

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2008

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2008

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2008

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2008

Les Ladewig	Mayor
Larry Johnson	Council Member & <i>Mayor Pro-tem</i>
Nancy Benson	Council Member
Laura Deering	Council Member
Robert Dahl	Council Member
Windy Block	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rushford, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City of Rushford, Minnesota's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2007 financial statements and, in our report dated April 23, 2008, we express unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rushford, Minnesota, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, Business Flood Recovery Loan Program Fund, Tenborg Community Center Fund, Flood Restoration Fund, and Capital Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2009, on our consideration of the City of Rushford, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members
of the City Council
City of Rushford, Minnesota
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rushford, Minnesota's basic financial statements. The introductory section, combining and individual non-major fund financial statements and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
April 16, 2009

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rushford, Minnesota, we offer readers of the City of Rushford's financial statements this narrative overview and analysis of the financial activities of the City of Rushford for the fiscal year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$29,899,223 (*net assets*). Of this amount, \$4,011,932 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$14,205,982.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$569,933 or 80 percent of total general fund expenditures. Given the uncertainty of state funding, the ongoing costs of flood recovery, the need to plan for the future and to be prepared for any future contingencies, we believe this is an appropriate amount.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$9,100,836. Approximately 77 percent of this total amount, or \$6,980,862, is reserved.
- The City of Rushford increased total outstanding debt by \$225,931 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Rushford's basic financial statements. The City of Rushford's basic financial statements are comprised of the following three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

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

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

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 not used, compensated absences).

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City of Rushford that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rushford include general government, economic development, public safety, public works, parks and recreation, airport, library, and community center. The business-type activities of the City of Rushford includes the liquor, electric, water, and sewer funds. The government-wide financial statements can be found on pages 14-16 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 of Rushford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rushford can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 of Rushford maintains twenty 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, business flood recovery loan program fund, flood restoration fund, and the capital improvements fund, all of which are considered to be major funds. Data from the other sixteen 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* elsewhere in this report.

The City of Rushford adopts an annual budget for its general, capital projects, special revenue, and enterprise funds. Budgetary comparison statements have been provided for the general fund (pages 23-28), business flood recovery loan program fund (page 29), flood restoration fund (page 30), capital improvements fund (page 31), and the special revenue funds (pages 63-68) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 17-22 of this report.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the liquor, electric, water, and sewer funds, all of which are considered to be major funds of the City of Rushford. The basic proprietary fund financial statements can be found on pages 32-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-57 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 59-62 of this report.

IMPORTANT REMINDERS:

Infrastructure Assets. As allowed by Government Accounting Standards Board Opinion No. 34, the City has elected to record infrastructure assets prospectively, rather than retroactively for general government activities. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City over the years but have never been recorded. Nonetheless, the City of Rushford has reserves in the capital project funds and an ongoing program for repairs, reconditioning, and replacement of these assets with annual funding sources continually earmarked for these specific purposes. All acquisitions of infrastructure assets since January 1, 2004 have and will be recorded prospectively.

**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rushford, assets exceeded liabilities by \$29,899,223 at the end of the most recent year.

A large portion of the City of Rushford's net assets (24 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Rushford uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Rushford'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 Rushford, Minnesota's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 20,924,208	\$ 8,855,052	\$ 2,281,553	\$ 3,997,920	\$ 23,205,761	\$ 12,852,972
Capital assets	4,600,457	3,957,720	7,224,236	4,765,455	11,824,693	8,723,175
Total assets	<u>25,524,665</u>	<u>12,812,772</u>	<u>9,505,789</u>	<u>8,763,375</u>	<u>35,030,454</u>	<u>21,576,147</u>
Long-term liabilities						
outstanding	1,851,026	1,972,535	2,628,547	2,275,892	4,479,573	4,248,427
Other liabilities	208,259	1,360,338	443,399	274,141	651,658	1,634,479
Total liabilities	<u>2,059,285</u>	<u>3,332,873</u>	<u>3,071,946</u>	<u>2,550,033</u>	<u>5,131,231</u>	<u>5,882,906</u>
Net assets:						
Invested in capital assets,						
net of related debt	2,743,928	1,985,185	2,743,206	1,626,097	5,487,134	3,611,282
Restricted	17,240,005	2,825,548	3,160,152	3,959,125	20,400,157	6,784,673
Unrestricted	3,481,447	4,669,166	530,485	628,120	4,011,932	5,297,286
Total net assets	<u>\$ 23,465,380</u>	<u>\$ 9,479,899</u>	<u>\$ 6,433,843</u>	<u>\$ 6,213,342</u>	<u>\$ 29,899,223</u>	<u>\$ 15,693,241</u>

An additional portion of the City of Rushford's net assets, \$20,400,157 (68.23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *Unrestricted Net Assets* of \$4,011,932 (13.42%) may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of the current fiscal year, the City of Rushford is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City of Rushford's net assets by \$13,985,481, or 98 percent of the total growth in the net assets of the City. The most significant change in governmental net assets is due to the effect of flood recovery loan funds received from the State which were not expended by the end of 2008. Another source of change in net assets is due to accounting for net assets under full accrual accounting; current year capital outlay, which was funded during the year, will be expensed over its useful life.

Business-type activities. Business-type activities increased the City of Rushford's net assets by \$220,501 accounting for 2 percent of the total growth in the City's net assets.

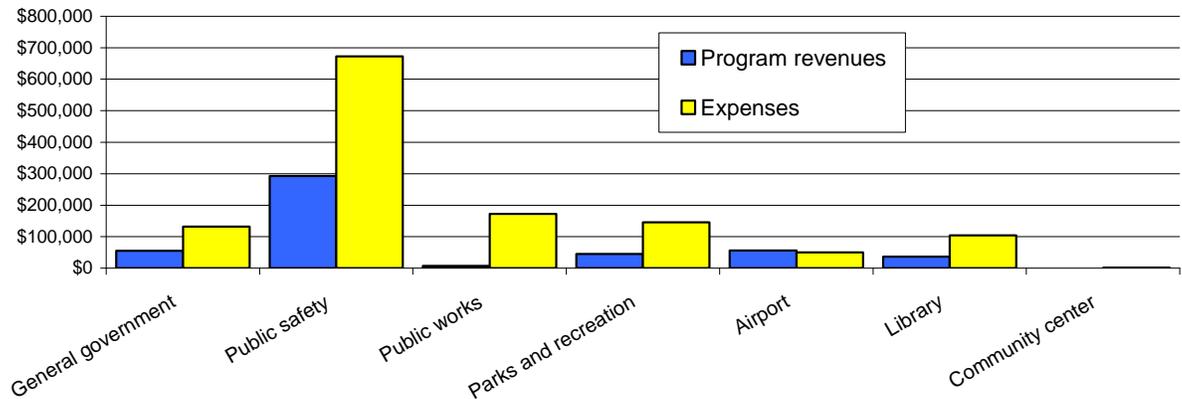
A condensed version of the Statement of Activities follows:

	City of Rushford, Minnesota's Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 345,575	\$ 437,877	\$ 924,646	\$ 1,088,112	\$ 1,270,221	\$ 1,525,989
Operating grants and contributions	96,240	293,418			96,240	293,418
Capital grants and contributions	14,354,897	7,321,703	142,888	3,358,390	14,497,785	10,680,093
General revenues:						
Property taxes	546,888	618,898			546,888	618,898
Grants and contributions not restricted to specific programs	706,002	426,968			706,002	426,968
Other	326,471	337,708	69,170	67,049	395,641	404,757
Total revenues	<u>16,376,073</u>	<u>9,436,572</u>	<u>1,136,704</u>	<u>4,513,551</u>	<u>17,512,777</u>	<u>13,950,123</u>
Expenses:						
General government	131,703	272,794			131,703	272,794
Economic development	470,091	890,126			470,091	890,126
Public safety	672,165	707,035			672,165	707,035
Public works	172,571	137,628			172,571	137,628
Parks and recreation	145,113	138,328			145,113	138,328
Airport	49,622	38,119			49,622	38,119
Library	104,595	92,653			104,595	92,653
Community center	1,471	16,603			1,471	16,603
Interest on long-term debt	75,622	70,740			75,622	70,740
Liquor			141,110	162,642	141,110	162,642
Utilities			1,046,523	918,884	1,046,523	918,884
Extraordinary items	339,836	1,027,512	(43,627)	696,281	296,209	1,723,793
Total expenses	<u>2,162,789</u>	<u>3,391,538</u>	<u>1,144,006</u>	<u>1,777,807</u>	<u>3,306,795</u>	<u>5,169,345</u>
Increase in net assets before transfers	14,213,284	6,045,034	(7,302)	2,735,744	14,205,982	8,780,778
Transfers	<u>(227,803)</u>	<u>97,000</u>	<u>227,803</u>	<u>(97,000)</u>		
Increase in net assets	13,985,481	6,142,034	220,501	2,638,744	14,205,982	8,780,778
Net assets, beginning of year	<u>9,479,899</u>	<u>3,337,865</u>	<u>6,213,342</u>	<u>3,574,598</u>	<u>15,693,241</u>	<u>6,912,463</u>
Net assets, end of year	<u>\$ 23,465,380</u>	<u>\$ 9,479,899</u>	<u>\$ 6,433,843</u>	<u>\$ 6,213,342</u>	<u>\$ 29,899,223</u>	<u>\$ 15,693,241</u>

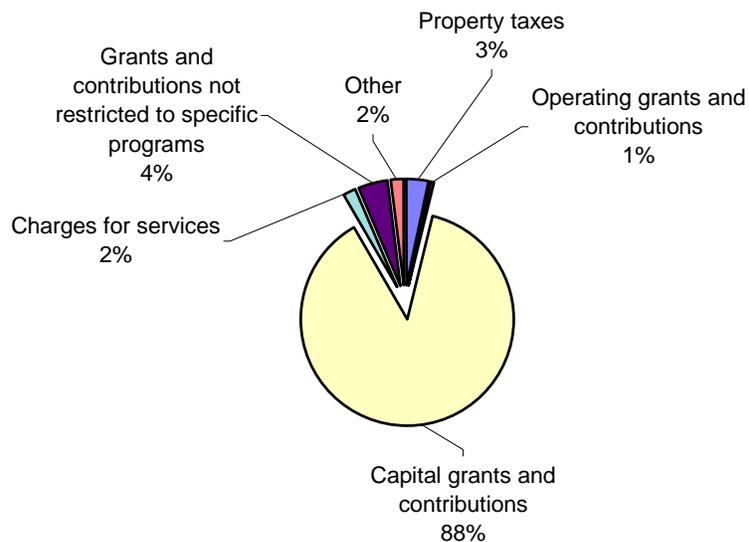
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



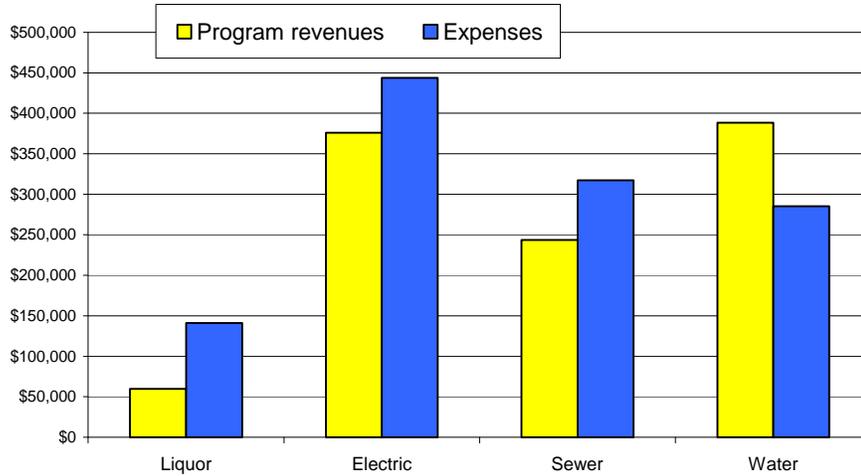
Revenues by Source - Governmental Activities



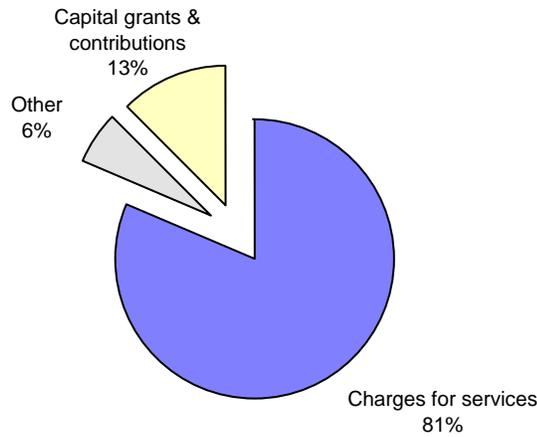
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures. Since all four of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Rushford'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 of Rushford's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Rushford's governmental funds reported combined ending fund balances of \$9,100,836, an increase of \$5,102,995. Approximately 23 percent of this total amount, or \$2,119,974, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for flood recovery loans or to repay interfund advances or other debt (\$6,980,862).

