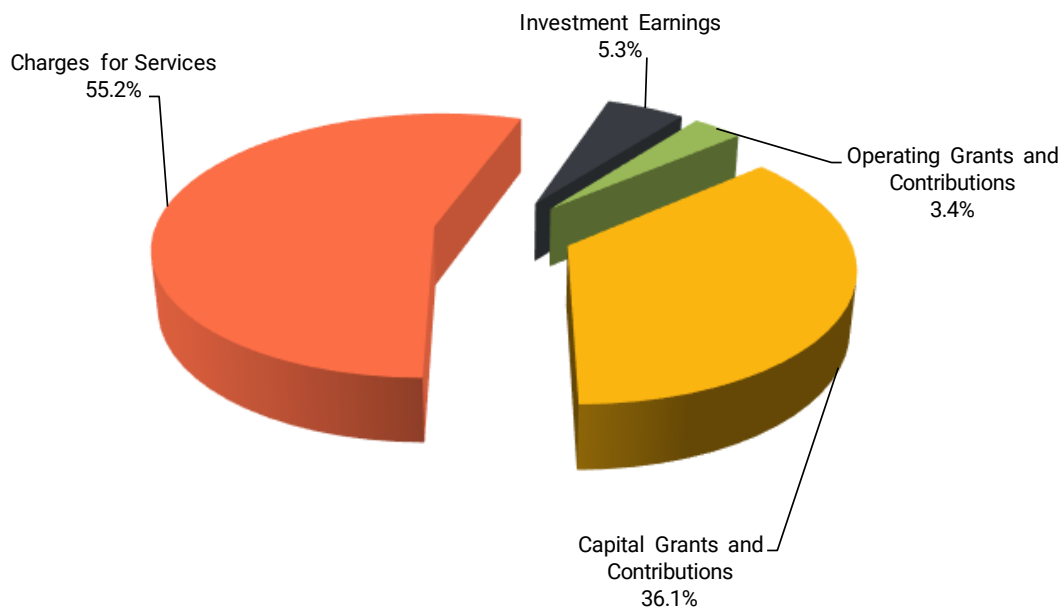
Business-type Activities. Business-type activities increased the City’s net position, as shown below in the changes in net position table. Key elements of this increase are as follows:

- Charges for services for business-type activities increased due to increased usage during the current year.
- Unrestricted investment earnings for business-type activities increased due to better market conditions during the current year.
- Capital contributions increased due to the issuance of capital related special assessments.

Expenses and Program Revenues Business-type Activities



Revenues by Source Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2023.

	General	Fire Department	Debt Service	Rockford Mall	
Fund Balances					
Nonspendable	\$ 831,568	\$ 290	\$ -	\$ -	
Restricted	240,971	-	811,515	-	
Committed	-	523,477	-	-	
Assigned	-	-	-	2,641,973	
Unassigned	2,048,579	-	-	-	
Total	\$ 3,121,118	\$ 523,767	\$ 811,515	\$2,641,973	
	TIF Funds	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances (Continued)					
Nonspendable	\$ -	\$ 5,995	\$ 837,853	\$ 806,154	\$ 31,699
Restricted	-	507,685	1,560,171	1,646,887	(86,716)
Committed	-	162,808	686,285	776,218	(89,933)
Assigned	-	1,580,493	4,222,466	3,953,844	268,622
Unassigned	(3,239,249)	(73,466)	(1,264,136)	(1,535,252)	271,116
Total	\$ (3,239,249)	\$ 2,183,515	\$ 6,042,639	\$5,647,851	\$ 394,788

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 49 of this report.

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 is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 831,568	\$ 799,039	\$ 32,529
Restricted	240,971	39,630	201,341
Unassigned	2,048,579	1,771,476	277,103
Total	\$ 3,121,118	\$ 2,610,145	\$ 510,973
General fund expenditures	\$ 2,598,090	\$ 2,348,141	
Unassigned as a percent of expenditures	78.8%	75.4%	
Total fund balance as a percent of expenditures	120.1%	111.2%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to an increase in unassigned fund from the General fund.

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Debt Service fund	\$ 811,515	\$ 761,295	\$ 50,220
<i>The Debt Service fund balance increased due to the collection of tax revenue ahead of scheduled debt service payments.</i>			
TIF Funds	\$ (3,239,249)	\$ (2,744,881)	\$ (494,368)
<i>TIF Funds decrease due to interest expenditures incurred in excess of available tax increment.</i>			
Rockford Mall	\$ 2,641,973	\$ 2,563,737	\$ 78,236
<i>The Rockford Mall fund balance increased due to interest revenue from outstanding interfund loans.</i>			
Fire Department Special Revenue	\$ 523,767	\$ 509,533	\$ 14,234
<i>The Fire Department fund balance increased due to excess of charges over operating costs.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,868,510	\$ 2,868,510	\$ 3,421,693	\$ 553,183
Expenditures	2,555,786	2,555,786	2,598,090	(42,304)
Excess of Revenues Over Expenditures	312,724	312,724	823,603	510,879
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	273	273
Transfers in	10,000	10,000	9,820	(180)
Transfers out	(322,724)	(322,724)	(322,723)	1
Total Other Financing Sources (Uses)	(312,724)	(312,724)	(312,630)	94
Net Change in Fund Balances	-	-	510,973	510,973
Fund Balances, January 1	2,610,145	2,610,145	2,610,145	-
Fund Balances, December 31	<u>\$ 2,610,145</u>	<u>\$ 2,610,145</u>	<u>\$ 3,121,118</u>	<u>\$ 510,973</u>

The City's General fund budget was amended during the year as shown above. Actual revenues and expenditures were over the final budget.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased as follows:

	Ending Net Position 2023	Ending Net Position 2022	Increase/ (Decrease)
Water Utility	\$ 6,543,842	\$ 5,531,811	\$ 1,012,031
<i>The increase is primarily due to excess revenue from water services over expenses.</i>			
Sewer Utility	\$ 5,089,090	\$ 4,669,419	\$ 419,671
<i>The increase is primarily due to excess revenue from Sewer services over expenses.</i>			

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business type activities as of December 31, 2023, is shown below in capital asset table (net of accumulated depreciation). These capital assets include land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges, and vehicles. The total decrease in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is due to 2022 improvement project was completed in 2023.

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

- The 2022 Improvement project was started and were completed in current year of 2023.

Additional information on the City's capital assets can be found in Note 3B starting on page 60 of this report.

City of Rockford's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	\$ 2,777,614	\$ 2,548,353	\$ 229,261	\$ 221,630	\$ 221,630	\$ -
Construction in Progress	1,903,926	1,955,055	(51,129)	1,717,942	1,614,049	103,893
Buildings and Improvements	2,387,237	2,519,902	(132,665)	1,144,752	1,191,531	(46,779)
Improvements Other than Buildings	334,690	142,622	192,068	-	-	-
Infrastructure	3,564,995	3,855,493	(290,498)	7,515,655	7,885,709	(370,054)
Machinery and Equipment	505,917	615,478	(109,561)	157,141	147,437	9,704
Vehicles	679,823	584,721	95,102	-	-	-
Machinery and Equipment - Right to Use	99,899	135,155	(35,256)	-	-	-
Total	\$ 12,254,101	\$ 12,356,779	\$ (102,678)	\$ 10,757,120	\$ 11,060,356	\$ (303,236)

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding consisting of special assessment debt, revenue related debt and general obligation debt as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Rockford's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
General Obligation Special						
Assessment Bonds	\$ 1,160,000	\$ 1,290,000	\$ (130,000)	\$ -	\$ -	\$ -
General Obligation Bonds	245,000	295,000	(50,000)	-	-	-
General Obligation Tax						
Increment Bonds	785,000	830,000	(45,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	3,924,000	4,254,000	(330,000)
Lease liability	105,879	138,722	(32,843)	-	-	-
Bond Premium	19,638	24,121	(4,483)	44,561	52,495	(7,934)
Total	\$ 2,315,517	\$ 2,577,843	\$ (262,326)	\$ 3,968,561	\$ 4,306,495	\$ (337,934)

The City maintains an "AA" rating from Moody's for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. As of December 31, 2023, the City's debt obligation is under this limit.

Additional information on the City's long-term debt can be found in Note 3E starting on page 63 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Rockford continues to experience significant growth and development. The Rockford Housing Market remained strong in 2023 with the City experiencing record new home construction permits and 20% increases in property market values.

Interest in the development of commercial property along highway 55 also continued to grow in 2023. The visibility along Highway 55 combined with being a major thoroughfare for commuters is very attractive to commercial developers. A nine-acre parcel of commercial property on Highway 55 and County Road 50 saw groundwork and excavation commence in front of a mixed-use commercial and residential project, and renewed interest in a one acre parcel on Highway 55 and County Road 20 shows on-going potential for development.

The City's long-range financial planning remained strong in 2023, with an Infrastructure Improvement Project planned that will result in a net neutral tax levy impact due to the timing of other bonds being satisfied.

The City of Rockford looks forward to continuing economic growth in 2024 and providing Rockford residents with quality services and a fantastic place to live and grow.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Rockford, 6031 Main Street, Rockford, Minnesota 55373-9569.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Rockford, Minnesota
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 6,351,117	\$ 3,647,498	\$ 9,998,615
Receivables			
Interest	1,519	-	1,519
Delinquent taxes	42,529	-	42,529
Accounts	70,967	187,474	258,441
Loans	121,473	-	121,473
Special assessments	44,747	865,524	910,271
Leases	-	1,420,838	1,420,838
Due from other governments	213,511	-	213,511
Internal balances	(347,825)	347,825	-
Prepaid items	27,296	1,492	28,788
Net pension asset	204,017	-	204,017
Capital assets			
Land	2,777,614	221,630	2,999,244
Construction in process	1,903,926	1,717,942	3,621,868
Depreciable capital assets, net	7,572,561	8,817,548	16,390,109
Total Assets	18,983,452	17,227,771	36,211,223
Deferred Outflows of Resources			
Deferred pension resources	277,611	11,316	288,927
Liabilities			
Accounts payable	375,598	161,537	537,135
Accrued salaries payable	18,178	-	18,178
Due to other governments	1,643	3,941	5,584
Accrued interest payable	26,730	52,903	79,633
Noncurrent liabilities			
Due within one year			
Long-term liabilities	290,481	458,944	749,425
Due in more than one year			
Long-term liabilities	2,084,597	3,520,573	5,605,170
Net pension liability	481,864	32,590	514,454
Total Liabilities	3,279,091	4,230,488	7,509,579
Deferred Inflows of Resources			
Deferred pension resources	244,088	13,625	257,713
Deferred lease resources	-	1,362,042	1,362,042
Total Deferred Inflows of Resources	244,088	1,375,667	1,619,755
Net Position			
Net investment in capital assets	9,938,584	6,788,559	16,727,143
Restricted for			
Debt service	784,785	-	784,785
DTED loans	301,066	-	301,066
Parks	121,824	-	121,824
Public safety	201,341	-	201,341
Charitable gambling	124,425	-	124,425
Fire pension	204,017	-	204,017
Unrestricted	4,061,842	4,844,373	8,906,215
Total Net Position	\$ 15,737,884	\$ 11,632,932	\$ 27,370,816