The general fund is the chief operating fund of the City of Rushford. At the end of the current fiscal year, unreserved fund balance of the general fund was \$569,933. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 80 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$22,575 during the current fiscal year in part due to decreased interest earnings, unallotment of LGA funding net of the anticipated increase in building inspection fee for 2008.

The business flood recovery loan program fund's fund balance increased by \$3,737,369 for the year. The reserve is to enable the City to continue to distribute low interest loans to local businesses that were damaged in the August 2007 flood.

The flood restoration fund's fund balance increased \$1,287,285 for the year, while awaiting additional FEMA funding reimbursement.

The capital improvements fund decreased its fund balance by \$42,781 for the year, due in part to expending prior year insurance proceeds for equipment replacement and due to increased professional engineering services to study infrastructure repair/replacement needs.

The airport fund increased its fund balance by \$21,655, with one state grant project yet to be completed and finalized. The fire department fund increased its total fund balance by \$41,532 in part due to the annual fire contract fees building a balance for the designated purpose of fire truck replacement needs. The library fund increased its fund balance by \$8,557, in part due to reduced operating expenditures. The ambulance fund increased its fund balance by \$17,981, in part due to reduced operating expenditures. Ambulance fund balance is designated for equipment replacement needs. The EDA Revolving Loan fund increased its fund balance by \$3,622, as loan payments continue to be made to the City in a timely manner. The Flood Relief fund decreased its fund balance by \$66,059 for the purpose of distributing flood aid to local citizens. The Tenborg Community Center fund's fund balance increased \$17,321 during the year in part due to ceasing of operations following the August 2007 flood event.

The debt service funds have a total fund balance of \$403,221 all of which is reserved for the payment of debt service. This fund balance remained essentially unchanged for the year, as transfers in from other funds provided monies for all debt service payments.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tax Increment Capital Project fund increased its fund balance by \$2,539 and the Economic Development fund increased its fund balance by \$69,056 due to increased interest income and receipt of DEED grant funds. Fund balances are needed to prepare for future land development and completion of the planned downtown City Center/Library Project.

Proprietary funds. The City of Rushford's proprietary funds statements found on pages 32-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets in the respective proprietary funds are Electric - \$454,617, Water - \$27,463, and Sewer - \$97,587. The Liquor Fund reported a net deficit of \$49,182. The increase/(decrease) in net assets in the respective proprietary funds are Liquor - \$(78,741), Electric - \$(73,221), Water - \$298,030, and Sewer - \$74,433 and were due in part to overlapping of insurance proceeds received versus expenditures made and FEMA grant money receivable.

Water Utility rates were increased in 2008, with the base rate increasing approximately 4.9% as per the water rate schedule adopted in 2004. Extensive repairs were necessary to the water system following the 2007 flood event, resulting in the need to close one well, plan for a new well and a new water treatment facility. Funding sources for these projects include FEMA funds, PFA grants, PFA loans and increased water rates.

Sewer Utility rates were increased in July 2006, the first time since 2003. Because of state mandated upgrades to the wastewater treatment plant and general maintenance needs of the system, a facility plan and rate study was completed in early 2006. The facility plan will be updated in 2009 and will help guide and plan for future upgrades and improvements to the wastewater treatment plant as well as the aging collection system. Extensive repairs will be necessary to the wastewater treatment plan following damages caused by the 2007 flood event. Sewer rates will be re-evaluated when the scope of that work is determined.

Electric Utility rates were studied in 2004 with an average increase of 5.9% phased in over two years in 2005 and 2006. The increase was designed to help recover some of the increasing power supply costs and other increases in operating and maintenance expenses. Due to the change in our power supply contract, the entire rate structure was studied and re-evaluated in May of 2006 to create a more equitable classification for all customers, to offer energy saving incentives and to prepare for the expected increase in wholesale power costs. This overall percentage increase was 19%. As wholesale costs increase and damages are discovered from the 2007 flood event, rates will be re-evaluated to address those needs.

General Fund Budgetary Highlights

The City's general fund reserve has been spent down consistently in the past years. The 2008 budget anticipated continued reductions in state aid. The City amended its budget to recognize additional unplanned obligations during the year and was able to offset some of this increase with additional revenue streams.

Differences between the original budget and the final budget can be briefly summarized as follows:

- Increase in various departmental budgets to appropriate intergovernmental revenues from state or federal grants.
- Additional disaster aid credit received from the State of Minnesota
- Increases in professional services for consulting engineering services; increased building permit fees collected offset by resulting increase in expenditures for inspection services.

**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital assets. The City of Rushford's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$11,824,693 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Rushford's reported investment in capital assets for the current fiscal year was \$3,101,518, after depreciation of \$657,696. Within the business type activities, the most significant decrease was due to the 2007 flood event. All components of the city's infrastructure and utilities were severely impacted by the flood and will not be totally determined or rectified for several years.

City of Rushford, Minnesota's Capital Assets (Net of Depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 1,364,927	\$ 1,290,481	\$ 105,460	\$ 105,460	\$ 1,470,387	\$ 1,395,941
Buildings	1,178,332	1,227,208	4,818,150	4,259,177	5,996,482	5,486,385
Machinery and equipment	1,196,489	933,868	519,157	266,484	1,715,646	1,200,352
Infrastructure	534,527	506,163			534,527	506,163
Construction in progress	326,182		1,781,469	134,334	2,107,651	134,334
Total	\$ 4,600,457	\$ 3,957,720	\$ 7,224,236	\$ 4,765,455	\$ 11,824,693	\$ 8,723,175

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 44-45).

Long-term debt. At the end of the current fiscal year, the City of Rushford had \$4,538,881 in bonds and notes outstanding. Of this amount, \$3,143,855 comprises debt backed by the full faith and credit of the government and \$1,395,026 represents bonds or notes secured solely by specified revenue sources.

City of Rushford, Minnesota's Outstanding Debt

General Obligation and Revenue Bonds and Notes Payable

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 980,000	\$ 1,265,000	\$	\$	\$ 980,000	\$ 1,265,000
GO Revenue bonds			1,564,855	1,168,423	1,564,855	1,168,423
Revenue bonds			1,120,000	1,165,992	1,120,000	1,165,992
Notes payable	272,026	58,535	3,000	6,000	275,026	64,535
Contract for deed	599,000	649,000			599,000	649,000
Total	\$ 1,851,026	\$ 1,972,535	\$ 2,687,855	\$ 2,340,415	\$ 4,538,881	\$ 4,312,950

The City's total bonds and notes payable increased by \$225,931 during the current fiscal year. During 2008, the City purchased an Ambulance and a Fire Rescue Rig under capital leases for \$100,000 and \$121,498, respectively and issued a PFA General Obligation Water Revenue Note for \$488,391. A more detailed breakdown of these obligations can be found in Note 7 (page 47).

The City of Rushford maintains a Baa bond rating on its general obligation bonds from Moody's Investors Service.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Rushford/Fillmore County ended the first quarter of 2008 at 7.0 percent, and ended the fourth quarter of 2008 at 7.3 percent. This compares unfavorably to the state's average unemployment rate of 6.4 percent and the national average rate of 6.7 percent for the fourth quarter of 2008.
- The City's total market valuation increased by 7.81% for taxes payable year 2008. Early 2007 new construction accounted for a significant portion of this increase with the remainder due to state rate or assessment adjustments. It is anticipated that property valuations will decrease significantly due to 07/08 flood losses for taxes payable year 2009. Rushford has a limited supply of affordable residential building space due in part to the difficulty in the orderly annexation of land from Rushford Village. Shifting demographics will play an important role in the overall housing needs in the City and will need to be considered carefully when reviewing potential housing developments or subdivisions.
- The City recently contracted for a Housing Market Study which revealed a 7.8% increase in the Rushford market area population from 1990-2000 and a projected increase of 6.7% from 2000-2010. Much of the growth has been and is predicted to continue to be from households with children in search of affordable housing within commuting distance of Rochester or Winona. There are few large employers in the area; therefore, many residents travel to their employment. The largest employer in the County, TRW Electronics has closed their facility. This decrease has impacted the community, although it is likely many former employees will commute for new jobs and many have spouses who will continue to work in the area which will mitigate negative impacts to the local housing market. The City and EDA have been aggressive in their efforts to find viable replacement businesses and to this point have been partially successful. An update of the Housing Market Study was conducted post-flood to help determine and plan for the community's long term housing needs.
- The City of Rushford experienced a flood in August 2007 when six to seventeen inches of rain fell into the Root River and Rush Creek resulting in the impairment of the City's capital assets and the loss of City inventories. Over 50% of the City was flooded. The wastewater plant and two City wells were submerged under four feet of water. Of the 766 homes and businesses located in the City, 490 sustained damage, 79 of which were destroyed beyond recovery. Utilities were not provided to flood related homes and businesses during a two month period. In 2008, a majority of these homes and businesses were still not functioning at pre-flood capacity. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets. Insurance proceeds, federal grants, and contributions have been used to begin the process of replacing the capital assets and supplies lost in the flood. The impact of the 2007 flood has been reported as an extraordinary item in the financial statements.
- Rushford's aging sewer and water infrastructure problems have been exacerbated from the 2007 flood event warranting careful planning and financing in order to provide citizens with quality services at affordable rates. State and Federal mandates may also have a significant impact on that planning, especially when the mandates are unfunded.

**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Next Year's Budgets and Rates (continued)

- Since significant reductions in local government aid in 2003 & 2004, local aid payments from the State of Minnesota have seen steady increases. At the end of 2008, the City received an unallotment of \$47,909 in local government aid revenue without adequate notice to budget or plan for this shortfall in the 2009 budget cycle. LGA cuts will be eminent in 2009 and beyond. The City routinely puts aside reserves to guard against these possible local government aid reductions, as well as to plan for future capital expansion and capital acquisitions.

Requests for Information

This financial report is designed to provide an overview of the City of Rushford'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 information should be addressed to the Rushford City Hall, Box 430, Rushford, MN 55971.

CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2008
With Comparative Totals for December 31, 2007

	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
ASSETS				
Cash and investments	\$ 2,475,695	\$ 224,942	\$ 2,700,637	\$ 3,012,165
Accrued interest receivable	7,314	1,904	9,218	9,070
Receivables (net of allowance for uncollectibles)	416,672	54,405	471,077	350,221
Loans receivable	10,656,340		10,656,340	666,893
Accrued utility revenue		181,792	181,792	168,922
Internal balances	1,384,055	(1,384,055)		
Due from other governmental units	1,113,570	2,449,681	3,563,251	6,373,278
Inventory		38,221	38,221	20,644
Restricted cash and investments	4,862,983	710,471	5,573,454	2,238,759
Prepaid items	7,579	4,192	11,771	13,020
Capital assets:				
Nondepreciable	1,691,109	1,886,929	3,578,038	1,530,275
Depreciable, net	2,909,348	5,337,307	8,246,655	7,192,900
Total Assets	<u>25,524,665</u>	<u>9,505,789</u>	<u>35,030,454</u>	<u>21,576,147</u>
LIABILITIES				
Accounts payable	96,558	307,357	403,915	1,435,896
Accrued interest payable	55,598	30,940	86,538	47,820
Accrued compensation and payroll taxes payable		14,809	14,809	11,567
Deposits payable		19,132	19,132	17,588
Accrued compensated absences	56,103	71,161	127,264	121,608
Noncurrent liabilities:				
Due within one year	328,259	204,240	532,499	479,511
Due in more than one year	1,522,767	2,424,307	3,947,074	3,768,916
Total Liabilities	<u>2,059,285</u>	<u>3,071,946</u>	<u>5,131,231</u>	<u>5,882,906</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,743,928	2,743,206	5,487,134	3,200,957
Restricted	17,240,005	3,160,152	20,400,157	6,784,673
Unrestricted	3,481,447	530,485	4,011,932	5,707,611
Total Net Assets	<u>\$ 23,465,380</u>	<u>\$ 6,433,843</u>	<u>\$ 29,899,223</u>	<u>\$ 15,693,241</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 131,703	\$ 54,686	\$	\$
Economic development	470,091		4,324	14,301,327
Public safety	672,165	233,233	59,867	
Public works	172,571			6,485
Parks and recreation	145,113	42,147	2,539	
Airport	49,622	9,146		47,085
Library	104,595	6,363	29,510	
Community center	1,471			
Interest and other charges	75,622			
Total governmental activities	<u>1,822,953</u>	<u>345,575</u>	<u>96,240</u>	<u>14,354,897</u>
Business-Type activities:				
Liquor	141,110	59,877		
Electric	443,785	375,906		
Sewer	317,385	242,967		588
Water	285,353	245,896		142,300
Total business-type activities	<u>1,187,633</u>	<u>924,646</u>		<u>142,888</u>
Total	<u>\$ 3,010,586</u>	<u>\$ 1,270,221</u>	<u>\$ 96,240</u>	<u>\$ 14,497,785</u>

General revenues:
 General property taxes
 Nonproperty taxes
 Grants and contributions not restricted to specific programs
 Interest earnings
 Miscellaneous revenues
 Extraordinary item (Note 15)
 Transfers in (out)
 Total general revenues and transfers

Change in net assets
Net assets - beginning
Net assets - ending

FORM A-2

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2008	2007
\$ (77,017)		\$ (77,017)	\$ (189,705)
13,835,560		13,835,560	3,280,221
(379,065)		(379,065)	(241,724)
(166,086)		(166,086)	2,164,079
(100,427)		(100,427)	88,129
6,609		6,609	96,903
(68,722)		(68,722)	(64,481)
(1,471)		(1,471)	579,124
(75,622)		(75,622)	(70,740)
<u>12,973,759</u>		<u>12,973,759</u>	<u>5,641,806</u>
	(81,233)	(81,233)	830,139
	(67,879)	(67,879)	496,955
	(73,830)	(73,830)	1,198,847
	<u>102,843</u>	<u>102,843</u>	<u>839,035</u>
	(120,099)	(120,099)	3,364,976
<u>12,973,759</u>	<u>(120,099)</u>	<u>12,853,660</u>	<u>9,006,782</u>
546,888		546,888	618,898
1,934		1,934	1,945
706,002		706,002	426,968
122,811	21,759	144,570	117,123
201,726	47,411	249,137	332,855
(339,836)	43,627	(296,209)	(1,723,793)
(227,803)	<u>227,803</u>		
<u>1,011,722</u>	<u>340,600</u>	<u>1,352,322</u>	<u>(226,004)</u>
13,985,481	220,501	14,205,982	8,780,778
<u>9,479,899</u>	<u>6,213,342</u>	<u>15,693,241</u>	<u>6,912,463</u>
<u>\$ 23,465,380</u>	<u>\$ 6,433,843</u>	<u>\$ 29,899,223</u>	<u>\$ 15,693,241</u>

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CITY OF RUSHFORD, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2008

CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008
With Comparative Totals for December 31, 2007

	<u>101</u>	Special Revenue Fund	Capital Projects Fund		
		<u>204</u>	<u>700</u>	<u>406</u>	
		Business Flood Recovery Loan Program	Flood Restoration	Capital Improvements	
General					
ASSETS					
Cash and investments	\$ 571,315	\$	\$	\$ 847,885	
Restricted cash	7,209	4,850,271			
Accrued interest receivable				2,449	
Accounts receivable	9,641		73,100	23,973	
Loans receivable		10,656,340			
Taxes receivable - delinquent	4,768			734	
Special assessments receivable:					
Deferred					
Delinquent					
Due from other funds		1,728,862			
Due from other governmental units	16,602		247,249		
Prepaid expense	6,040				
TOTAL ASSETS	<u>\$ 615,575</u>	<u>\$ 17,235,473</u>	<u>\$ 320,349</u>	<u>\$ 875,041</u>	
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 33,065	\$ 8,180	\$ 18,417	\$ 32,271	
Due to other funds			306,404	106,858	
Advance from other funds					
Deferred revenue	5,368	10,656,340	220,049	12,268	
Total Liabilities	<u>38,433</u>	<u>10,664,520</u>	<u>544,870</u>	<u>151,397</u>	
Fund Balance:					
Reserved	7,209	6,570,953			
Unreserved, designated:	40,823			723,644	
Unreserved, undesignated, reported in:					
General fund	529,110				
Special revenue funds					
Capital projects funds			(224,521)		
Total Fund Balance	<u>577,142</u>	<u>6,570,953</u>	<u>(224,521)</u>	<u>723,644</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 615,575</u>	<u>\$ 17,235,473</u>	<u>\$ 320,349</u>	<u>\$ 875,041</u>	

See Notes to the Financial Statements

FORM B-1

Other Governmental Funds	Total Governmental Funds	
	2008	2007
\$ 1,056,495	\$ 2,475,695	\$ 2,385,297
5,503	4,862,983	1,605,301
4,865	7,314	7,060
250,970	357,684	210,219
6,610	10,656,340	666,893
	12,112	13,150
46,598	46,598	71,727
277	277	319
106,858	1,835,720	1,475,250
849,719	1,113,570	3,047,611
1,539	7,579	5,848
<u>\$ 2,329,434</u>	<u>\$21,375,872</u>	<u>\$ 9,488,675</u>
\$ 4,625	\$ 96,558	\$ 1,280,479
19,356	432,618	611,784
19,047	19,047	21,837
832,788	11,726,813	3,576,734
<u>875,816</u>	<u>12,275,036</u>	<u>5,490,834</u>
402,700	6,980,862	3,271,967
846,053	1,610,520	1,525,597
	529,110	558,894
204,865	204,865	153,189
	(224,521)	(1,511,806)
<u>1,453,618</u>	<u>9,100,836</u>	<u>3,997,841</u>
<u>\$ 2,329,434</u>	<u>\$21,375,872</u>	<u>\$ 9,488,675</u>

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	<u>101</u> General	Special Revenue	Capital Projects	
		<u>204</u> Business Flood Recovery Loan Program	<u>700</u> Flood Restoration	<u>406</u> Capital Improvements
REVENUES				
Property taxes	\$ 151,949	\$	\$	\$
Tax increment revenues				
Lodging taxes	1,934			
Special assessments				
Licenses and permits	56,229			
Fines and forfeits	10,523			
Intergovernmental revenues	372,196	14,000,000	1,951,704	227,949
Charges for services	42,147			
Interest income	10,493		(14,824)	17,619
Miscellaneous revenues	17,300	1,982	167,594	23,857
TOTAL REVENUES	<u>662,771</u>	<u>14,001,982</u>	<u>2,104,474</u>	<u>269,425</u>
EXPENDITURES				
Current				
General government	137,011			
Economic development		10,264,613		
Public safety	387,948			
Public works	94,575			
Parks and recreation	95,812			
Airport				
Library				
Community center				
Capital outlay				321,948
Debt service				
TOTAL EXPENDITURES	<u>715,346</u>	<u>10,264,613</u>		<u>321,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,575)</u>	<u>3,737,369</u>	<u>2,104,474</u>	<u>(52,523)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt				
Transfers in	30,000			
Transfers out			(257,803)	(20,000)
Total other financing sources (uses)	<u>30,000</u>		<u>(257,803)</u>	<u>(20,000)</u>
EXTRAORDINARY ITEMS				
Flood recovery costs			(559,386)	
Insurance proceeds				29,742
Extraordinary items, net			<u>(559,386)</u>	<u>29,742</u>
Net change in fund balances	(22,575)	3,737,369	1,287,285	(42,781)
FUND BALANCES, Beginning	<u>599,717</u>	<u>2,833,584</u>	<u>(1,511,806)</u>	<u>766,425</u>
FUND BALANCES, Ending	<u>\$ 577,142</u>	<u>\$ 6,570,953</u>	<u>\$ (224,521)</u>	<u>\$ 723,644</u>

See Notes to the Financial Statements

FORM B-2

Other Governmental Funds	Total Governmental Funds	
	2008	2007
\$ 247,755	\$ 399,704	\$ 473,023
148,263	148,263	147,175
	1,934	1,945
31,613	31,613	39,013
	56,229	83,153
	10,523	14,910
381,707	16,933,556	4,561,947
212,373	254,520	269,933
109,523	122,811	75,291
45,551	256,284	415,091
<u>1,176,785</u>	<u>18,215,437</u>	<u>6,081,481</u>
	137,011	110,586
194,924	10,459,537	850,626
426,393	814,341	597,747
	94,575	87,621
	95,812	88,511
48,560	48,560	156,652
102,451	102,451	96,638
1,471	1,471	14,770
108,597	430,545	409,841
392,805	392,805	544,708
<u>1,275,201</u>	<u>12,577,108</u>	<u>2,957,700</u>
<u>(98,416)</u>	<u>5,638,329</u>	<u>3,123,781</u>
221,498	221,498	
20,003	50,003	178,500
<u>(3)</u>	<u>(277,806)</u>	<u>(81,500)</u>
<u>241,498</u>	<u>(6,305)</u>	<u>97,000</u>
	(559,386)	(2,304,689)
615	30,357	1,059,904
<u>615</u>	<u>(529,029)</u>	<u>(1,244,785)</u>
143,697	5,102,995	1,975,996
<u>1,309,921</u>	<u>3,997,841</u>	<u>2,021,845</u>
<u>\$ 1,453,618</u>	<u>\$ 9,100,836</u>	<u>\$ 3,997,841</u>

**CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2008**

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

Total governmental fund balances (page 16)		\$ 9,100,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 6,626,945	
Less: Accumulated depreciation	<u>(2,026,488)</u>	
		4,600,457
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes and special assessments	\$ 12,390	
Deferred special assessments	46,598	
Contracts receivable	15,868	
FEMA receivable	946,849	
Business loan receivable	10,656,340	
Other deferred receivables	<u>48,769</u>	
		11,726,814
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable, and unamortized bond issuance costs	\$ (1,851,026)	
Compensated absences	(56,103)	
Accrued interest	<u>(55,598)</u>	
		<u>(1,962,727)</u>
Net assets of governmental activities (page 13)		<u><u>\$ 23,465,380</u></u>

CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

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

Net change in fund balances - total governmental funds (page 17)	\$	5,102,995
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Governmental funds reported capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay-capital improvements	\$	980,158	
Depreciation expense		<u>(337,421)</u>	642,737

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue, End of year	\$	11,726,814	
Deferred revenue, Beginning of year		<u>3,576,732</u>	8,150,082