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

City of Rockford, Minnesota
Statement of Activities
For The Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 762,743	\$ 221,571	\$ 171,447	\$ -
Public safety	1,176,562	522,608	305,588	-
Public works	1,341,999	35,249	4,871	9,378
Culture and recreation	345,458	9,088	4,800	-
Housing and economic development	565,129	-	63,000	-
Interest on long-term debt	198,743	-	-	-
Total Governmental Activities	<u>4,390,634</u>	<u>788,516</u>	<u>549,706</u>	<u>9,378</u>
Business-type Activities				
Water	750,245	940,920	106,948	728,437
Sewer	737,153	771,238	4	394,390
Total Business-type Activities	<u>1,487,398</u>	<u>1,712,158</u>	<u>106,952</u>	<u>1,122,827</u>
Total	<u>\$ 5,878,032</u>	<u>\$ 2,500,674</u>	<u>\$ 656,658</u>	<u>\$ 1,132,205</u>

General Revenues and Transfers

Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers - Capital Assets
Transfers - Internal Activities
Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net Revenues (Expenses)
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (369,725)	\$ -	\$ (369,725)
(348,366)	-	(348,366)
(1,292,501)	-	(1,292,501)
(331,570)	-	(331,570)
(502,129)	-	(502,129)
(198,743)	-	(198,743)
<u>(3,043,034)</u>	<u>-</u>	<u>(3,043,034)</u>
-	1,026,060	1,026,060
-	428,479	428,479
<u>-</u>	<u>1,454,539</u>	<u>1,454,539</u>
<u>(3,043,034)</u>	<u>1,454,539</u>	<u>(1,588,495)</u>
2,017,550	-	2,017,550
223,451	-	223,451
100,180	-	100,180
624,009	-	624,009
377,958	165,121	543,079
60	-	60
92,904	-	92,904
115,140	(115,140)	-
72,818	(72,818)	-
<u>3,624,070</u>	<u>(22,837)</u>	<u>3,601,233</u>
581,036	1,431,702	2,012,738
<u>15,156,848</u>	<u>10,201,230</u>	<u>25,358,078</u>
<u>\$ 15,737,884</u>	<u>\$ 11,632,932</u>	<u>\$ 27,370,816</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Rockford, Minnesota

Balance Sheet
 Governmental Funds
 December 31, 2023

	General	Fire Department	Debt Service
Assets			
Cash and temporary investments	\$ 2,576,660	\$ 530,429	\$ 811,515
Receivables			
Interest	1,519	-	-
Delinquent taxes	42,529	-	-
Accounts	59,844	-	-
Loans	-	-	-
Special assessments	6,730	-	-
Due from other governments	208,374	-	-
Advances to other funds	810,557	-	-
Prepaid items	21,011	290	-
	<u>3,727,224</u>	<u>530,719</u>	<u>811,515</u>
Total Assets	\$ 3,727,224	\$ 530,719	\$ 811,515
Liabilities			
Accounts payable	\$ 189,201	\$ 6,952	\$ -
Accrued salaries payable	18,178	-	-
Advances from other funds	347,825	-	-
Due to other governments	1,643	-	-
	<u>556,847</u>	<u>6,952</u>	<u>-</u>
Total Liabilities	556,847	6,952	-
Deferred Inflows of Resources			
Unavailable revenue - taxes	42,529	-	-
Unavailable revenue - special assessments	6,730	-	-
	<u>49,259</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	49,259	-	-
Fund Balances			
Nonspendable	831,568	290	-
Restricted	240,971	-	811,515
Committed	-	523,477	-
Assigned	-	-	-
Unassigned	2,048,579	-	-
	<u>3,121,118</u>	<u>523,767</u>	<u>811,515</u>
Total Fund Balances	3,121,118	523,767	811,515
	<u>3,727,224</u>	<u>530,719</u>	<u>811,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,727,224	\$ 530,719	\$ 811,515

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

Rockford Mall	TIF Funds	Other Governmental Funds	Total Governmental Funds
\$ 91,466	\$ 5	\$ 2,341,042	\$ 6,351,117
-	-	-	1,519
-	-	-	42,529
-	-	11,123	70,967
121,473	-	-	121,473
-	-	38,017	44,747
-	337	4,800	213,511
2,429,034	-	-	3,239,591
-	-	5,995	27,296
<u>\$ 2,641,973</u>	<u>\$ 342</u>	<u>\$ 2,400,977</u>	<u>\$ 10,112,750</u>
\$ -	\$ -	\$ 179,445	\$ 375,598
-	-	-	18,178
-	3,239,591	-	3,587,416
-	-	-	1,643
<u>-</u>	<u>3,239,591</u>	<u>179,445</u>	<u>3,982,835</u>
-	-	-	42,529
<u>-</u>	<u>-</u>	<u>38,017</u>	<u>44,747</u>
<u>-</u>	<u>-</u>	<u>38,017</u>	<u>87,276</u>
-	-	5,995	837,853
-	-	507,685	1,560,171
-	-	162,808	686,285
2,641,973	-	1,580,493	4,222,466
-	(3,239,249)	(73,466)	(1,264,136)
<u>2,641,973</u>	<u>(3,239,249)</u>	<u>2,183,515</u>	<u>6,042,639</u>
<u>\$ 2,641,973</u>	<u>\$ 342</u>	<u>\$ 2,400,977</u>	<u>\$ 10,112,750</u>

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

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City of Rockford, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2023

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

Total Fund Balances - Governmental	\$ 6,042,639
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	204,017
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	25,603,599
Less: accumulated depreciation/amortization	(13,349,498)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Lease payable	(105,879)
Bonds payable	(2,190,000)
Premium on bonds	(19,638)
Compensated absences payable	(59,561)
Net pension liability	(481,864)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	42,529
Special assessments receivable	44,747
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	277,611
Deferred inflows of pension resources	(244,088)
Governmental funds do not report a liability for accrued interest until due and payable.	(26,730)
Total Net Position - Governmental Activities	\$ 15,737,884

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

City of Rockford, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2023

	<u>General</u>	<u>Fire Department</u>	<u>Debt Service</u>
Revenues			
Taxes			
Property	\$ 2,026,611	\$ -	\$ 223,451
Tax increments	-	-	-
Licenses and permits	167,866	-	-
Intergovernmental	853,523	60,545	-
Charges for services	200,154	378,699	-
Fines and forfeitures	8,993	-	-
Special assessments	4,741	-	-
Investment earnings	127,254	18,259	28,654
Miscellaneous	32,551	22,903	-
Total Revenues	<u>3,421,693</u>	<u>480,406</u>	<u>252,105</u>
Expenditures			
Current			
General government	752,612	-	-
Public safety	696,734	395,168	-
Public works	729,280	-	-
Culture and recreation	272,941	-	-
Housing and economic development	-	-	-
Capital outlay			
General government	129,261	-	-
Public safety	-	34,244	-
Public works	5,500	-	-
Culture and recreation	2,112	-	-
Housing and economic development	-	-	-
Debt service			
Principal	-	32,843	225,000
Interest and other	9,650	5,048	68,703
Total Expenditures	<u>2,598,090</u>	<u>467,303</u>	<u>293,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>823,603</u>	<u>13,103</u>	<u>(41,598)</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	273	1,131	-
Transfers in	9,820	-	91,818
Transfers out	(322,723)	-	-
Total Other Financing Sources (Uses)	<u>(312,630)</u>	<u>1,131</u>	<u>91,818</u>
Net Change in Fund Balances	510,973	14,234	50,220
Fund Balances, January 1	<u>2,610,145</u>	<u>509,533</u>	<u>761,295</u>
Fund Balances, December 31	<u>\$ 3,121,118</u>	<u>\$ 523,767</u>	<u>\$ 811,515</u>

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

Rockford Mall	TIF Funds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,250,062
-	100,180	-	100,180
-	-	-	167,866
-	-	-	914,068
-	-	-	578,853
-	-	-	8,993
-	-	9,584	14,325
97,236	12,950	93,605	377,958
-	-	236,997	292,451
<u>97,236</u>	<u>113,130</u>	<u>340,186</u>	<u>4,704,756</u>
-	-	-	752,612
-	-	-	1,091,902
-	-	-	729,280
-	-	-	272,941
-	486,016	79,113	565,129
-	-	-	129,261
-	-	-	34,244
-	-	203,470	208,970
-	-	35,012	37,124
-	-	100,000	100,000
-	-	-	257,843
-	121,483	-	204,884
-	<u>607,499</u>	<u>417,595</u>	<u>4,384,190</u>
<u>97,236</u>	<u>(494,369)</u>	<u>(77,409)</u>	<u>320,566</u>
-	-	-	1,404
-	-	322,723	424,361
(19,000)	-	(9,820)	(351,543)
<u>(19,000)</u>	<u>-</u>	<u>312,903</u>	<u>74,222</u>
78,236	(494,369)	235,494	394,788
<u>2,563,737</u>	<u>(2,744,880)</u>	<u>1,948,021</u>	<u>5,647,851</u>
<u>\$ 2,641,973</u>	<u>\$ (3,239,249)</u>	<u>\$ 2,183,515</u>	<u>\$ 6,042,639</u>

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

City of Rockford, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For The Year Ended December 31, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$ 394,788
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	434,392
Depreciation expense	(743,709)
<p>Contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>	
	115,140
<p>A gain or loss on the disposal of capital assets, including the difference between carrying value and any related sales proceeds, is included in net position. However, only the sales proceeds are included in the change in fund balance.</p>	
	91,500
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	257,843
Amortization of debt premium	4,485
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,656
<p>Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(9,061)
Special assessments	(4,947)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	33,078
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	5,871
Change in Net Position - Governmental Activities	\$ 581,036