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirement on long-term debt, compensated absences, and amortization of bond issuance costs	\$	336,989	
Issuance of debt		(221,498)	
Change in accrued interest		<u>(25,824)</u>	<u>89,667</u>

Change in net assets of governmental activities (pages 14 and 15)	\$	<u><u>13,985,481</u></u>
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CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008			Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
General Tax Levy	\$ 228,479	\$ 206,948	\$ 151,949	\$ (54,999)	\$ 193,128
Licenses and Permits					
Business	3,775	3,515	3,515		4,065
Nonbusiness	11,160	53,160	52,714	(446)	79,088
Total Licenses and Permits	14,935	56,675	56,229	(446)	83,153
Lodging Taxes	2,500	2,000	1,934	(66)	1,945
Intergovernmental Revenues					
Local government aid	265,000	265,000	243,497	(21,503)	233,202
Market value credit		33,000	32,657	(343)	33,849
Disaster credit		55,000	54,948	(52)	
Police aid	17,360	19,830	19,831	1	17,028
Fire relief aid	21,000	19,148	19,148		20,966
Snowmobile and canoe trail aids	33,000	94,095	93,745	(350)	180,656
Snowmobile trail assistance	(33,000)	(93,745)	(93,745)		(180,656)
Other aid	1,765	1,765	2,115	350	5,795
Total Intergovernmental Revenues	305,125	394,093	372,196	(21,897)	310,840
Fines and Forfeits	9,000	10,787	10,523	(264)	14,910
Charges For Services					
Swimming pool	34,100	31,550	31,449	(101)	33,857
Baseball and recreation	4,000	6,375	6,400	25	5,570
Park usage fees	2,500	4,300	4,298	(2)	2,646
Total Charges For Services	40,600	42,225	42,147	(78)	42,073
Interest Income	10,000	10,000	10,493	493	15,811
Miscellaneous Revenues					
Other	7,100	15,009	17,300	2,291	9,934
TOTAL REVENUES	\$ 617,739	\$ 737,737	\$ 662,771	\$ (74,966)	\$ 671,794

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008				2007 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 8,560	\$ 440	\$ 12,140
Meetings and conferences	800	1,200	894	306	572
General supplies	1,300	1,400	823	577	689
Printing and publishing	6,500	8,200	7,872	328	6,754
Professional services	6,000	2,000	875	1,125	4,653
Insurance	1,400	1,200	1,089	111	1,281
Dues, subscriptions and fees	3,500	2,500	2,083	417	3,677
Miscellaneous	750	950	909	41	929
Total Mayor and Council	<u>29,250</u>	<u>26,450</u>	<u>23,105</u>	<u>3,345</u>	<u>30,695</u>
Election Judges					
Salaries	800	1,400	1,359	41	447
Employee benefits and retirement	10	10	6	4	
General supplies	310	10	15	(5)	6
Printing and publishing	350				442
Miscellaneous	50	100	56	44	
Total Election Judges	<u>1,520</u>	<u>1,520</u>	<u>1,436</u>	<u>84</u>	<u>895</u>
City Hall Administration					
Salaries	38,000	40,700	40,601	99	29,455
Employee benefits and retirement	6,200	7,300	7,307	(7)	6,114
Office supplies and expense	1,950	1,750	1,580	170	1,811
General supplies	350	100	72	28	337
Telephone	2,600	2,900	2,687	213	2,376
Printing and publishing	2,250	1,850	1,597	253	1,333
Insurance	800	900	850	50	602
Repairs and maintenance	850	550	345	205	727
Radio maintenance	2,000	2,000		2,000	3,298
Dues, subscriptions and fees	1,800	7,000	6,374	626	2,005
Miscellaneous					36
Total City Hall Administration	<u>56,800</u>	<u>65,050</u>	<u>61,413</u>	<u>3,637</u>	<u>48,094</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008				2007 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 20,075	\$ 18,775	\$ 17,425	\$ 1,350	\$ 16,744
Assessor	3,700	3,700	3,643	57	3,537
Total Professional Services	<u>23,775</u>	<u>22,475</u>	<u>21,068</u>	<u>1,407</u>	<u>20,281</u>
Building and Planning					
General supplies	220	420	438	(18)	75
Professional services	500	2,200	1,960	240	550
Consultant	3,000	19,000	18,033	967	
Telephone	45	45	17	28	44
Printing and publishing	150	1,150	1,000	150	55
Total Building and Planning	<u>3,915</u>	<u>22,815</u>	<u>21,448</u>	<u>1,367</u>	<u>724</u>
Municipal Building					
General supplies	750	650	542	108	671
Insurance	650	600	503	97	410
Utilities	8,450	7,450	6,212	1,238	6,956
Repairs and maintenance	1,800	1,800	1,284	516	1,860
Total Municipal Building	<u>11,650</u>	<u>10,500</u>	<u>8,541</u>	<u>1,959</u>	<u>9,897</u>
Total General Government	<u>126,910</u>	<u>148,810</u>	<u>137,011</u>	<u>11,799</u>	<u>110,586</u>
Public Safety					
Police Protection					
Salaries	183,200	183,200	183,490	(290)	172,033
Employee benefits and retirement	26,500	26,700	25,303	1,397	23,363
Office supplies and expense	1,425	975	678	297	1,360
Meetings and conferences	1,700	1,600	1,561	39	1,664
Gas, oil and supplies	11,000	12,000	11,677	323	10,021
General supplies	3,000	2,000	2,231	(231)	3,367
Professional services	11,300	18,150	21,583	(3,433)	11,661
Telephone	1,600	2,000	2,069	(69)	1,524
Insurance	9,000	10,250	9,926	324	8,396
Utilities	2,900	2,550	2,162	388	2,598
Repairs and maintenance	1,600	1,100	1,115	(15)	1,489
Dues, subscriptions and fees	600	550	448	102	463
Miscellaneous	100	1,041	1,023	18	2,811
Total Police Protection	<u>\$ 253,925</u>	<u>\$ 262,116</u>	<u>\$ 263,266</u>	<u>\$ (1,150)</u>	<u>\$ 240,750</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008		Actual Amounts	Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 6,784	\$ 6,784	\$ 6,784		\$ 6,784
Fire Protection					
Salaries	1,300	1,300	1,300		1,300
Gas, oil and supplies	1,800	2,600	2,495	105	1,759
General supplies	2,250	2,300	2,121	179	2,308
Professional services	1,200	1,850	1,765	85	2,472
Telephone	400	525	493	32	403
Printing and publishing	75	75	79	(4)	52
Insurance	8,100	9,675	9,634	41	7,652
Utilities	4,225	3,700	3,533	167	3,853
Repairs and maintenance	400	650	511	139	415
Fire relief aid	23,250	20,398	20,398		24,216
Training and equipment reimbursement	1,800				1,613
Total Fire Protection	44,800	43,073	42,329	744	46,043
Building and Safety					
Salaries	3,000	3,000	2,892	108	2,874
Employee benefits and retirement	200	200	188	12	180
Professional services	12,230	62,330	63,279	(949)	14,024
Printing and publishing	150	300	312	(12)	185
Miscellaneous	455	690	603	87	468
Total Building and Safety	16,035	66,520	67,274	(754)	17,731
Civil Defense	1,250	1,325	1,109	216	1,180
Animal Control					
Salaries and wages	3,300	3,200	3,119	81	2,714
Insurance	50	75	78	(3)	37
Total Animal Control	3,350	3,275	3,197	78	2,751
Health and Welfare					
Health officer salary	100	100		100	
Weed and insect control	4,070	4,320	3,989	331	3,670
Total Health and Welfare	4,170	4,420	3,989	431	3,670
Total Public Safety	\$ 330,314	\$ 387,513	\$ 387,948	\$ (435)	\$ 318,909

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008				2007 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 19,000	\$ 18,500	\$ 17,376	\$ 1,124	\$ 20,626
Employee benefits and retirement	3,455	2,955	2,747	208	2,933
Gas, oil and supplies	15,000	12,000	11,491	509	13,930
General supplies	5,000	8,500	8,911	(411)	4,925
Blacktop and surface materials	500	1,000	742	258	266
Professional services			30	(30)	450
Insurance	6,225	7,025	5,266	1,759	4,824
Repairs and maintenance	5,000	15,200	15,406	(206)	8,949
Miscellaneous	650	800	613	187	1,279
City garage expense	3,950	4,050	3,888	162	3,759
Street lighting	18,000	18,000	17,725	275	16,082
Total Highways, Streets and Alleys	76,780	88,030	84,195	3,835	78,023
Dikes					
Salaries	4,000	4,300	4,201	99	3,733
Employee benefits and retirement	1,030	1,155	994	161	869
Gas, oil and supplies	1,800	3,000	2,670	330	1,519
General supplies	1,900	500	337	163	1,813
Insurance	720	650	589	61	374
Utilities	600	700	713	(13)	595
Repairs and maintenance	500	800	686	114	533
Professional services			190	(190)	162
Total Dikes	10,550	11,105	10,380	725	9,598
Total Public Works	87,330	99,135	94,575	4,560	87,621
Parks and Recreation					
Park Department					
Salaries	6,500	9,100	8,788	312	7,626
Employee benefits and retirement	1,475	1,575	1,443	132	1,193
Gas and oil	1,500	3,000	2,884	116	1,376
General supplies	1,600	1,200	1,122	78	1,542
Telephone	10	10		10	
Insurance	3,300	3,625	3,537	88	2,846
Utilities	2,750	1,800	2,115	(315)	2,319
Repairs and maintenance	4,200	5,000	4,781	219	3,264
Professional services					840
Miscellaneous		800	804	(4)	362
Total Park Department	\$ 21,335	\$ 26,110	\$ 25,474	\$ 636	\$ 21,368

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008				
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	2007 Actual Amounts
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 26,000	\$ 27,000	\$ 26,756	\$ 244	\$ 25,213
Employee benefits and retirement	2,000	2,100	2,047	53	1,927
Meetings and conferences	1,500	1,000	1,297	(297)	1,650
General supplies	5,400	4,800	4,518	282	4,868
Telephone	150	300	295	5	157
Printing and publishing	150	150	118	32	141
Insurance	2,800	3,050	2,926	124	2,670
Utilities	8,000	12,100	12,016	84	7,132
Repairs and maintenance	850	2,400	2,321	79	846
Miscellaneous	120	400	410	(10)	108
Total Swimming Pool	46,970	53,300	52,704	596	44,712
Recreation Programs					
Salaries	7,300	7,500	7,446	54	7,044
Employee benefits and retirement	560	600	570	30	539
General supplies	1,500	1,450	1,425	25	1,456
Insurance	225	280	292	(12)	32
Dues, subscriptions and fees	75	75	75		75
Mileage	1,200	1,400	1,358	42	1,145
Miscellaneous	150	150	118	32	124
Total Recreation Programs	11,010	11,455	11,284	171	10,415
Tourism	4,451	4,451	3,005	1,446	2,864
Tree Board					
Salaries	1,200	1,200	1,200		1,100
General supplies	830	695	508	187	505
Contractual services	10,000	10,000	1,600	8,400	7,511
Insurance	50	50	22	28	21
Miscellaneous	20	20	15	5	15
Total Tree Board	12,100	11,965	3,345	8,620	9,152
Total Parks and Recreation	95,866	107,281	95,812	11,469	88,511
TOTAL EXPENDITURES	640,420	742,739	715,346	27,393	605,627
Excess (deficiency) of revenues over (under) expenditures	(22,681)	(5,002)	(52,575)	(47,573)	66,167
OTHER FINANCING SOURCES (USES)					
Transfers in	30,000	30,000	30,000		71,050
Total other financing sources (uses)	30,000	30,000	30,000		71,050
Net change in fund balances	7,319	24,998	(22,575)	(47,573)	137,217
FUND BALANCE, January 1	599,717	599,717	599,717		462,500
FUND BALANCE, December 31	\$ 607,036	\$ 624,715	\$ 577,142	\$ (47,573)	\$ 599,717