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

City of Rockford, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For The Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,851,989	\$ 1,851,989	\$ 2,026,611	\$ 174,622
Licenses and permits	119,251	119,251	167,866	48,615
Intergovernmental	652,175	652,175	853,523	201,348
Charges for services	186,150	186,150	200,154	14,004
Fines and forfeitures	5,000	5,000	8,993	3,993
Special assessments	250	250	4,741	4,491
Investment earnings	28,695	28,695	127,254	98,559
Miscellaneous	25,000	25,000	32,551	7,551
Total Revenues	<u>2,868,510</u>	<u>2,868,510</u>	<u>3,421,693</u>	<u>553,183</u>
Expenditures				
Current				
General government	690,185	690,185	752,612	(62,427)
Public safety	728,111	728,111	696,734	31,377
Public works	808,916	808,916	729,280	79,636
Culture and recreation	304,574	304,574	272,941	31,633
Capital outlay	14,000	14,000	136,873	(122,873)
Debt service				
Interest and other	10,000	10,000	9,650	350
Total Expenditures	<u>2,555,786</u>	<u>2,555,786</u>	<u>2,598,090</u>	<u>(42,304)</u>
Excess of Revenues Over Expenditures	<u>312,724</u>	<u>312,724</u>	<u>823,603</u>	<u>510,879</u>
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	9,820	(180)
Proceeds from sale of capital assets	-	-	273	273
Transfers out	<u>(322,724)</u>	<u>(322,724)</u>	<u>(322,723)</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(312,724)</u>	<u>(312,724)</u>	<u>(312,630)</u>	<u>94</u>
Net Change in Fund Balances	-	-	510,973	510,973
Fund Balances, January 1	<u>2,610,145</u>	<u>2,610,145</u>	<u>2,610,145</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,610,145</u>	<u>\$ 2,610,145</u>	<u>\$ 3,121,118</u>	<u>\$ 510,973</u>

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

City of Rockford, Minnesota
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Fire Department Fund Budgeted Special Revenue Fund
For The Year Ended December 31, 2023

	2023			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 39,000	\$ 39,000	\$ 60,545	\$ 21,545
Charges for services	438,990	438,990	378,699	(60,291)
Investment earnings	2,000	2,000	18,259	16,259
Miscellaneous				
Contributions and donations	-	-	20,400	20,400
Miscellaneous	-	-	2,503	2,503
Total Revenues	<u>479,990</u>	<u>479,990</u>	<u>480,406</u>	<u>416</u>
Expenditures				
Current				
Public safety	479,990	479,990	395,168	84,822
Capital outlay				
Public safety	-	-	34,244	(34,244)
Debt service				
Principal	-	-	32,843	(32,843)
Interest	-	-	5,048	(5,048)
Total Expenditures	<u>479,990</u>	<u>479,990</u>	<u>467,303</u>	<u>12,687</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	13,103	13,103
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,131	1,131
Net Change in Fund Balances	-	-	14,234	14,234
Fund Balances, January 1	<u>509,533</u>	<u>509,533</u>	<u>509,533</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 509,533</u>	<u>\$ 509,533</u>	<u>\$ 523,767</u>	<u>\$ 14,234</u>

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

City of Rockford, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 1,637,545	\$ 2,009,953	\$ 3,647,498
Receivables			
Accounts	87,380	100,094	187,474
Special assessments	24,274	38,676	62,950
Leases	56,561	-	56,561
Prepaid items	1,149	343	1,492
Total Current Assets	<u>1,806,909</u>	<u>2,149,066</u>	<u>3,955,975</u>
Noncurrent Assets			
Special assessments receivable	568,379	234,195	802,574
Advances to other funds	347,825	-	347,825
Leases receivable	1,364,277	-	1,364,277
Capital assets			
Land	111,272	110,358	221,630
Construction in process	1,216,639	501,303	1,717,942
Buildings and improvements	439,461	1,687,587	2,127,048
Machinery and equipment	211,050	948,957	1,160,007
Infrastructure	8,333,276	8,252,642	16,585,918
Less accumulated depreciation	(4,359,644)	(6,695,781)	(11,055,425)
Net Capital Assets	<u>5,952,054</u>	<u>4,805,066</u>	<u>10,757,120</u>
Total Noncurrent Assets	<u>8,232,535</u>	<u>5,039,261</u>	<u>13,271,796</u>
Total Assets	<u>10,039,444</u>	<u>7,188,327</u>	<u>17,227,771</u>
Deferred Outflows of Resources			
Deferred pension resources	5,695	5,621	11,316
Liabilities			
Current Liabilities			
Accounts payable	77,829	83,708	161,537
Due to other governments	3,941	-	3,941
Accrued interest payable	27,019	25,884	52,903
Compensated absences payable - current	1,972	1,972	3,944
Bonds payable - current	217,442	237,558	455,000
Total Current Liabilities	<u>328,203</u>	<u>349,122</u>	<u>677,325</u>
Noncurrent Liabilities			
Net pension liability	16,492	16,098	32,590
Compensated absences payable	3,506	3,506	7,012
Bonds payable	1,784,196	1,729,365	3,513,561
Total Noncurrent Liabilities	<u>1,804,194</u>	<u>1,748,969</u>	<u>3,553,163</u>
Total Liabilities	<u>2,132,397</u>	<u>2,098,091</u>	<u>4,230,488</u>
Deferred Inflows of Resources			
Deferred pension resources	6,858	6,767	13,625
Deferred lease resources	1,362,042	-	1,362,042
Total Deferred Inflows of Resources	<u>1,368,900</u>	<u>6,767</u>	<u>1,375,667</u>
Net Position			
Net investment in capital assets	3,950,416	2,838,143	6,788,559
Unrestricted	2,593,426	2,250,947	4,844,373
Total Net Position	<u>\$ 6,543,842</u>	<u>\$ 5,089,090</u>	<u>\$ 11,632,932</u>

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

City of Rockford, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds		
	601	602	Total
	Water	Sewer	Total
	2023	2023	2023
Operating Revenues			
Charges for services	\$ 820,961	\$ 771,239	\$ 1,592,200
Operating Expenses			
Personal services	10,580	15,628	26,208
Supplies	41,932	915	42,847
Repairs and maintenance	114,234	38,806	153,040
Other services and charges	298,838	288,843	587,681
Utilities	32,502	78,692	111,194
Depreciation	189,175	255,906	445,081
Total Operating Expenses	<u>687,261</u>	<u>678,790</u>	<u>1,366,051</u>
Operating Income	<u>133,700</u>	<u>92,449</u>	<u>226,149</u>
Nonoperating Revenues (Expenses)			
Investment earnings	76,381	88,740	165,121
Miscellaneous	226,907	3	226,910
Interest expense and other	(62,984)	(58,363)	(121,347)
Total Nonoperating Revenues (Expenses)	<u>240,304</u>	<u>30,380</u>	<u>270,684</u>
Income (Loss) Before Transfers and Contributions	<u>374,004</u>	<u>122,829</u>	<u>496,833</u>
Capital Contributions	728,437	394,390	1,122,827
Capital Contributions - Other Funds	(54,001)	(61,139)	(115,140)
Transfers Out	(36,409)	(36,409)	(72,818)
Total Contributions and Transfers	<u>638,027</u>	<u>296,842</u>	<u>934,869</u>
Change in Net Position	1,012,031	419,671	1,431,702
Net Position, January 1	<u>5,531,811</u>	<u>4,669,419</u>	<u>10,201,230</u>
Net Position, December 31	<u>\$ 6,543,842</u>	<u>\$ 5,089,090</u>	<u>\$ 11,632,932</u>

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

City of Rockford, Minnesota
Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds		
	601 Water	602 Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,010,791	\$ 772,570	\$ 1,783,361
Payments to suppliers, contractors and other governments	(454,377)	(374,310)	(828,687)
Payments to employees	(42,312)	(46,761)	(89,073)
Net Cash Provided by Operating Activities	514,102	351,499	865,601
Cash Flows from Noncapital Financing Activities			
Increase in advance to other funds	12,741	-	12,741
Transfers out	(36,409)	(36,409)	(72,818)
Net Cash Used by Noncapital Financing Activities	(23,668)	(36,409)	(60,077)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(92,553)	(49,292)	(141,845)
Capital contributions to other funds	(54,001)	(61,139)	(115,140)
Connection fees and assessments received	135,784	161,579	297,363
Principal paid on long-term debt	(132,000)	(198,000)	(330,000)
Interest paid on long-term debt	(71,346)	(66,757)	(138,103)
Net Cash Used by Capital and Related Financing Activities	(214,116)	(213,609)	(427,725)
Cash Flows from Investing Activities			
Interest received on investments	66,731	88,740	155,471
Net Increase (Decrease) in Cash and Cash Equivalents	343,049	190,221	533,270
Cash and Cash Equivalents, January 1	1,294,496	1,819,732	3,114,228
Cash and Cash Equivalents, December 31	\$ 1,637,545	\$ 2,009,953	\$ 3,647,498
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 133,700	\$ 92,449	\$ 226,149
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	189,175	255,906	445,081
Other income related to operations	226,907	3	226,910
(Increase) decrease in assets/deferred outflows			
Accounts receivable	(7,309)	1,328	(5,981)
Prepays	(457)	305	(152)
Lease Receivable	56,561	-	56,561
Deferred pension resources	14,237	13,993	28,230
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	29,645	32,641	62,286
Due to other governments	3,941	-	3,941
Compensated absences payable	(3,507)	(3,507)	(7,014)
Net pension liability	(46,194)	(45,374)	(91,568)
Deferred pension resources	3,732	3,755	7,487
Deferred lease resources	(86,329)	-	(86,329)
Net Cash Provided by Operating Activities	\$ 514,102	\$ 351,499	\$ 865,601
Schedule of Noncash Capital Financing Activities			
Amortization of bond premium	\$ 3,174	\$ 4,760	\$ 7,934

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

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City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Rockford, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in the State of 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.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City has the following component unit.

Blended Component Unit

The Economic Development Authority (the EDA) serves all the citizens of the government and is governed by a Board comprised of the City's elected City Council. Because the City Council makes up the EDA Board and can impose its will on the EDA, and the EDA provides specific benefits and burdens to the City, the EDA is reported as two special revenue funds and has a December 31 year end. Separate financial statements are not issued.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. *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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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. 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.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

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

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 general government, except those required to be accounted for in another fund.

The *Fire Department fund* accounts for the committed charges for services and other resources collected and the expenditures relating to providing fire protection services.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Rockford Mall fund* accounts for the assigned charges for services and other resources collected and the expenditures relating to the operation of the Rockford Mall.

The *TIF Funds fund* accounts for the resources accumulated and payments made for the tax increment financing districts.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system.

The *Sewer fund* accounts for the activities of the City's sewage collection system.