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
BUSINESS FLOOD RECOVERY LOAN PROGRAM FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008			Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Intergovernmental Revenues					
State grants	\$ 14,000,000	\$ 14,000,000	\$ 14,000,000	\$	\$ 3,500,000
Loan repayments					
Miscellaneous	1,982	1,982	1,982		
Interest income					3,746
TOTAL REVENUES	14,001,982	14,001,982	14,001,982		3,503,746
EXPENDITURES					
Current					
Professional services		275,000	275,167	(167)	3,269
Loans		10,000,000	9,989,446	10,554	666,893
TOTAL EXPENDITURES		10,275,000	10,264,613	10,387	670,162
Excess (deficiency) of revenues over (under) expenditures	14,001,982	3,726,982	3,737,369	10,387	2,833,584
Net change in fund balances	14,001,982	3,726,982	3,737,369	10,387	2,833,584
FUND BALANCES, Beginning	2,833,584	2,833,584	2,833,584		
FUND BALANCES, Ending	\$ 16,835,566	\$ 6,560,566	\$ 6,570,953	\$ 10,387	\$ 2,833,584

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
FLOOD RESTORATION FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008			Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Intergovernmental Revenues					
FEMA grants	\$	\$	\$ 1,951,704	\$ 1,951,704	\$ 262,461
Interest income (expense)			(14,824)	(14,824)	
Miscellaneous		164,982	167,594	2,612	47,166
TOTAL REVENUES		164,982	2,104,474	1,939,492	309,627
OTHER FINANCING SOURCES (USES)					
Transfers out			(257,803)	(257,803)	(11,050)
Total other financing sources (uses)			(257,803)	(257,803)	(11,050)
EXTRAORDINARY ITEMS					
Flood recovery costs			(559,386)	(559,386)	(1,823,614)
Insurance proceeds					13,231
Extraordinary items, net			(559,386)	(559,386)	(1,810,383)
Net change in fund balances		164,982	1,287,285	1,122,303	(1,511,806)
FUND BALANCES, Beginning	(1,511,806)	(1,511,806)	(1,511,806)		
FUND BALANCES, Ending	\$ (1,511,806)	\$ (1,346,824)	\$ (224,521)	\$ 1,122,303	\$ (1,511,806)

CITY OF RUSHFORD, MINNESOTA
CAPITAL IMPROVEMENTS FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008				2007 Actual Amounts
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	
	Original	Final			
REVENUES					
Property taxes	\$ 50,000	\$	\$		\$ 439
Special assessments		250		(250)	386
Intergovernmental revenues	248,225	248,225	227,949	(20,276)	228,020
Interest income	5,000	15,000	17,619	2,619	23,064
Miscellaneous		29,769	23,857	(5,912)	5,587
TOTAL REVENUES	303,225	293,244	269,425	(23,819)	257,496
EXPENDITURES					
Current					
Capital outlay	278,000	208,000	321,948	(113,948)	295,494
TOTAL EXPENDITURES	278,000	208,000	321,948	(113,948)	295,494
Excess (deficiency) of revenues over (under) expenditures	25,225	85,244	(52,523)	(137,767)	(37,998)
OTHER FINANCING SOURCES (USES)					
Transfers out	(20,000)	(20,000)	(20,000)		(70,000)
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)		(70,000)
EXTRAORDINARY ITEMS					
Flood recovery costs					(159,732)
Insurance proceeds			29,742	29,742	523,214
Extraordinary items, net			29,742	29,742	363,482
Net change in fund balances	5,225	65,244	(42,781)	(108,025)	255,484
FUND BALANCES, Beginning	766,425	766,425	766,425		510,941
FUND BALANCES, Ending	\$ 771,650	\$ 831,669	\$ 723,644	\$ (108,025)	\$ 766,425

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CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2008
With Comparative Totals for December 31, 2007

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2008	2007
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 12,900	\$ 212,042	\$	\$	\$ 224,942	\$ 626,868
Accrued interest receivable	279	1,083		542	1,904	2,010
Accounts receivable		35,671	9,318	9,416	54,405	54,808
Accrued utility revenue		145,346	15,238	21,208	181,792	168,922
Due from other funds		93,704			93,704	
Due from other governmental units	286,274	437,803	520,139	1,205,465	2,449,681	3,325,667
Advance to other funds		19,047			19,047	21,837
Merchandise inventory	38,221				38,221	20,644
Prepaid expense	1,250	616	1,166	1,160	4,192	7,172
Total Current Assets	<u>338,924</u>	<u>945,312</u>	<u>545,861</u>	<u>1,237,791</u>	<u>3,067,888</u>	<u>4,227,928</u>
Property and Equipment						
Property, plant and equipment	822,544	2,990,029	2,286,939	2,882,909	8,982,421	7,850,500
Less: Accumulated depreciation	2,227	1,285,025	988,185	1,264,217	3,539,654	3,219,379
Property and Equipment, Net	<u>820,317</u>	<u>1,705,004</u>	<u>1,298,754</u>	<u>1,618,692</u>	<u>5,442,767</u>	<u>4,631,121</u>
Construction work in process		10,107	1,739,723	31,639	1,781,469	134,334
Total Property and Equipment	<u>820,317</u>	<u>1,715,111</u>	<u>3,038,477</u>	<u>1,650,331</u>	<u>7,224,236</u>	<u>4,765,455</u>
Other Assets						
Restricted cash and cash equivalents		203,558	106,033	400,880	710,471	633,458
Total Assets	<u>1,159,241</u>	<u>2,863,981</u>	<u>3,690,371</u>	<u>3,289,002</u>	<u>11,002,595</u>	<u>9,626,841</u>
LIABILITIES						
Current Liabilities						
Accounts payable	85,075	111,034	102,726	8,522	307,357	155,417
Due to other funds	185,457		719,989	591,360	1,496,806	863,466
Current maturities of bonds payable		50,000	97,380	56,860	204,240	139,959
Accrued interest			23,605	7,335	30,940	18,046
Accrued sales tax	3,786	11,023			14,809	11,567
Deferred revenue		3,632			3,632	1,758
Customer deposits		15,500			15,500	15,830
Total Current Liabilities	<u>274,318</u>	<u>191,189</u>	<u>943,700</u>	<u>664,077</u>	<u>2,073,284</u>	<u>1,206,043</u>
Long-Term Liabilities						
Notes payable, net of current maturities, and bond issuance costs		646,342	1,246,360	531,605	2,424,307	2,135,933
Accrued compensated absences	12,971	26,168	13,612	18,410	71,161	71,523
Total Liabilities	<u>287,289</u>	<u>863,699</u>	<u>2,203,672</u>	<u>1,214,092</u>	<u>4,568,752</u>	<u>3,413,499</u>
Net Assets						
Invested in capital assets, net of related debt	634,860	904,304	833,064	370,978	2,743,206	1,626,097
Restricted	286,274	641,361	626,172	1,606,345	3,160,152	3,959,125
Unrestricted	(49,182)	454,617	27,463	97,587	530,485	628,120
Total Net Assets	<u>\$ 871,952</u>	<u>\$ 2,000,282</u>	<u>\$ 1,486,699</u>	<u>\$ 2,074,910</u>	<u>\$ 6,433,843</u>	<u>\$ 6,213,342</u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses
and Changes in Retained Earnings
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2008	2007
Operating Revenues						
Sales	\$ 265,007	\$ 1,234,682	\$ 257,038	\$ 265,555	\$ 2,022,282	\$ 2,196,777
Cost of sales and production	205,130	858,776	11,142	22,588	1,097,636	1,108,665
Total Operating Revenues	<u>59,877</u>	<u>375,906</u>	<u>245,896</u>	<u>242,967</u>	<u>924,646</u>	<u>1,088,112</u>
Operating Expenses						
Distribution expense		187,019	180,046	243,843	610,908	530,814
General administration		211,155	61,601	52,625	325,381	297,024
Liquor store operating expenses	141,110				141,110	162,642
Total Operating Expenses	<u>141,110</u>	<u>398,174</u>	<u>241,647</u>	<u>296,468</u>	<u>1,077,399</u>	<u>990,480</u>
Operating Income (Loss)	<u>(81,233)</u>	<u>(22,268)</u>	<u>4,249</u>	<u>(53,501)</u>	<u>(152,753)</u>	<u>97,632</u>
Nonoperating Revenue and (Expense)						
Other Income (Expense)	186	(20,953)	(37,982)	17,685	(41,064)	(23,997)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	(81,047)	(43,221)	(33,733)	(35,816)	(193,817)	73,635
Capital contributions and grants			142,300	588	142,888	3,358,390
Extraordinary gain (loss)				43,627	43,627	(696,281)
Transfers in	2,306		189,463	66,034	257,803	60,000
Transfers out		(30,000)			(30,000)	(157,000)
Change in Net Assets	(78,741)	(73,221)	298,030	74,433	220,501	2,638,744
Net Assets, Beginning of Year	<u>950,693</u>	<u>2,073,503</u>	<u>1,188,669</u>	<u>2,000,477</u>	<u>6,213,342</u>	<u>3,574,598</u>
Net Assets, End of Year	<u>\$ 871,952</u>	<u>\$ 2,000,282</u>	<u>\$ 1,486,699</u>	<u>\$ 2,074,910</u>	<u>\$ 6,433,843</u>	<u>\$ 6,213,342</u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2008
 With Comparative Totals for December 31, 2007**

	Enterprise Funds				Totals	
	609	604	601	602	2008	2007
	Liquor Fund	Electric Department	Water Department	Sewer Department		
Cash Flows From Operating Activities						
Cash received from customers	\$ 265,007	\$ 1,224,433	\$ 256,591	\$ 265,328	\$ 2,011,359	\$ 2,205,532
Cash paid to employees for services	(104,441)	(164,074)	(79,901)	(116,620)	(465,036)	(427,709)
Cash paid to suppliers	(166,510)	(1,018,910)	(26,690)	(91,537)	(1,303,647)	(1,381,291)
Net Cash Provided By (Used In) Operating Activities	(5,944)	41,449	150,000	57,171	242,676	396,532
Cash Flows From Noncapital Financing Activities						
Increase (decrease) in due to other funds	185,457	(211,926)	539,636	26,469	539,636	863,466
Grant aid received	576,120		442,168	588	1,018,876	32,723
Flood recovery costs				43,627	43,627	(498,697)
Other income	63	10,468	4,185	31,521	46,237	23,963
Transfers in (out)	2,306	(30,000)	189,463	66,034	227,803	(97,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	763,946	(231,458)	1,175,452	168,239	1,876,179	324,455
Cash Flows From Capital and Related Financing Activities						
Capital contributions						
Proceeds from issuance of debt			488,391		488,391	400,992
Principal payment on long-term debt		(45,000)	(40,992)	(54,959)	(140,951)	(137,121)
Purchase of capital assets	(821,544)	(56,184)	(1,720,553)	(121,416)	(2,719,697)	(959,000)
Repayment of advances		2,790			2,790	
Interest paid on debt		(44,717)	(30,127)	(21,602)	(96,446)	(85,071)
Net Cash Provided By Capital and Related Financing Activities	(821,544)	(143,111)	(1,303,281)	(197,977)	(2,465,913)	(780,200)
Cash Flows From Investing Activities						
Interest earnings on investments	(156)	13,552	1,539	7,210	22,145	42,488
Net Cash Provided By (Used In) Investing Activities	(156)	13,552	1,539	7,210	22,145	42,488
Net Increase (Decrease) In Cash and Cash Equivalents	(63,698)	(319,568)	23,710	34,643	(324,913)	(16,725)
Cash and Cash Equivalents - January 1	76,598	735,168	82,323	366,237	1,260,326	1,277,051
Cash and Cash Equivalents - December 31	\$ 12,900	\$ 415,600	\$ 106,033	\$ 400,880	\$ 935,413	\$ 1,260,326
Shown on the Balance Sheet as:						
Cash and investments	\$ 12,900	\$ 212,042	\$	\$	\$ 224,942	\$ 626,868
Restricted cash and investments		203,558	106,033	400,880	710,471	633,458
Total	\$ 12,900	\$ 415,600	\$ 106,033	\$ 400,880	\$ 935,413	\$ 1,260,326