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

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

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County 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 Auditor and tax settlements are made to the City during January, July and December each year.

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. 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.

Inventories

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

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 receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Leases Receivable

The City's leases receivable are measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

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

Assets	Useful Lives in Years
Land Improvements	4 to 25
Buildings and Improvements	5 to 50
System and Improvements	20 to 50
Office Furniture and Fixtures	3 to 15
Machinery and Equipment	4 to 20
Automotive Equipment	2 to 10

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. It is also the City's policy to pay a percentage of earned, unused sick pay benefits based on number of years of service when employees separate from service with the City. All vacation pay is accrued when earned 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, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

	Governmental activities	Business-type activities	Total
Compensated absences	\$ 59,561	\$ 10,956	\$ 70,517

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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP), DCP and Rockford Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	DCP		
City's proportionate share	\$ 52,560	\$ 949	(\$8,355)	\$ 45,154
Proportionate share of State's contribution	64	-	-	64
Total pension expense	\$ 52,624	\$ 949	\$ (8,355)	\$ 45,218

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Rockford's Fire Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

Deferred Inflows of Resources

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

The City has two additional items which qualifies for reporting in this category. Deferred pension resources is reported only in the statements of net position and results from actuarial calculations. Deferred lease resources are reported in the statements of net position and results from lease receivable present value calculations.

Fund Balance

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

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

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.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, as well as the Housing and Redevelopment Authority and Fire Department special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August 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 30, 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 early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Administrator. The legal level of budgetary control is the department level.

There were no budget amendments in total during 2023.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2023 expenditures exceeded appropriations in the following funds:

Department	Budget	Actual	Excess of Expenditures Over Appropriations
Major Funds			
General	\$ 2,555,786	\$ 2,598,090	\$ 42,304
Nonmajor Funds			
Economic Development Authority	51,100	179,113	128,013

The excess expenditures were funded by revenues in excess of expectations and available fund balance.

C. Deficit Fund Equity

The following funds had deficits at December 31, 2023:

Fund	Amount
Major Funds	
TIF Funds	\$ 3,239,249
Nonmajor funds	
Veterans Memorial Fund	73,466

These deficits will be eliminated with future tax increment financing, transfers, grants or future bond issuances.

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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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.

At year end, the City's carrying amount of deposits, bank balance, FDIC Coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	\$ 26,040
Bank balance	\$ 234,187
Less: Covered by FDIC	234,187
Collateralized with securities pledged in City's name	\$ -

Investments

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Non-pooled Investments at Fair Value						
Brokered certificates of deposit	N/A	1-5 years	\$ 2,867,393	\$ -	\$ 2,867,393	\$ -
Brokered certificates of deposit	N/A	more than 5 years	249,936	-	249,936	-
Pooled Investments at Amortized Costs						
Minnesota Municipal Money Market fund	N/A	less than 1 year	6,592,611	-	-	-
Broker money market funds	N/A	less than 1 year	262,437	-	-	-
Total Investments			\$ 9,972,377	\$ -	\$ 2,867,393	\$ -

(1) Ratings are provided by Moody's where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

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

	Primary Government
Carrying Amount of Deposits	\$ 26,040
Investments	9,972,377
Cash on Hand	198
Total	\$ 9,998,615

The investments of the City are subject to the following risks:

- **Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 53 of the notes.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy notes that investment brokers must provide asset protection through the Securities Investor Protection Corporation and/or supplemental insurance protection.
- **Concentration of Credit Risk.** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- **Interest Rate Risk.** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the City's investment policy, extended maturities may be utilized to take advantage of higher yields; however, no more than 40 percent of the total investments should extend beyond five years as of the total investment figure as of January first of each year and in no circumstance should any extend beyond ten years.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,548,353	\$ 229,261	\$ -	\$ 2,777,614
Construction in progress	1,955,055	152,137	(203,266)	1,903,926
Total Capital Assets not Being Depreciated	<u>4,503,408</u>	<u>381,398</u>	<u>(203,266)</u>	<u>4,681,540</u>
Capital Assets Being Depreciated/Amortized				
Buildings	4,621,617	-	-	4,621,617
Improvements other than buildings	797,224	203,266	-	1,000,490
Infrastructure	10,496,489	-	-	10,496,489
Machinery and equipment	1,896,292	-	(144,292)	1,752,000
Vehicles	2,635,707	259,632	(14,290)	2,881,049
Machinery and equipment - Right to Use Assets	170,413	-	-	170,414
Total Capital Assets Being Depreciated/Amortized	<u>20,617,742</u>	<u>462,898</u>	<u>(158,582)</u>	<u>20,922,059</u>
Less Accumulated Depreciation/Amortization for				
Buildings	(2,101,715)	(132,665)	-	(2,234,380)
Improvements other than buildings	(654,602)	(11,198)	-	(665,800)
Infrastructure	(6,640,996)	(290,498)	-	(6,931,494)
Machinery and equipment	(1,280,814)	(123,851)	158,582	(1,246,083)
Vehicles	(2,050,986)	(150,240)	-	(2,201,226)
Machinery and equipment - Right to Use Assets	(35,258)	(35,257)	-	(70,515)
Total Accumulated Depreciation/Amortization	<u>(12,764,371)</u>	<u>(743,709)</u>	<u>158,582</u>	<u>(13,349,498)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>7,853,371</u>	<u>(280,811)</u>	<u>-</u>	<u>7,572,561</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,356,779</u>	<u>\$ 100,587</u>	<u>\$ (203,266)</u>	<u>\$ 12,254,101</u>

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 221,630	\$ -	\$ -	\$ 221,630
Construction in progress	1,614,049	103,893	-	1,717,942
Total Capital Assets not Being Depreciated	<u>1,835,679</u>	<u>103,893</u>	<u>-</u>	<u>1,939,572</u>
Capital Assets Being Depreciated				
Buildings and improvements	2,127,048	-	-	2,127,048
Infrastructure	16,585,918	-	-	16,585,918
Machinery and equipment	1,122,055	37,952	-	1,160,007
Total Capital Assets Being Depreciated	<u>19,835,021</u>	<u>37,952</u>	<u>-</u>	<u>19,872,973</u>
Less Accumulated Depreciation for				
Buildings and improvements	(935,517)	(46,779)	-	(982,296)
Infrastructure	(8,700,209)	(370,054)	-	(9,070,263)
Machinery and equipment	(974,618)	(28,248)	-	(1,002,866)
Total Accumulated Depreciation	<u>(10,610,344)</u>	<u>(445,081)</u>	<u>-</u>	<u>(11,055,425)</u>
Total Capital Assets Being Depreciated, Net	<u>9,224,677</u>	<u>(407,129)</u>	<u>-</u>	<u>8,817,548</u>
Business-type Activities Capital Assets, Net	<u>\$ 11,060,356</u>	<u>\$ (303,236)</u>	<u>\$ -</u>	<u>\$ 10,757,120</u>

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

Governmental Activities		
General government		\$ 7,256
Public safety		35,257
Public works		630,835
Culture and recreation		<u>70,361</u>
Total Depreciation/Amortization Expense - Governmental Activities		<u>\$ 743,709</u>
Business-type Activities		
Water		\$ 189,175
Sewer		<u>255,906</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 445,081</u>

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

As of December 31, 2023, the City has a signed contract in place for the following construction project. The following summarizes the commitment:

Project	Contract Amount	Spent to date	Remaining Commitment
2022 Improvement Project	<u>\$ 3,359,767</u>	<u>\$ 3,120,705</u>	<u>\$ 239,062</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund receivables and payables as of December 31, 2023 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Advances to/from other funds			
Water	General	Downtown development funding	\$ 347,825
General	TIF 1-4	Downtown development funding	499,305
Rockford Mall	TIF 2-5 Rockford Mall	Mall redevelopment funding	2,429,034
General	TIF 2-5 Rockford Mall	Mall redevelopment funding	<u>311,252</u>
Total			<u>\$ 3,587,416</u>

Transfers made between funds during 2023 are summarized below:

Fund	Transfer In			Total
	General	Debt Service	Nonmajor Governmental	
Transfer Out				
General	\$ -	\$ -	\$ 322,723	\$ 322,723
Rockford Mall	-	19,000	-	19,000
Nonmajor governmental	9,820	-	-	9,820
Water	-	36,409	-	36,409
Sewer	-	36,409	-	36,409
Total	<u>\$ 9,820</u>	<u>\$ 91,818</u>	<u>\$ 322,723</u>	<u>\$ 424,361</u>

- The Nonmajor Governmental fund transferred \$9,820 to the General fund for Nonmajor payments as budgeted.
- The General fund transferred \$332,723 to the Nonmajor government funds to support future projects.
- The Rockford Mall fund transferred \$19,000 to the Debt Service funds for debt service payments.
- The Water fund and Sewer fund each transferred \$36,409 to the Debt Service fund for debt service payments as budgeted.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

D. Leases Receivable

The City leases various tower sites to companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be 2041.

Long-term leases receivable at December 31, 2023 was as follows:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Verizon Water Tower Antenna Space Lease	08/12/97	1.41 %	\$ 38,357	\$ 722,070
T-Mobile Water Tower Antenna Space Lease	11/12/96	1.55	47,973	<u>698,768</u>
Total				<u>\$ 1,420,838</u>

E. Long-term Debt

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

The following bonds were issued to finance capital improvements to the City's flood levee and purchase of property. They will be retired from ad valorem tax levies and other revenues.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Tax Abatement Bonds, Series 2014A	\$ 1,950,000	2.15 - 4.50 %	04/23/14	02/01/35	\$ 155,000
GO Refunding Bonds, Series 2016B	695,000	1.50 - 2.00	08/01/16	02/01/25	<u>90,000</u>
Total G.O. Improvement Bonds					<u>\$ 245,000</u>

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 55,000	\$ 7,403	\$ 62,403
2025	55,000	6,327	61,327
2026	10,000	5,590	15,590
2027	10,000	5,190	15,190
2028	10,000	4,790	14,790
2029 - 2033	70,000	15,938	85,938
2034 - 2035	35,000	1,687	36,687
Total	\$ 245,000	\$ 46,925	\$ 291,925

General Obligation Special Assessment Bonds

The City issued special assessment debt to provide funds for the street improvements. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment debt issues are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2014C	\$ 2,130,000	1.50 - 3.50 %	12/16/14	02/01/31	<u>\$ 1,160,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 135,000	\$ 35,190	\$ 170,190
2025	135,000	32,051	167,051
2026	140,000	28,069	168,069
2027	140,000	23,344	163,344
2028	145,000	18,534	163,534
2029 - 2031	465,000	24,669	489,669
Total	\$ 1,160,000	\$ 161,857	\$ 1,321,857