See Notes to the Financial Statements

**Combining Reconciliation of Operating Income
To Net Cash Provided By Operating Activities**

	Enterprise Funds				Totals	
	<u>609</u> Liquor Fund	<u>604</u> Electric Department	<u>601</u> Water Department	<u>602</u> Sewer Department	2008	2007
Operating Income (Loss)	\$ (81,233)	\$ (22,268)	\$ 4,249	\$ (53,501)	\$ (152,753)	\$ 97,632
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	2,227	120,157	94,171	108,932	325,487	293,813
(Increase) Decrease In:						
Accounts receivable		(1,331)	401	1,333	403	3,344
Other accounts receivable		(10,462)	(848)	(1,560)	(12,870)	4,328
Merchandise inventory	(17,577)				(17,577)	21,729
Prepaid insurance	3,962	(198)	(395)	(389)	2,980	3,033
Increase (Decrease) In:						
Accounts payable	86,060	(46,195)	52,979	2,980	95,824	(35,831)
Accrued wages	617	202	(557)	(624)	(362)	7,401
Deferred revenue		1,874			1,874	1,445
Customer deposits		(330)			(330)	(362)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (5,944)</u>	<u>\$ 41,449</u>	<u>\$ 150,000</u>	<u>\$ 57,171</u>	<u>\$ 242,676</u>	<u>\$ 396,532</u>
Non Cash Transactions Paid						
Purchase of capital assets included in accounts payable at year end	\$	\$ 10,608	\$ 46,835	\$ 1,917	\$ 59,360	\$
Loss on disposal of capital assets						197,584

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the City of Rushford, Minnesota, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City's financial statements include the primary government and the component units of the City of Rushford, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Rushford.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Rushford are financially accountable or for which the nature or significance of their general relationship with the City of Rushford would, if excluded, cause the general purpose financial statements to be misleading or incomplete. Based on these criteria, there were no component units of the City of Rushford during 2008.

Specific organizations and the related accounting are as follows:

Rushford Volunteer Fire Department

The activities of this entity are included in the primary government financial statements of the City and are reported as a Special Revenue Fund type.

Rushford Volunteer Fire Department Relief Association

The activities of The Rushford Fire Relief, a separate legal entity, are not reported in the City of Rushford's financial statements as they are not considered a component unit under GASB No. 14.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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*.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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.

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

Property taxes, licenses and permits, 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.

The City reports the following major governmental funds:

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

The *business flood recovery loan program fund* accounts for all activity of the City's business flood recovery loan program.

The *flood restoration fund* accounts for the collection and distribution of flood recovery donations.

The *capital improvements fund* accounts for the acquisition and construction of major capital facilities other than those financed by the enterprise funds.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary-enterprise funds:

The *electric fund* accounts for the operations of the City owned electric utility system.

The *liquor fund* accounts for the operations of the City owned liquor store.

The *water fund* accounts for the operation of the City owned water utility system.

The *sewer fund* accounts for the operation of the City owned sewer utility system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City has no fiduciary funds.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Except where otherwise required, the City maintains all deposits in accounts in the name of the City. The deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and investments which is under the management of the City. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market value. For financial statement purposes all investments are considered to be cash and cash equivalents.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Interfund Transactions

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

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

Property Taxes

Property tax levies are set by the City Council in October of each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues for property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The amount of delinquent taxes receivable are fully offset by deferred revenue in the governmental fund types because they are not known to be available to finance current expenditures.

Special Assessments

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from three to fifteen years with interest charges which vary. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred revenue in the Governmental Fund Types because they are not known to be available to finance current expenditures.

Tax Increment Districts

Tax increment revenues received are recorded in the Debt Service Fund to the extent required to service bond principal and interest payments due plus 5 percent of such payments. Any remaining property tax revenues are recognized in the Capital Projects Funds for the tax increment district.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Inventory

The inventory, representing liquor fund merchandise for resale in the Enterprise Fund, is valued at the lower of cost or market on a first-in, first-out basis.

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. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Buildings	10 - 40
Infrastructure	15 - 67
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

Under GASB Statement No. 34 the City elected to report and depreciate new infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. As allowed by GASB #34 neither the historical cost nor the related depreciation of infrastructure acquired by the City or contributed to the City prior to January 1, 2004 had been reported in the financial statements.

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The revenue is recognized as intergovernmental revenue when received.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vacation, sick and compensatory time are accrued when earned in the government-wide financial statements and enterprise funds.

Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in those funds.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Rushford.

E. Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year presentation.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, and Capital Improvement Funds.

Prior to the end of each year, the proposed operating budget for the fiscal year commencing the following January 1, is submitted to the City Council for their review. Public hearings are also conducted to obtain taxpayer comments. After this process has been concluded, the budget is legally enacted through the passage of a resolution. Budget amendments may be made by the City Council during the year. Revisions made during the current year were not material in relation to the original appropriations.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

G. Conduit Debt Obligations

The City has issued Industrial 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.

As of December 31, 2008, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$894,573.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2008, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash on Hand</u>	
Change funds	\$ 3,069
Deposits	7,413,719
Certificates of deposit	<u>857,303</u>
Total	<u>\$ 8,274,091</u>

Recorded on the Statement of Net Assets as follows:

Cash and investments	\$ 2,700,637
Restricted cash and investments	<u>5,573,454</u>
Total	<u>\$ 8,274,091</u>

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
 - b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
 - c) General obligations of the State of Minnesota or its municipalities.
 - d) Bankers acceptances of U.S. banks eligible for purchase by the Federal Reserve System.
 - e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
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CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes (continued)

- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer into the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices. The City's investment ratings are from Standard & Poor Investor Service.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. At December 31, 2008, there were no individual investments greater than 5 percent of the City's total investments.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service Funds	Capital Projects Funds	Total
1994	\$ 223	\$	\$ 223
1999	1,536		1,536
2000	27,102		27,102
2002	14,778		14,778
2004	1,729		1,729
2006	1,230		1,230
Total	\$ 46,598	\$	\$ 46,598

Revenue from these assessments is deferred until the annual installments become collectible.

4. Due From Other Governmental Units

Fund Type	Fillmore County	State of Minnesota	Federal Government	Total
General	\$ 3,498	\$ 13,104	\$	\$ 16,602
Special Revenue	1,133	9,008	726,801	736,942
Capital Project	106,730		247,249	353,979
Debt Service	6,047			6,047
Enterprise	665		2,449,016	2,449,681
Totals	\$ 118,073	\$ 22,112	\$3,423,066	\$3,563,251

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans and Leases Receivable

Business Flood Recovery Program

In 2007, the City established the Business Flood Recovery Loan Program with the proceeds of a \$17,500,000 grant from the Minnesota Department of Employment and Economic Development. Under the program, the City can issue \$17,250,000 loans under the following types:

Category 1 Loans – Loans to flood-damaged businesses which are up to 90% forgivable based on the borrower attaining certain job retention goals. These loans have terms ranging from 10 to 20 years at zero percent interest and are forgivable beginning after five years at the rate of 20% per year. All payments are deferred for the first three years of the loan.

Category 1-A Loans – Loans to flood-damaged businesses repayable at interest rates of 1% to 4% over terms ranging from 10 to 20 years. All loans are subject to the borrower satisfying certain job retention goals. All payments are deferred for the first two years of the loan.

Category 2 Loans – Loans to businesses that were adversely affected by the flood, repayable over 7 to 10 years with interest ranging from for 1% to 4%. These loans are subject to job retention goals and payments are deferred for the first year of the loan term.

6. Capital Assets

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,290,481	\$ 74,446	\$	\$ 1,364,927
Construction in progress		326,182		326,182
Total capital assets, not being depreciated	1,290,481	400,628		1,691,109
Capital assets, being depreciated:				
Buildings and Improvements	2,376,955	20,232		2,397,187
Infrastructure	538,960	65,619		604,579
Machinery and equipment	1,440,391	493,679		1,934,070
Total capital assets, being depreciated	4,356,306	579,530		4,935,836
Less accumulated depreciation for:				
Buildings and Improvements	1,149,747	69,108		1,218,855
Infrastructure	32,797	37,255		70,052
Machinery and equipment	506,523	231,058		737,581
Total accumulated depreciation	1,689,067	337,421		2,026,488
Total capital assets, being depreciated, net	2,667,239	242,109		2,909,348
Governmental activities capital assets, net	\$ 3,957,720	\$ 642,737	\$	\$ 4,600,457

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress	134,334	1,647,135		1,781,469
Total capital assets, not being depreciated	<u>239,794</u>	<u>1,647,135</u>		<u>1,886,929</u>
Capital assets, being depreciated:				
Buildings and improvements	7,301,697	843,001		8,144,698
Machinery and equipment	443,343	288,920		732,263
Total capital assets, being depreciated	<u>7,745,040</u>	<u>1,131,921</u>		<u>8,876,961</u>
Less accumulated depreciation for:				
Buildings and improvements	3,042,520	284,028		3,326,548
Machinery and equipment	176,859	36,247		213,106
Total accumulated depreciation	<u>3,219,379</u>	<u>320,275</u>		<u>3,539,654</u>
Total capital assets, being depreciated, net	<u>4,525,661</u>	<u>811,646</u>		<u>5,337,307</u>
Business-type activities capital assets, net	<u>\$ 4,765,455</u>	<u>\$ 2,458,781</u>	<u>\$</u>	<u>\$ 7,224,236</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 8,999
Public safety	151,573
Public works	79,778
Airport	27,230
Library	20,540
Park and recreation	<u>49,301</u>
Total depreciation expense - governmental activities	<u>\$337,421</u>
Business-Type Activities:	
Electric	\$ 118,185
Water	90,931
Sewer	108,932
Liquor	<u>2,227</u>
Total depreciation expense - business-type activities	<u>\$320,275</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2008 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Accrued Interest
GOVERNMENTAL ACTIVITIES							
Bonds and Notes Payable:							
General obligation bonds:							
1998 Improvement Bonds	4.38% - 4.50%	\$ 25,000		\$ 25,000	\$	\$	\$
2000 Improvement Bonds	5.30% - 5.80%	115,000		25,000	90,000	25,000	2,157
2001 Improvement Bonds	4.70% - 5.15%	365,000		70,000	295,000	70,000	6,220
2002 Improvement Bonds	4.50%	110,000		25,000	85,000	25,000	1,589
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	650,000		140,000	510,000	150,000	6,557
Notes payable:							
2001 USDA Loan	4.88%	58,535		8,007	50,528	5,342	1,149
2008 Fire Rescue Rig Capital Lease	4.65%		121,498		121,498	22,142	3,989
2008 Ambulance Capital Lease	4.65%		100,000		100,000	18,224	3,987
Contract for deed - land	5.00%	649,000		50,000	599,000	12,551	29,950
Governmental Activities Long-term Liabilities		<u>1,972,535</u>	<u>221,498</u>	<u>343,007</u>	<u>1,851,026</u>	<u>328,259</u>	<u>55,598</u>
BUSINESS-TYPE ACTIVITIES							
Bonds and Notes Payable:							
Note Payable	0.00%	6,000		3,000	3,000	3,000	
General Obligation Revenue Note:							
1999 Water Department	3.04%	525,000		37,000	488,000	38,000	5,391
1996A Sewer Department	3.43%	643,423		54,959	588,464	56,860	7,335
2008 Water Department	1.35%		488,391		488,391	24,380	2,658
Revenue Bonds:							
2000 Electric Department	5.25 - 6.10%	765,000		45,000	720,000	50,000	
2007A Water Revenue Bonds	4.25%	400,992		992	400,000	32,000	15,556
Less: Unamortized Discount		(64,523)	5,215		(59,308)		
Business-type Activities Long-term Liabilities		<u>2,275,892</u>	<u>493,606</u>	<u>140,951</u>	<u>2,628,547</u>	<u>204,240</u>	<u>30,940</u>
Total		<u>\$ 4,248,427</u>	<u>\$ 715,104</u>	<u>\$ 483,958</u>	<u>\$ 4,479,573</u>	<u>\$ 532,499</u>	<u>\$ 86,538</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding at December 31, 2008, excluding compensated absences, are summarized as below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds/ Refunding Bonds		General Obligation Revenue Bonds/Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2009	\$ 120,000	\$ 20,974	\$ 150,000	\$ 13,913			\$ 58,259	\$ 42,769
2010	135,000	14,509	55,000	11,213			61,030	39,998
2011	135,000	7,595	55,000	9,563			63,934	37,095
2012	80,000	2,060	60,000	7,778			66,974	34,055
2013			60,000	5,798			70,160	30,867
2014-2018			130,000	4,822			109,529	126,098
2019-2023							112,963	99,540
2024-2028							144,173	68,329
2029-2033							184,004	28,497
Totals	\$ 470,000	\$ 45,138	\$ 510,000	\$ 53,087	\$	\$	\$ 871,026	\$ 507,248