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Tax Increment Bonds

The following bonds were issued for development purposes. The additional tax increment resulting from the increased tax capacity of the redeveloped properties has been pledged to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Bonds, Series 2016A	\$ 1,005,000	1.50 - 3.50 %	07/12/16	02/01/38	<u>\$ 785,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 45,000	\$ 18,776	\$ 63,776
2025	45,000	18,000	63,000
2026	45,000	17,100	62,100
2027	45,000	16,200	61,200
2028	50,000	15,250	65,250
2029 - 2033	260,000	57,806	317,806
2034 - 2038	295,000	20,969	315,969
Total	<u>\$ 785,000</u>	<u>\$ 164,101</u>	<u>\$ 949,101</u>

General Obligation Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2014B Water and Sewer Revenue Bonds	\$ 4,795,000	2.00 - 3.50 %	06/25/14	02/01/30	\$ 2,580,000
2022A Utility Revenue Bonds	1,344,000	3.39	06/10/22	02/01/33	<u>1,344,000</u>
Total G.O. Revenue Bonds					<u>\$ 3,924,000</u>

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2024	\$ 455,000	\$ 119,914	\$ 574,914
2025	465,000	105,651	570,651
2026	480,000	90,993	570,993
2027	494,000	75,883	569,883
2028	515,000	59,753	574,753
2029 - 2033	1,515,000	90,049	1,605,049
Total	\$ 3,924,000	\$ 542,243	\$ 2,861,194

Lease Payable

The lease agreement is summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Motorola Public Safety Radio Equipment	\$ 138,722	3.58 %	11/15/21	5 Years	\$ 32,844 Annually	<u>\$ 105,879</u>

The City leased radio equipment for firefighter handheld radios. The lease has a term of 5 years, ending in 2026. The interest rate is a fixed rate of 3.58%. This lease is not renewable.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 34,039	\$ 3,853	\$ 37,892
2025	35,278	2,614	37,892
2026	36,562	1,331	37,893
Total	\$ 105,879	\$ 7,798	\$ 113,677

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation					
improvement bonds	\$ 295,000	\$ -	\$ (50,000)	\$ 245,000	\$ 55,000
General obligation special					
assessment bonds	1,290,000	-	(130,000)	1,160,000	135,000
General obligation tax					
increment bonds	830,000	-	(45,000)	785,000	45,000
Bond premium	24,123	-	(4,485)	19,638	-
Total Bonds Payable	<u>2,439,123</u>	<u>-</u>	<u>(229,485)</u>	<u>2,209,638</u>	<u>235,000</u>
Lease Liability	138,722	-	(32,843)	105,879	34,039
Compensated Absences					
Payable	92,639	11,453	(44,531)	59,561	21,442
Governmental Activity					
Long-term Liabilities	<u>\$ 2,670,484</u>	<u>\$ 11,453</u>	<u>\$ (306,859)</u>	<u>\$ 2,375,078</u>	<u>\$ 290,481</u>
Business-type Activities					
Bonds Payable					
General obligation					
revenue bonds	\$ 4,254,000	\$ -	\$ (330,000)	\$ 3,924,000	\$ 455,000
Bond premium	52,495	-	(7,934)	44,561	-
Total Bonds Payable	<u>4,306,495</u>	<u>-</u>	<u>(337,934)</u>	<u>3,968,561</u>	<u>455,000</u>
Compensated Absences					
Payable	17,970	5,044	(12,058)	10,956	3,944
Business-type Activity					
Long-term Liabilities	<u>\$ 4,324,465</u>	<u>\$ 5,044</u>	<u>\$ (349,992)</u>	<u>\$ 3,979,517</u>	<u>\$ 458,944</u>

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2023, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Fire Department	Rockford Mall	TIF Funds	Other Governmental Funds	Total Governmental Funds
Nonspendable due to							
Prepaid items	\$ 21,011	\$ -	\$ 290	\$ -	\$ -	\$ 5,995	\$ 27,296
Advances to other funds	810,557	-	-	-	-	-	810,557
Total Nonspendable	\$ 831,568	\$ -	\$ 290	\$ -	\$ -	\$ 5,995	\$ 837,853
Restricted for							
Debt service	\$ -	\$ 811,515	\$ -	\$ -	\$ -	\$ -	\$ 811,515
Parks	-	-	-	-	-	121,824	121,824
DTED loans	-	-	-	-	-	301,066	301,066
Charitable gambling	39,630	-	-	-	-	84,795	124,425
Public safety	201,341	-	-	-	-	-	201,341
Total Restricted	\$ 240,971	\$ 811,515	\$ -	\$ -	\$ -	\$ 507,685	\$ 1,560,171
Committed for							
Fire department	\$ -	\$ -	\$ 523,477	\$ -	\$ -	\$ -	\$ 523,477
Housing and redevelopment authority	-	-	-	-	-	162,808	162,808
Total Committed	\$ -	\$ -	\$ 523,477	\$ -	\$ -	\$ 162,808	\$ 686,285
Assigned to							
Rockford Mall	\$ -	\$ -	\$ -	\$ 2,641,973	\$ -	\$ -	\$ 2,641,973
Transportation signal fees	-	-	-	-	-	50,918	50,918
Capital purchases	-	-	-	-	-	1,522,593	1,522,593
Event center	-	-	-	-	-	6,982	6,982
Total Assigned	\$ -	\$ -	\$ -	\$ 2,641,973	\$ -	\$ 1,580,493	\$ 4,222,466

City Of Rockford
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide

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.

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

City Of Rockford
Notes to the Financial Statements
December 31, 2023

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

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$56,662, \$65,784 and \$54,454, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$514,454 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,251. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0092 percent at the end of the measurement period and 0.0097 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 514,454
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>14,251</u>
Total	<u>\$ 528,705</u>

For the year ended December 31, 2023, the City recognized pension expense of \$52,560 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$64 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.

City Of Rockford
Notes to the Financial Statements
December 31, 2023

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

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 17,115	\$ 3,660
Changes in Actuarial Assumptions	86,070	141,007
Net Difference Between Projected and Actual Investment Earnings	-	14,113
Changes in Proportion	2,135	19,800
Contributions Paid to PERA Subsequent to the Measurement Date	29,211	-
Total	\$ 134,531	\$ 178,580

The \$29,211 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 8,557
2025	(86,248)
2026	15,593
2027	(11,160)

E. Long-term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
	100.0 %	

City Of Rockford
Notes to the Financial Statements
December 31, 2023

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

City Of Rockford
Notes to the Financial Statements
December 31, 2023

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees funds were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (6.0%)</u>	<u>Current (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
General Employees Fund	\$ 910,110	\$ 514,454	\$ 189,011

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

There are 5 City Council members that are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) 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 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 949	\$ 949	5.00%	5.00%	5.00%

The City's contributions to the DCP for the years ended December 31, 2023, 2022 and 2021 were \$949, \$585 and \$780, respectively.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Rockford Fire Department (the Department) are covered by a defined benefit plan administered by the Rockford Fire Department Relief Association (the Association). As of December 31, 2023, the plan covered 24 active firefighters and 13 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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 Firefighter's 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.

B. Benefits Provided

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 5 years of service, shall be equal to 40 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$49,270 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2023, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2023, the City reported a net pension asset of (\$204,017) for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension asset during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2023	\$ 576,223	\$ 952,674	\$ (376,451)
Changes for the Year			
Service cost	25,063	-	25,063
Interest on pension liability (asset)	36,598	-	36,598
Nonemployer contributions	-	45,247	(45,247)
Projected investment return (Gain)/loss	-	59,973	(59,973)
Benefit payments	(49,031)	(265,024)	215,993
Total Net Changes	<u>(31,447)</u>	<u>(31,447)</u>	<u>-</u>
Ending Balance December 31, 2023	<u>\$ 557,406</u>	<u>\$ 761,423</u>	<u>\$ (204,017)</u>

For the year ended December 31, 2023, the City recognized negative pension expense of (\$8,355).

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2023, the City reported deferred outflows of resources and its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 73,235
Changes in actuarial assumptions	-	5,898
Net Difference Between Projected and Actual Losses on Plan Investments	109,149	-
Contributions to Plan Subsequent to the Measurement Date	45,247	-
Total	\$ 154,396	\$ 79,133

Deferred outflows of resources totaling \$45,247 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2024	\$ (23,556)
2025	(3,532)
2026	29,272
2027	41,838
2028	(7,005)
Thereafter	(7,001)

E. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Salary Increases	2.50% per year
Investment Rate of Return	6.25%
20 Year Municipal Bond Yield	N/A

The discount rate increased from 6.00 percent to 6.25 percent.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	2.00 %	1.80 %
Fixed Income	15.00	3.00
Equities	75.00	7.10
Other	<u>8.00</u>	7.00
Total	<u><u>100.00 %</u></u>	6.25%

F. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Funds were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (5.25%)</u>	<u>Current (6.25%)</u>	<u>1 Percent Increase (7.25%)</u>
Defined Benefit Plan	\$ (191,369)	\$ (204,017)	\$ (215,847)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Rockford Fire Department Relief Association, 6031 Main Street, Rockford, MN 55373.

City of Rockford, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 7: 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

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments, tax increments or the net revenues of enterprise fund operations is excluded from the debt limit computation. As of December 31, 2023, the City is under the legal debt margin.

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2023 was \$623,461 for LGA. This accounted for 18.2 percent of General fund revenues.

D. Tax Increment Districts

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

The City has entered into "pay as you go" Tax Increment Financing notes within its TIF districts. These notes are payable only to the extent of the increment received. As a result, they are a commitment within the district but they have not met the criteria to be reported as a liability on the Statement of Net Position.