Business-Type Activities								
2009					\$ 201,240	\$ 97,903	\$ 3,000	
2010					204,752	92,084		
2011					215,099	84,311		
2012					225,521	76,016		
2013					231,019	67,235		
2014-2018					1,145,128	190,008		
2019-2023					349,018	19,410		
2024-2027					113,078	3,478		
Totals	\$	\$	\$	\$	\$ 2,684,855	\$ 630,445	\$ 3,000	\$

Under the terms of various bond and installment note agreements, the City is required to maintain reserves for system replacement and debt service. The City also sets aside \$19,135 each year in the Sewer Fund for equipment replacement. Restricted net assets and restricted cash balances at December 31 were as follows:

	2008	2007
Bond Agreement Restrictions:		
WIF Replacement Account	\$ 140,160	\$ 128,480
Debt Service		
Sewer Revenue Note of 1996	99,529	95,701
PFA Water Loan of 1999 and 2008	106,033	66,232
Electric Revenue Bonds of 2000	203,559	200,989
Restricted Net Assets	549,281	491,402
Debt Service		
USDA Fire Hall/ Police Garage of 2002	5,503	4,717
Donor Restriction:		
Flood relief	7,209	66,059
Flood loans	4,850,271	
Municipal Restriction:		
Equipment replacement - Sewer Fund	161,190	142,056
Total Restricted Cash	\$ 5,573,454	\$ 704,234

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The City of Rushford is the administering authority for the following tax increment finance district:

City of Rushford Tax Increment Financing Plan, No. 1.

The district is a redevelopment type, authorized under Minnesota law chapter 472(A), established in 1980 and will continue until December 31, 2008.

Original base tax capacity including modifications	\$ 33,945
Current net tax capacity	161,018
Captured net tax capacity Retained by authority	127,073
General Obligation Tax Increment Bonds	
Issues by year of issue:	
1982	\$ 200,000
1983	410,000
1984	250,000
1985	70,000
1986	30,000
1990	120,000
1994	455,000
1995	1,335,000
1996	270,000
2004	990,000
Loans incurred:	
\$150,000 Loan from City of Rushford Utilities Enterprise Fund	150,000
\$52,102 Loan from City of Rushford Economic Development Capital Project Fund	<u>52,102</u>
Total Bonds and Loans Issued	4,332,102
Less: Amounts retired	<u>3,822,102</u>
Total Outstanding Tax Increment Bonds at December 31, 2008	<u>\$ 510,000</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Segment Information for Enterprise Funds

The City maintains Enterprise Funds, which provide utilities services and operate an on and off sale liquor store. Segment information for the year ended December 31, 2008 is as follows:

	<u>Liquor Fund</u>	<u>Utilities Fund</u>
Net Operating Revenues	\$ 59,877	\$ 864,769
Operating Expenses:		
Depreciation and Amortization	2,227	323,260
Other	138,883	613,029
Operating Income	(81,233)	(71,520)
Nonoperating Revenues (Expenses) net	186	(41,250)
Net Income (Loss) Before Operating Transfers	(81,047)	(112,770)
Property and Equipment Additions	821,544	1,957,512
Net Working Capital	51,635	929,998
Transfers from (to) other funds	2,306	225,497
Total Assets	1,159,241	9,843,354
Total Net Assets	871,952	5,561,891

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Individual Fund Disclosures

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue Fund:		
EDA Revolving Loan Fund	\$	\$ 19,047
Enterprise Funds:		
Electric Fund	<u>19,047</u>	
Total	<u>\$ 19,047</u>	<u>\$ 19,047</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 30,000	\$
Special Revenue Funds:		
Fire Fund	20,000	
Capital Project Funds:		
Capital improvements		20,000
Flood restoration		257,803
Debt Service		
2004 G.O. refunding bonds	3	
1996 G.O. improvement		3
Enterprise Funds:		
Sewer Fund	66,034	
Water Fund	189,463	
Electric Fund		30,000
Liquor Fund	<u>2,306</u>	
Total	<u>\$ 307,806</u>	<u>\$ 307,806</u>
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Improvements	\$	\$ 106,858
Business Flood Recovery		
Loan Program	1,728,862	
Flood Restoration		306,404
Ambulance Fund	16,094	19,356
Fire Fund	<u>90,764</u>	
Subtotal Governmental Funds	1,835,720	432,618
Enterprise		<u>1,403,102</u>
Totals	<u>\$ 1,835,720</u>	<u>\$ 1,835,720</u>

The City Generally utilizes interfund transfers and interfund balances for cash flow purposes.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Fund Balance and Net Assets

The City has reserved or designated portions of the fund balance and net assets in several funds. The reserved fund balance and net assets represents the portion not available for expenditures or legally segregated for specific future use. A summary of designated and reserved fund and net assets at December 31, 2008 is as follows:

<u>Fund</u>	<u>Designated Amount</u>
General Fund	
Cash and investments designated for future equipment purchases	\$ 40,823
Special Revenue Funds:	
Firemen's Fund	
Cash and investments designated for future equipment purchases	177,758
Firemen's Mill Rate Fund	
Cash and investments designated for future equipment purchases	144,935
Ambulance Fund	
Cash and investments designated for future equipment purchases	335,593
Capital Project Funds	
Cash and investments designated for future capital expenditures	911,411
Total Designated	<u>\$ 1,610,520</u>
	<u>Reserved Amount</u>
Debt Service	
Tax Increment and General Obligation Improvement Bonds	
Cash and investments reserved for debt service and capital expenditures	<u>\$ 6,980,862</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Fund Balance and Net Assets (Continued)

	Restricted Net Assets Imposed By			
	<u>Grantors</u>	<u>Contributors</u>	<u>Bond Reserve</u>	<u>Legally Enforceable</u>
<u>Major Governmental Funds:</u>				
General Fund				
Flood Relief	\$ 7,209			
Business Flood Recovery Loan Program Fund:				
Flood Recovery Loans	17,227,293			
<u>Nonmajor Governmental Funds:</u>				
Fire and Police Garage Debt Service Fund:				
Restricted for future debt service			\$ 5,503	
Total Governmental Activities	<u>17,234,502</u>		<u>5,503</u>	
<u>Major Proprietary Funds:</u>				
Liquor Fund:				
Due from FEMA	\$ 286,274			
Electric Utility Fund:				
Restricted for future debt service and capital expenditures			\$ 641,361	
Water Utility Fund:				
Restricted for future debt service and capital expenditures			626,172	
Sewer Utility Fund:				
Restricted for future debt service and capital expenditures			1,606,345	
Total Business-Type Activities	<u>286,274</u>		<u>2,873,878</u>	
Total Restricted Net Assets	<u>\$17,520,776</u>	<u>\$</u>	<u>\$2,879,381</u>	<u>\$</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Benefit Pension Plans - Statewide

Plan Description

All full-time and certain part-time employees of the City of Rushford are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Benefit Pension Plans - Statewide (Continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members, and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$35,200, \$34,471, and \$29,004, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2008, 2007, and 2006 were \$22,742, \$18,757, and \$15,864, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

12. Defined Contribution Pension Plan - Volunteer Fire Relief Association

Plan Description - The City contributes to the City of Rushford Fire Department Relief Association ("Association"), a single employer public employee retirement plan for the City's fire fighters.

Volunteer fire fighters of the City are members of the Rushford Fire Department Relief Association. The Association by-laws provide that each member has a right to an equal share of: (1) Fire state aid received by the Relief Association; (2) Municipal contributions; and (3) Forfeitures by former members who have not returned to active service for at least 5 years. Upon written request from members, the Association shall pay the total accrued amount to each fire fighter who has: (a) At least 20 years of active service in the fire department prior to resignation; (b) Reached the age of 50 years; and (c) Been a member of the Association for at least 10 years. The by-laws also provide that a fire fighter with at least 10 years of active service but who has not reached the age of 50 years, may retire from the department and be placed on the deferred pension roll. These provisions are in accordance with Minnesota Statute 424A.02, Subd. 4.

Volunteers of the fire department pay annual dues of \$1 each. During 2008, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2008 and as of December 31, 2008 the Association held no securities issued by the City or other related parties.

Contributions Made - The City remitted to the Association the State Aid received in 2008 totaling \$18,148 together with an additional contribution of \$2,250 from the City General Fund.

Ten-Year Historical Trend Information - Ten-year historical trend information related to the pension plan is unavailable.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Commitments and Contingencies

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. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2008.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2008. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

14. Pronouncements Issued Not Yet Implemented

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the City.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions will be effective for the City beginning with its year ending December 31, 2009. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. OPEB are part of an exchange of salaries and benefits for employee services rendered. From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Extraordinary Item

The City of Rushford experienced a flood in August 2007 when six to seventeen inches of rain fell into the Root River and Rush Creek resulting in the impairment of the City's capital assets and the loss of city inventories. Over 50% of the City was flooded. The wastewater plant and two City wells were submerged under four feet of water. Of the 766 homes and businesses located in the City, 490 sustained damage, 79 of which were destroyed beyond recovery. Utilities were not provided to flood related homes and businesses during a two month period. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets.

Insurance proceeds, federal grants, and contributions have been used to begin the process of replacing the capital assets and supplies lost in the flood. The impact of the 2007 flood has been reported as an extraordinary item in the financial statements.

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CITY OF RUSHFORD, MINNESOTA

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

DECEMBER 31, 2008

CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2008

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources requiring separate accounting because of legal, regulatory or grant provisions or administrative action.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related fiscal changes.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by the enterprise funds.