Note 8: Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds, Senior Housing Revenue Bonds and other similar type Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The outstanding balance of Senior Housing Revenue Bonds at December 31, 2023 is \$ 3,924,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Rockford, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2023

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2023	0.0092 %	\$ 514,454	\$ 14,251	\$ 528,705	\$ 734,991	70.0 %	83.1 %
6/30/2022	0.0097	768,243	22,558	790,801	888,088	86.5	76.7
6/30/2021	0.0095	405,693	12,402	418,095	686,585	59.1	87.0
6/30/2020	0.0095	569,568	17,576	587,144	676,549	84.2	79.0
6/30/2019	0.0102	563,935	17,499	581,434	720,741	78.2	80.2
6/30/2018	0.0103	571,402	18,676	590,078	690,237	82.8	79.5
6/30/2017	0.0099	632,009	7,981	639,990	640,497	98.7	75.9
6/30/2016	0.0097	787,592	10,363	797,955	603,677	130.5	68.9
6/30/2015	0.0099	513,069	-	513,069	1,011,753	50.7	78.2

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

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Covered Payroll (b/c)
12/31/2023	\$ 56,662	\$ 56,662	\$ -	\$ 755,489	7.50 %
12/31/2022	65,784	65,784	-	877,123	7.50
12/31/2021	54,454	54,454	-	726,050	7.50
12/31/2020	50,993	50,993	-	679,904	7.50
12/31/2019	52,914	52,914	-	705,522	7.50
12/31/2018	53,142	53,142	-	708,557	7.50
12/31/2017	49,856	49,856	-	664,750	7.50
12/31/2016	46,467	46,467	-	619,554	7.50
12/31/2015	44,021	44,021	-	586,947	7.50

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

City of Rockford, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

2022 - The morality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

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

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

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Rockford, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

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

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

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

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Rockford, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability								
Service cost	\$ 25,063	\$ 24,452	\$ 23,080	\$ 21,166	\$ 22,961	\$ 20,874	\$ 26,848	\$ 25,331
Interest	36,598	34,055	29,788	28,783	25,729	22,185	22,982	19,973
Changes of benefit terms	-	-	-	21,440	18,923	25,727	22,975	26,069
Changes of assumptions	-	-	(5,979)	-	(8,694)	-	-	-
Plan changes	-	-	22,661	-	-	-	-	-
Gain or loss	(49,031)	-	(23,196)	-	(33,482)	-	(67,186)	-
Benefit payments, including refunds of employee contributions	(31,447)	(5,416)	(36,376)	(75,284)	-	-	(31,152)	(44,934)
Net Change in Total Pension Liability	(18,817)	53,091	9,978	(3,895)	25,437	68,786	(25,533)	26,439
Total Pension Liability - January 1	576,223	523,132	513,154	517,049	491,612	422,826	448,359	421,920
Total Pension Liability - December 31 (a)	\$ 557,406	\$ 576,223	\$ 523,132	\$ 513,154	\$ 517,049	\$ 491,612	\$ 422,826	\$ 448,359
Plan Fiduciary Net Position								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - state	45,247	41,162	39,200	37,769	35,035	33,948	30,352	34,773
Net investment income	59,973	51,294	36,295	32,103	29,881	24,976	23,028	24,329
Gain or loss	(265,024)	62,799	133,915	58,141	(67,941)	38,620	(635)	(44,874)
Benefit payments, including refunds of employee contributions	(31,447)	(5,416)	(36,376)	(75,284)	-	-	(31,152)	(44,934)
Net Change in Plan Fiduciary Net Position	(191,251)	149,839	173,034	52,729	(3,025)	97,544	21,593	(30,706)
Plan Fiduciary Net Position - January 1	952,674	802,835	629,801	577,072	580,097	482,553	460,960	491,666
Plan Fiduciary Net Position - December 31 (b)	\$ 761,423	\$ 952,674	\$ 802,835	\$ 629,801	\$ 577,072	\$ 580,097	\$ 482,553	\$ 460,960
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (204,017)	\$ (376,451)	\$ (279,703)	\$ (116,647)	\$ (60,023)	\$ (88,485)	\$ (59,727)	\$ (12,601)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	136.60%	165.33%	153.47%	122.73%	111.61%	118.00%	114.13%	102.81%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

City of Rockford, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Actuarial Assumptions

2023 - The investment return assumption was changed from 6.5 percent to 6.25 percent. The single discount rate changed from 6.0 percent to 6.25 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The discount rate changed from 5.75% to 6.25%.

2020 - A benefit level increase to \$2,500 was reflected in the active liability.

2019 - The discount rate changed from 5.00% to 5.75%.

2018 - A benefit level increase from \$2,050 to \$2,200 was reflected in the active liability.

2017 - No changes in actuarial assumptions.

2016 - No changes in actuarial assumptions.

2015 - Amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

Changes in Plan Provisions

2023 - No changes in plan provisions.

2022 - No changes in plan provisions.

2021 - A benefit level increase from \$2,500 to \$2,650 was reflected in the active liability.

2020 - No changes in plan provisions.

2019 - No changes in plan provisions.

2018 - No changes in plan provisions.

2017 - No changes in plan provisions.

2016 - No changes in plan provisions.

2015 - The benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

City of Rockford, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2023

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2023	\$ 45,247	\$ 49,270	\$ (4,023)
12/31/2022	41,162	43,247	(2,085)
12/31/2021	39,200	40,752	(1,552)
12/31/2020	37,065	38,200	(1,135)
12/31/2019	35,035	35,035	-
12/31/2018	33,948	33,948	-
12/31/2017	28,206	28,206	-
12/31/2016	32,733	32,733	-
12/31/2015	33,831	33,831	-

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

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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Rockford, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2023

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 538,571	\$ 1,802,471	\$ 2,341,042
Receivables			
Accounts	10,098	1,025	11,123
Special assessments	-	38,017	38,017
Due from other governments	-	4,800	4,800
Prepaid items	5,995	-	5,995
	<u>\$ 554,664</u>	<u>\$ 1,846,313</u>	<u>\$ 2,400,977</u>
Liabilities			
Accounts payable	\$ -	\$ 179,445	\$ 179,445
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	38,017	38,017
Fund Balances			
Nonspendable due to			
Prepaid items	5,995	-	5,995
Restricted for			
DTED loans	301,066	-	301,066
Charitable gambling	84,795	-	84,795
Parks	-	121,824	121,824
Committed for			
Housing and redevelopment authority	162,808	-	162,808
Assigned to			
Transportation signal fees	-	50,918	50,918
Capital purchases	-	1,522,593	1,522,593
Event center	-	6,982	6,982
Unassigned	-	(73,466)	(73,466)
Total Fund Balances	<u>554,664</u>	<u>1,628,851</u>	<u>2,183,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances			
	<u>\$ 554,664</u>	<u>\$ 1,846,313</u>	<u>\$ 2,400,977</u>

City of Rockford, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For The Year Ended December 31, 2023

	Special Revenue	Capital Projects	Total
Revenues			
Special assessments	\$ -	\$ 9,584	\$ 9,584
Investment earnings	26,927	66,678	93,605
Miscellaneous	100,278	136,719	236,997
Total Revenues	127,205	212,981	340,186
Expenditures			
Current			
Housing and economic development	79,113	-	79,113
Capital outlay			
Public works	-	203,470	203,470
Culture and recreation	-	35,012	35,012
Housing and economic development	100,000	-	100,000
Total Expenditures	179,113	238,482	417,595
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,908)	(25,501)	(77,409)
Other Financing Sources (Uses)			
Transfers in	-	322,723	322,723
Transfers out	(9,820)	-	(9,820)
Total Other Financing Sources (Uses)	(9,820)	322,723	312,903
Net Changes in Fund Balances	(61,728)	297,222	235,494
Fund Balances, January 1	616,392	1,331,629	1,948,021
Fund Balances, December 31	\$ 554,664	\$ 1,628,851	\$ 2,183,515

City of Rockford, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2023

	201/202	207	209	
	Federal	Economic	Lawful	
	DTED	Development	Gambling	
	<u>DTED</u>	<u>Authority</u>	<u>Contributions</u>	<u>Total</u>
Assets				
Cash and temporary investments	\$ 301,066	\$ 162,808	\$ 74,697	\$ 538,571
Receivables				
Accounts	-	-	10,098	10,098
Prepaid items	-	5,995	-	5,995
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 301,066</u>	<u>\$ 168,803</u>	<u>\$ 84,795</u>	<u>\$ 554,664</u>
Fund Balances				
Nonspendable due to				
Prepaid items	\$ -	\$ 5,995	\$ -	\$ 5,995
Restricted for				
DTED loans	301,066	-	-	301,066
Charitable gambling	-	-	84,795	84,795
Committed for				
Housing and redevelopment authority	-	162,808	-	162,808
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 301,066</u>	<u>\$ 168,803</u>	<u>\$ 84,795</u>	<u>\$ 554,664</u>

City of Rockford, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For The Year Ended December 31, 2023

	201/202	207	209	
	Federal DTED	Economic Development Authority	Lawful Gambling Contributions	Total
Revenues				
Investment earnings	\$ 13,054	\$ 11,116	\$ 2,757	\$ 26,927
Miscellaneous	-	63,000	37,278	100,278
Total Revenues	<u>13,054</u>	<u>74,116</u>	<u>40,035</u>	<u>127,205</u>
Expenditures				
Current				
Housing and economic development	-	79,113	-	79,113
Capital outlay				
Housing and economic development	-	100,000	-	100,000
Total Expenditures	<u>-</u>	<u>179,113</u>	<u>-</u>	<u>179,113</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,054	(104,997)	40,035	(51,908)
Other Financing Uses				
Transfers out	-	-	(9,820)	(9,820)
Net Change in Fund Balances	13,054	(104,997)	30,215	(61,728)
Fund Balances, January 1	<u>288,012</u>	<u>273,800</u>	<u>54,580</u>	<u>616,392</u>
Fund Balances, December 31	<u>\$ 301,066</u>	<u>\$ 168,803</u>	<u>\$ 84,795</u>	<u>\$ 554,664</u>

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City of Rockford, Minnesota
 Economic Development Authority
 Budgeted Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For The Year Ended December 31, 2023
 (With Comparative Actual Amounts For The Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Investment earnings (loss)	\$ 1,000	\$ 1,000	\$ 11,116	\$ 10,116	\$ (755)
Miscellaneous	-	-	63,000	63,000	40,623
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>74,116</u>	<u>73,116</u>	<u>39,868</u>
Expenditures					
Current					
Housing and economic development	41,100	41,100	79,113	(38,013)	62,885
Capital outlay					
Housing and economic development	10,000	10,000	100,000	(90,000)	-
Total Expenditures	<u>51,100</u>	<u>51,100</u>	<u>179,113</u>	<u>(128,013)</u>	<u>62,885</u>
Net Change in Fund Balances	(50,100)	(50,100)	(104,997)	(54,897)	(23,017)
Fund Balances, January 1	<u>273,800</u>	<u>273,800</u>	<u>273,800</u>	<u>-</u>	<u>296,817</u>
Fund Balances, December 31	<u>\$ 223,700</u>	<u>\$ 223,700</u>	<u>\$ 168,803</u>	<u>\$ (54,897)</u>	<u>\$ 273,800</u>