**CITY OF RUSHFORD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008**

Special Revenue

	<u>612</u> Airport Operations	<u>614</u> Fire Department	<u>211</u> Library	<u>607</u> Ambulance	<u>203</u> EDA Revolving Loan	<u>205</u> Flood Relief	<u>213</u> Tenborg Community Center	Total
ASSETS								
Cash and investments	\$ 45,340	\$ 222,423	\$ 90,856	\$ 130,442	\$ 7,290	\$	\$ 86,918	\$ 583,269
Accrued interest receivable		1,324		3,541				4,865
Accounts receivable	2,091	8,395	281	221,156	19,047			250,970
Special assessments receivable:								
Deferred								
Delinquent	277							277
Prepaid expense	58		218	1,227				1,503
Taxes receivable - delinquent			1,327				191	1,518
Due from other funds		90,764		16,094				106,858
Due from other governmental units	9,183	79,762	849	53,657			593,490	736,941
Restricted cash								
TOTAL ASSETS	<u>\$ 56,949</u>	<u>\$ 402,668</u>	<u>\$ 93,531</u>	<u>\$ 426,117</u>	<u>\$ 26,337</u>	<u>\$</u>	<u>\$ 680,599</u>	<u>\$ 1,686,201</u>
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 1,463	\$ 213	\$ 751	\$ 1,643	\$	\$	\$	\$ 4,070
Due to other funds				19,356				19,356
Advance from other funds					19,047			19,047
Deferred revenue	17,863	79,762	1,327	69,525	19,048		593,573	781,098
Total Liabilities	<u>19,326</u>	<u>79,975</u>	<u>2,078</u>	<u>90,524</u>	<u>38,095</u>		<u>593,573</u>	<u>823,571</u>
Fund Balance								
Reserved								
Unreserved								
Designated		322,693		335,593				658,286
Undesignated	37,623		91,453		(11,758)		87,026	204,344
Total Fund Balance	<u>37,623</u>	<u>322,693</u>	<u>91,453</u>	<u>335,593</u>	<u>(11,758)</u>		<u>87,026</u>	<u>862,630</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 56,949</u>	<u>\$ 402,668</u>	<u>\$ 93,531</u>	<u>\$ 426,117</u>	<u>\$ 26,337</u>	<u>\$</u>	<u>\$ 680,599</u>	<u>\$ 1,686,201</u>

Debt Service						Capital Project				
Tax Increment District	Tax Increment District									
<u>378</u>	<u>379</u>	<u>351,352</u>	<u>381</u>	<u>382</u>	<u>360</u>		<u>405</u>	<u>802</u>	<u>202</u>	
2004 G.O. Refunding Bonds	1996 G.O. Improvement	<u>353,354,355</u> G.O. Bonds	Fire & Police Garage	Fire Rescue Rig	EDA Land Purchase	Total	Tax Increment	Blandin Grant	Economic Development	Total
\$ 185,248	\$	\$ 163,142	\$ 364	\$ 42,096	\$ 820	\$391,670	\$ 44,927	\$10,436	\$ 26,193	\$1,056,495
										4,865
										250,970
455		46,143				46,598				46,598
										277
773		2,695	248	360		4,076			36	1,539
									1,016	6,610
										106,858
1,875		3,114	157	228	674	6,048				106,730
			5,503			5,503				849,719
										5,503
<u>\$ 188,351</u>		<u>\$ 215,094</u>	<u>\$ 6,272</u>	<u>\$ 42,684</u>	<u>\$ 1,494</u>	<u>\$453,895</u>	<u>\$ 44,927</u>	<u>\$10,436</u>	<u>\$ 133,975</u>	<u>\$2,329,434</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 555	\$ 4,625
										19,356
										19,047
<u>1,228</u>		<u>48,838</u>	<u>248</u>	<u>360</u>		<u>50,674</u>			<u>1,016</u>	<u>832,788</u>
<u>1,228</u>		<u>48,838</u>	<u>248</u>	<u>360</u>		<u>50,674</u>			<u>1,571</u>	<u>875,816</u>
187,123		166,256	5,503	42,324	1,494	402,700				402,700
							44,927	10,436	132,404	846,053
			521			521				204,865
<u>187,123</u>		<u>166,256</u>	<u>6,024</u>	<u>42,324</u>	<u>1,494</u>	<u>403,221</u>	<u>44,927</u>	<u>10,436</u>	<u>132,404</u>	<u>1,453,618</u>
<u>\$ 188,351</u>	<u>\$</u>	<u>\$ 215,094</u>	<u>\$ 6,272</u>	<u>\$ 42,684</u>	<u>\$ 1,494</u>	<u>\$453,895</u>	<u>\$ 44,927</u>	<u>\$10,436</u>	<u>\$ 133,975</u>	<u>\$2,329,434</u>

**CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008**

	Special Revenue							
	612	614	211	607	203	205	213	
	Airport	Fire	Library	Ambulance	EDA	Flood	Tenborg	Total
	Operations	Department			Revolving	Relief	Community	
					Loan		Center	
REVENUES								
Property tax	\$ 8,641	\$	\$ 41,133	\$	\$	\$	\$ 6,038	\$ 55,812
Tax increments								
Intergovernmental	52,066		62,230	4,500			11,646	130,442
Charges for services	9,146	60,257	6,363	136,607				212,373
Special assessments								
Interest income	242	7,924	1,282	5,683	1,136	909	1,108	18,284
Miscellaneous	120	16,811		12,011	3,524	4,935		37,401
TOTAL REVENUES	70,215	84,992	111,008	158,801	4,660	5,844	18,792	454,312
EXPENDITURES								
Public safety		185,262		241,131				426,393
Airport	48,560							48,560
Library			102,451					102,451
Community center							1,471	1,471
Debt service								
Capital outlay								
Economic development					1,038	71,903		72,941
TOTAL EXPENDITURES	48,560	185,262	102,451	241,131	1,038	71,903	1,471	651,816
Excess (deficiency) of revenues over (under) expenditures	21,655	(100,270)	8,557	(82,330)	3,622	(66,059)	17,321	(197,504)
OTHER FINANCING SOURCES (USES)								
Issuance of debt		121,498		100,000				221,498
Transfers in		20,000						20,000
Transfer out								
Total other financing sources (uses)		141,498		100,000				241,498
EXTRAORDINARY ITEMS								
Insurance proceeds		304		311				615
Extraordinary items, net		304		311				615
Net change in fund balances	21,655	41,532	8,557	17,981	3,622	(66,059)	17,321	44,609
FUND BALANCES, Beginning	15,968	281,161	82,896	317,612	(15,380)	66,059	69,705	818,021
FUND BALANCES, Ending	\$ 37,623	\$ 322,693	\$ 91,453	\$ 335,593	\$ (11,758)	\$	\$ 87,026	\$ 862,630

Debt Service						Capital Project				
<u>378</u>	<u>379</u>	<u>351,352</u>	<u>381</u>	<u>382</u>	<u>360</u>		<u>405</u>	<u>802</u>	<u>202</u>	
Tax Increment District	Tax Increment District	353,354,355 G.O.	Fire & Police	Fire Rescue	EDA Land	Total	Tax	Blandin	Economic	Total
2004 G.O. Refunding Bonds	1996 G.O. Improvement	G.O. Bonds	Garage	Rig	Purchase		Increment	Grant	Development	
\$ 23,659	\$	\$ 83,773	\$ 7,742	\$ 11,227	\$ 32,372	\$ 158,773	\$	\$	\$ 33,170	\$ 247,755
137,911						137,911	10,352			148,263
15,185		47,827	4,463	6,471	19,158	93,104			158,161	381,707
										212,373
539		31,074				31,613				31,613
645	3	1,073	43	573	(36)	2,301	604	187	88,147	109,523
							900	3,250	4,000	45,551
<u>177,939</u>	<u>3</u>	<u>163,747</u>	<u>12,248</u>	<u>18,271</u>	<u>51,494</u>	<u>423,702</u>	<u>11,856</u>	<u>3,437</u>	<u>283,478</u>	<u>1,176,785</u>
										426,393
										48,560
										102,451
										1,471
157,969		173,975	10,861		50,000	392,805				392,805
							9,317	6,841	92,439	108,597
									121,983	194,924
<u>157,969</u>		<u>173,975</u>	<u>10,861</u>		<u>50,000</u>	<u>392,805</u>	<u>9,317</u>	<u>6,841</u>	<u>214,422</u>	<u>1,275,201</u>
19,970	3	(10,228)	1,387	18,271	1,494	30,897	2,539	(3,404)	69,056	(98,416)
										221,498
3						3				20,003
	(3)					(3)				(3)
3	(3)									241,498
										615
										615
19,973		(10,228)	1,387	18,271	1,494	30,897	2,539	(3,404)	69,056	143,697
167,150		176,484	4,637	24,053		372,324	42,388	13,840	63,348	1,309,921
<u>\$ 187,123</u>		<u>\$ 166,256</u>	<u>\$ 6,024</u>	<u>\$ 42,324</u>	<u>1,494</u>	<u>\$ 403,221</u>	<u>\$ 44,927</u>	<u>\$ 10,436</u>	<u>\$ 132,404</u>	<u>\$1,453,618</u>

CITY OF RUSHFORD, MINNESOTA
AIRPORT FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2007 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 8,019	\$ 8,019	\$ 8,641	\$ 622	\$ 12,576
Intergovernmental Revenues					
State grants	62,324	48,324	47,085	(1,239)	136,666
Market value and disaster credit	4,981	4,981	4,981		1,992
Total Intergovernmental revenues	67,305	53,305	52,066	(1,239)	138,658
Charges for Services					
Land leases	2,592	2,592	3,338	746	2,595
Hangar rentals	4,320	4,320	4,365	45	5,130
Fuel and utilities	900	1,300	1,443	143	995
Total Charges For Services	7,812	8,212	9,146	934	8,720
Interest Income					
	500	250	242	(8)	663
Miscellaneous Revenues					
			120	120	2,033
TOTAL REVENUES	83,636	69,786	70,215	429	162,650
EXPENDITURES					
Airport					
Salaries	3,900	3,900	3,900		3,700
General supplies	200	300	266	34	101
Fuel	1,000	2,000	1,575	425	847
Professional services	7,600	8,650	8,631	19	1,439
Insurance	3,350	3,550	4,636	(1,086)	2,952
Utilities	4,350	4,350	3,727	623	3,861
Repairs and maintenance	2,400	5,600	5,600		4,742
Dues, subscriptions and fees	1,000	1,300	1,233	67	1,037
Taxes on property	250	250	266	(16)	254
Capital outlay	48,000	20,600	18,726	1,874	137,719
TOTAL EXPENDITURES	72,050	50,500	48,560	1,940	156,652
Excess (deficiency) of revenues over (under) expenditures	11,586	19,286	21,655	2,369	5,998
FUND BALANCES, BEGINNING	15,968	15,968	15,968		9,970
FUND BALANCES, ENDING	\$ 27,554	\$ 35,254	\$ 37,623	\$ 2,369	\$ 15,968

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	Budgeted Amounts		2008 Actual Amounts			Variance with	2007
	Original	Final	General	Mill	Total	Final Budget Favorable (Unfavorable)	Actual Amounts
				Rate			
REVENUES							
Charges For Services							
Township contributions	\$ 46,673	\$ 46,673	\$	\$ 46,673	\$ 46,673	\$	\$ 46,673
Fire calls, contracts and water hauling	8,500	11,000	13,584		13,584	2,584	7,310
Total Charges For Services	55,173	57,673	13,584	46,673	60,257	2,584	53,983
Interest Income	3,000	4,700	5,233	2,691	7,924	3,224	10,223
Miscellaneous Revenues							
Donations	10,500	17,000	16,811		16,811	(189)	26,616
Benefit dances and meetings							10,000
Total Miscellaneous	10,500	17,000	16,811		16,811	(189)	36,616
TOTAL REVENUES	68,673	79,373	35,628	49,364	84,992	5,619	100,822
EXPENDITURES							
Public Safety							
Salaries	10,500	12,900	12,816		12,816	(84)	10,275
Office supplies		400	415		415	15	
Meeting and conferences	3,500	6,000	6,031		6,031	31	2,592
General supplies	5,250	4,450	3,811	661	4,472	22	4,833
Benefit dances		1,000	914		914	(86)	
Repairs and maintenance	2,200	3,200	1,091	1,015	2,106	(1,094)	1,481
Dues, subscriptions and fees	1,200	1,400	1,356		1,356	(44)	1,169
Miscellaneous	3,200	8,575	6,512	460	6,972	(1,603)	3,011
Capital outlay	2,550	29,000	146,090	4,090	150,180	121,180	5,224
TOTAL EXPENDITURES	28,400	66,925	179,036	6,226	185,262	118,337	28,585
Excess (deficit) revenues over (under) expenditures	40,273	12,448	(143,408)	43,138	(100,270)	(112,718)	72,237
OTHER FINANCING SOURCES (USES)							
Issuance of debt			121