City of Rockford, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2023

	401	405	408
	Streets Capital Improvements	Transportation Signal Fees	Event Center
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 1,287,610	\$ 50,918	\$ 6,982
Receivables			
Accounts	-	-	-
Special assessments	38,017	-	-
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,325,627</u>	<u>\$ 50,918</u>	<u>\$ 6,982</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>38,017</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted for			
Parks	-	-	-
Assigned to			
Transportation signal fees	-	50,918	-
Capital purchases	1,287,610	-	-
Event center	-	-	6,982
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,287,610</u>	<u>50,918</u>	<u>6,982</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,325,627</u>	<u>\$ 50,918</u>	<u>\$ 6,982</u>

411	413	418	420	
General Equipment	Parks Dedication	2022 Street Improvement Fund	Veterans Memorial Fund	Total
\$ 234,983	\$ 120,799	\$ 179,445	\$ (78,266)	\$ 1,802,471
-	1,025	-	-	1,025
-	-	-	-	38,017
-	-	-	4,800	4,800
<u>\$ 234,983</u>	<u>\$ 121,824</u>	<u>\$ 179,445</u>	<u>\$ (73,466)</u>	<u>\$ 1,846,313</u>
\$ -	\$ -	\$ 179,445	\$ -	\$ 179,445
-	-	-	-	38,017
-	121,824	-	-	121,824
-	-	-	-	50,918
234,983	-	-	-	1,522,593
-	-	-	-	6,982
-	-	-	(73,466)	(73,466)
<u>234,983</u>	<u>121,824</u>	<u>-</u>	<u>(73,466)</u>	<u>1,628,851</u>
<u>\$ 234,983</u>	<u>\$ 121,824</u>	<u>\$ 179,445</u>	<u>\$ (73,466)</u>	<u>\$ 1,846,313</u>

City of Rockford, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For The Year Ended December 31, 2023

	401	405	408
	Streets Capital Improvements	Transportation Signal Fees	Event Center
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Special assessments	\$ 9,584	\$ -	\$ -
Investment earnings	50,153	2,209	303
Miscellaneous	-	-	-
Total Revenues	<u>59,737</u>	<u>2,209</u>	<u>303</u>
Expenditures			
Capital outlay			
Public works	81,328	-	-
Culture and recreation	-	-	-
Total Expenditures	<u>81,328</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,591)	2,209	303
Other Financing Sources			
Transfers in	<u>250,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	228,409	2,209	303
Fund Balances, January 1	<u>1,059,201</u>	<u>48,709</u>	<u>6,679</u>
Fund Balances, December 31	<u>\$ 1,287,610</u>	<u>\$ 50,918</u>	<u>\$ 6,982</u>

411	413	418	420	
General Equipment	Parks Dedication	2022 Street Improvement Fund	Veterans Memorial Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 9,584
8,885	5,128	-	-	66,678
-	6,919	-	129,800	136,719
<u>8,885</u>	<u>12,047</u>	<u>-</u>	<u>129,800</u>	<u>212,981</u>
122,142	-	-	-	203,470
-	(1,985)	-	36,997	35,012
<u>122,142</u>	<u>(1,985)</u>	<u>-</u>	<u>36,997</u>	<u>238,482</u>
(113,257)	14,032	-	92,803	(25,501)
<u>72,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,723</u>
(40,534)	14,032	-	92,803	297,222
<u>275,517</u>	<u>107,792</u>	<u>-</u>	<u>(166,269)</u>	<u>1,331,629</u>
<u>\$ 234,983</u>	<u>\$ 121,824</u>	<u>\$ -</u>	<u>\$ (73,466)</u>	<u>\$ 1,628,851</u>

City of Rockford, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For The Year Ended December 31, 2023
(With Comparative Actual Amounts For The Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 1,851,989	\$ 1,851,989	\$ 2,026,611	\$ 174,622	\$ 1,633,020
Licenses and permits					
Business	19,500	19,500	24,587	5,087	14,920
Nonbusiness	99,751	99,751	143,279	43,528	188,831
Total licenses and permits	<u>119,251</u>	<u>119,251</u>	<u>167,866</u>	<u>48,615</u>	<u>203,751</u>
Intergovernmental					
State					
Local government aid	623,461	623,461	623,461	-	610,086
Property tax credits	550	550	548	(2)	491
Other state aid	21,764	21,764	224,643	202,879	30,189
County					
Other grants	6,400	6,400	4,871	(1,529)	3,481
Total intergovernmental	<u>652,175</u>	<u>652,175</u>	<u>853,523</u>	<u>201,348</u>	<u>644,247</u>
Charges for services					
General government	158,650	158,650	169,096	10,446	143,348
Recycling	27,500	27,500	31,058	3,558	30,235
Total charges for services	<u>186,150</u>	<u>186,150</u>	<u>200,154</u>	<u>14,004</u>	<u>173,583</u>
Fines and forfeitures	5,000	5,000	8,993	3,993	12,320
Special assessments	250	250	4,741	4,491	5,599
Investment earnings	28,695	28,695	127,254	98,559	16,587
Miscellaneous					
Contributions and donations	-	-	2,250	2,250	-
Refunds and reimbursements	5,000	5,000	2,400	(2,600)	18,813
Other	20,000	20,000	27,901	7,901	23,111
Total miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>32,551</u>	<u>7,551</u>	<u>41,924</u>
Total Revenues	<u>2,868,510</u>	<u>2,868,510</u>	<u>3,421,693</u>	<u>553,183</u>	<u>2,731,031</u>
Expenditures					
Current					
General government					
Mayor and city council					
Personal services	28,409	28,409	28,774	(365)	21,427
Other services and charges	3,200	3,200	3,881	(681)	355
Total mayor and city council	<u>31,609</u>	<u>31,609</u>	<u>32,655</u>	<u>(1,046)</u>	<u>21,782</u>
City administration					
Other services and charges	4,200	4,200	5,540	(1,340)	3,636

City of Rockford, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For The Year Ended December 31, 2023
(With Comparative Actual Amounts For The Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
General government (Continued)					
City hall staff					
Personal services	\$ 485,847	\$ 485,847	\$ 487,362	\$ (1,515)	\$ 376,104
Other services and charges	2,300	2,300	12,789	(10,489)	20,428
Total city hall staff	<u>488,147</u>	<u>488,147</u>	<u>500,151</u>	<u>(12,004)</u>	<u>396,532</u>
Election					
Personal services	-	-	-	-	10,049
Other services and charges	-	-	1,995	(1,995)	3,263
Total election	<u>-</u>	<u>-</u>	<u>1,995</u>	<u>(1,995)</u>	<u>13,312</u>
Assessing					
Other services and charges	<u>25,375</u>	<u>25,375</u>	<u>26,778</u>	<u>(1,403)</u>	<u>2,900</u>
City attorney					
Other services and charges	<u>500</u>	<u>500</u>	<u>12,016</u>	<u>(11,516)</u>	<u>4,036</u>
Planning and zoning					
Personal services	1,600	1,600	881	719	859
Supplies	-	-	1,835	(1,835)	-
Other services and charges	<u>11,400</u>	<u>11,400</u>	<u>35,149</u>	<u>(23,749)</u>	<u>71,166</u>
Total planning and zoning	<u>13,000</u>	<u>13,000</u>	<u>37,865</u>	<u>(24,865)</u>	<u>72,025</u>
General					
Personal services	6,875	6,875	7,604	(729)	7,110
Supplies	3,500	3,500	3,684	(184)	2,947
Other services and charges	<u>116,979</u>	<u>116,979</u>	<u>124,324</u>	<u>(7,345)</u>	<u>113,397</u>
Total general	<u>127,354</u>	<u>127,354</u>	<u>135,612</u>	<u>(8,258)</u>	<u>123,454</u>
Total general government	<u>690,185</u>	<u>690,185</u>	<u>752,612</u>	<u>(62,427)</u>	<u>637,677</u>
Public safety					
Police					
Other services and charges	<u>409,676</u>	<u>409,676</u>	<u>356,302</u>	<u>53,374</u>	<u>409,639</u>
Fire					
Other services and charges	<u>284,865</u>	<u>284,865</u>	<u>250,635</u>	<u>34,230</u>	<u>229,698</u>
Building inspection					
Other services and charges	<u>26,720</u>	<u>26,720</u>	<u>82,296</u>	<u>(55,576)</u>	<u>112,086</u>

City of Rockford, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For The Year Ended December 31, 2023
(With Comparative Actual Amounts For The Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Public safety (Continued)					
Civil defense					
Personal services	\$ 350	\$ 350	\$ 207	\$ 143	\$ 174
Other services and charges	4,000	4,000	6,765	(2,765)	3,238
Total civil defense	<u>4,350</u>	<u>4,350</u>	<u>6,972</u>	<u>(2,622)</u>	<u>3,412</u>
Animal control					
Other services and charges	<u>2,500</u>	<u>2,500</u>	<u>529</u>	<u>1,971</u>	<u>644</u>
Total public safety	<u>728,111</u>	<u>728,111</u>	<u>696,734</u>	<u>31,377</u>	<u>755,479</u>
Public works					
Streets					
Personal services	413,240	413,240	368,882	44,358	328,927
Supplies	117,000	117,000	92,550	24,450	110,973
Other services and charges	149,545	149,545	132,088	17,457	95,816
Total streets	<u>679,785</u>	<u>679,785</u>	<u>593,520</u>	<u>86,265</u>	<u>535,716</u>
Street lighting	<u>61,500</u>	<u>61,500</u>	<u>52,924</u>	<u>8,576</u>	<u>58,858</u>
Recycling					
Personal services	1,881	1,881	-	1,881	-
Other services and charges	65,750	65,750	82,836	(17,086)	52,553
Total	<u>67,631</u>	<u>67,631</u>	<u>82,836</u>	<u>(15,205)</u>	<u>52,553</u>
Total public works	<u>808,916</u>	<u>808,916</u>	<u>729,280</u>	<u>79,636</u>	<u>647,127</u>
Culture and recreation					
Parks					
Personal services	180,649	180,649	175,623	5,026	144,104
Supplies	16,500	16,500	11,060	5,440	5,235
Other services and charges	72,675	72,675	60,253	12,422	63,642
Total parks	<u>269,824</u>	<u>269,824</u>	<u>246,936</u>	<u>22,888</u>	<u>212,981</u>
Library					
Personal services	1,100	1,100	1,129	(29)	961
Other services and charges	13,650	13,650	12,391	1,259	19,639
Total library	<u>14,750</u>	<u>14,750</u>	<u>13,520</u>	<u>1,230</u>	<u>20,600</u>
Historical property					
Personal services	1,635	1,635	2,878	(1,243)	2,443
Other services and charges	18,365	18,365	9,607	8,758	21,990
Total historical property	<u>20,000</u>	<u>20,000</u>	<u>12,485</u>	<u>7,515</u>	<u>24,433</u>
Total culture and recreation	<u>304,574</u>	<u>304,574</u>	<u>272,941</u>	<u>31,633</u>	<u>258,014</u>
Total current	<u>2,531,786</u>	<u>2,531,786</u>	<u>2,451,567</u>	<u>80,219</u>	<u>2,298,297</u>

City of Rockford, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For The Year Ended December 31, 2023
(With Comparative Actual Amounts For The Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Debt service					
Interest and other	\$ 10,000	\$ 10,000	\$ 9,650	\$ 350	\$ 9,677
Capital outlay					
General government	-	-	129,261	(129,261)	31,601
Public works	7,000	7,000	5,500	1,500	8,566
Culture and recreation	7,000	7,000	2,112	4,888	-
Total capital outlay	<u>14,000</u>	<u>14,000</u>	<u>136,873</u>	<u>(122,873)</u>	<u>40,167</u>
Total Expenditures	<u>2,555,786</u>	<u>2,555,786</u>	<u>2,598,090</u>	<u>(42,304)</u>	<u>2,348,141</u>
Excess of Revenues Over Expenditures	<u>312,724</u>	<u>312,724</u>	<u>823,603</u>	<u>510,879</u>	<u>382,890</u>
Other Financing Sources (Uses)					
Transfer in	10,000	10,000	9,820	(180)	10,000
Sale of capital assets	-	-	273	273	-
Transfers out	<u>(322,724)</u>	<u>(322,724)</u>	<u>(322,723)</u>	<u>1</u>	<u>(530,000)</u>
Total Other Financing Sources (Uses)	<u>(312,724)</u>	<u>(312,724)</u>	<u>(312,630)</u>	<u>94</u>	<u>(520,000)</u>
Net Change in Fund Balances	-	-	510,973	510,973	(137,110)
Fund Balances, January 1	<u>2,610,145</u>	<u>2,610,145</u>	<u>2,610,145</u>	<u>-</u>	<u>2,747,255</u>
Fund Balances, December 31	<u>\$ 2,610,145</u>	<u>\$ 2,610,145</u>	<u>\$ 3,121,118</u>	<u>\$ 510,973</u>	<u>\$ 2,610,145</u>

City of Rockford, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2023

	306	314	315	316	
	2014C GO	2014A GO	2016A GO	2016B GO	
	Refunding	Tax Abatement	Tax Increment	Refunding	
	Bonds	Bonds	Bonds	Bonds	Total
Assets					
Cash and temporary investments	<u>\$ 500,257</u>	<u>\$ 15,919</u>	<u>\$ 85,104</u>	<u>\$ 210,235</u>	<u>\$ 811,515</u>
Fund Balances					
Restricted for debt service	<u>\$ 500,257</u>	<u>\$ 15,919</u>	<u>\$ 85,104</u>	<u>\$ 210,235</u>	<u>\$ 811,515</u>

City of Rockford, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For The Year Ended December 31, 2023

	306 2014C GO Refunding Bonds	314 2014A GO Tax Abatement Bonds	315 2016A GO Tax Increment Bonds	316 2016B GO Refunding Bonds	Total
Revenues					
Taxes	\$ 107,475	\$ -	\$ 67,308	\$ 48,668	\$ 223,451
Investment earnings	18,051	435	2,227	7,941	28,654
Total Revenues	<u>125,526</u>	<u>435</u>	<u>69,535</u>	<u>56,609</u>	<u>252,105</u>
Expenditures					
Debt service					
Principal	130,000	10,000	45,000	40,000	225,000
Interest and other	38,733	7,340	19,929	2,701	68,703
Total Expenditures	<u>168,733</u>	<u>17,340</u>	<u>64,929</u>	<u>42,701</u>	<u>293,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,207)	(16,905)	4,606	13,908	(41,598)
Other Financing Sources					
Transfers in	72,818	19,000	-	-	91,818
Net Change in Fund Balances	29,611	2,095	4,606	13,908	50,220
Fund Balances, January 1	<u>470,646</u>	<u>13,824</u>	<u>80,498</u>	<u>196,327</u>	<u>761,295</u>
Fund Balances, December 31	<u>\$ 500,257</u>	<u>\$ 15,919</u>	<u>\$ 85,104</u>	<u>\$ 210,235</u>	<u>\$ 811,515</u>

City of Rockford, Minnesota

TIF Funds

Combining Balance Sheet

December 31, 2023

	382 TIF 2-5 Rockford Mall	383 TIF 1-4 Downtown	Total
Assets			
Cash and temporary investments	\$ -	\$ 5	\$ 5
Due from other governments	-	337	337
Total Assets	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 342</u>
Liabilities			
Advances from other funds	\$ 2,740,286	\$ 499,305	\$ 3,239,591
Fund Balances			
Unassigned	<u>(2,740,286)</u>	<u>(498,963)</u>	<u>(3,239,249)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 342</u>

City of Rockford, Minnesota
TIF Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For The Year Ended December 31, 2023

	378	382	383	
	TIF 1-3	TIF 2-5	TIF 1-4	Total
	Downtown	Rockford Mall	Downtown	
Revenues				
Taxes	\$ 77,237	\$ 9,458	\$ 13,485	\$ 100,180
Investment earnings	12,368	234	348	12,950
Total Revenues	<u>89,605</u>	<u>9,692</u>	<u>13,833</u>	<u>113,130</u>
Expenditures				
Current				
Housing and economic development	485,183	833	-	486,016
Debt service				
Interest and other	-	105,736	15,747	121,483
Total Expenditures	<u>485,183</u>	<u>106,569</u>	<u>15,747</u>	<u>607,499</u>
Net Change in Fund Balances	(395,578)	(96,877)	(1,914)	(494,369)
Fund Balances, January 1	<u>395,578</u>	<u>(2,643,409)</u>	<u>(497,049)</u>	<u>(2,744,880)</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (2,740,286)</u>	<u>\$ (498,963)</u>	<u>\$ (3,239,249)</u>

City of Rockford, Minnesota
 Fire Department Special Revenue Fund
 Schedule of Net Position
 December 31, 2023

	651
	Fire Department
Assets	
Current Assets	
Cash and temporary investments	\$ 530,429
Prepaid items	290
Total Current Assets	530,719
Noncurrent Assets	
Capital assets	
Buildings and improvements	656,943
Improvements other than buildings	255,293
Machinery and equipment	433,275
Machinery and equipment - right to use assets	170,414
Motor vehicles	2,074,741
Less accumulated depreciation/amortization	(2,701,753)
Net Capital Assets	888,913
Total Assets	1,419,632
Liabilities	
Current Liabilities	
Accounts payable	6,952
Lease payable - current	34,039
Total Current Liabilities	40,991
Noncurrent Liabilities	
Lease payable	71,840
Total Liabilities	112,831
Net Position	
Net investment in capital assets	783,034
Unrestricted	523,767
Total Net Position	\$ 1,306,801

City of Rockford, Minnesota
 Fire Department Special Revenue Fund
 Schedule of Revenues, Expenses and Changes in Net Position
 For The Year Ended December 31, 2023

	651
	Fire Department
Operating Revenues	
Charges for services	\$ 378,699
Operating Expenses	
Personal services	182,926
Supplies	51,212
Professional services	40,682
Repairs and maintenance	64,776
Utilities	23,464
Insurance	5,815
Other services and charges	14,547
Depreciation/amortization	154,031
Total Operating Expenses	537,453
Operating Loss	(158,754)
Nonoperating Revenues	
Intergovernmental	60,545
Investment earnings	18,259
Miscellaneous income	2,503
Contributions and donations	20,400
Gain on sale of capital assets	1,131
Interest expense	(5,048)
Total Nonoperating Revenues	97,790
Change in Net Position	(60,964)
Net Position, January 1	1,367,765
Net Position, December 31	\$ 1,306,801

City of Rockford, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For The Years Ended December 31, 2023 And 2022

	Total		Percent Increase (Decrease)
	2023	2022	
Revenues			
Taxes	\$ 2,350,242	\$ 1,948,279	20.63 %
Licenses and permits	167,866	203,751	(17.61)
Intergovernmental	914,068	1,186,024	(22.93)
Charges for services	578,853	530,250	9.17
Fines and forfeitures	8,993	12,320	(27.00)
Special assessments	14,325	16,409	(12.70)
Investment earnings	377,958	107,548	251.43
Miscellaneous	292,451	124,412	135.07
Total Revenues	\$ 4,704,756	\$ 4,128,993	13.94 %
Per Capita	\$ 980	\$ 897	9.22 %
Expenditures			
Current			
General government	\$ 752,612	\$ 637,677	18.02 %
Public safety	1,091,902	1,094,585	(0.25)
Public works	729,280	647,127	12.70
Culture and recreation	272,941	258,014	5.79
Housing and economic development	565,129	64,551	775.48
Capital outlay			
General government	129,261	31,601	309.04
Public safety	34,244	69,119	(50.46)
Public works	208,970	647,520	(67.73)
Culture and recreation	37,124	169,511	(78.10)
Housing and economic development	100,000	-	100.00
Debt service			
Principal	257,843	251,691	2.44
Interest and other	204,884	207,566	(1.29)
Total Expenditures	\$ 4,384,190	\$ 4,078,962	7.48 %
Per Capita	\$ 913	\$ 887	3.03 %
Total Long-term Indebtedness	\$ 2,315,517	\$ 2,577,845	(10.18) %
Per Capita	482	560	(13.90)
General Fund Balance - December 31	\$ 3,121,118	\$ 2,610,145	19.58 %
Per Capita	650	567	14.62

The purpose of this report is to provide a summary of financial information concerning the City of Rockford to interested citizens. The complete financial statements may be examined at City Hall, 6031 Main Street, Rockford, Minnesota 55373-9569. Questions about this report should be directed to the City Administrator at (763) 447-6565.

OTHER REQUIRED REPORTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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

Honorable Mayor and City Council
City of Rockford, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rockford, Minnesota (the City) as of and for the year ended December 31, 2023, 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 4, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

A handwritten signature in black ink that reads "Abdo".

Abdo
Minneapolis, Minnesota
June 4, 2024

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

Honorable Mayor and City Council
City of Rockford, 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 Rockford, Minnesota (the City), as of and for the year ended December 31, 2023 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 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The City's Response to the Finding

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



Abdo
Minneapolis, Minnesota
June 4, 2024



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City of Rockford, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint, we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements.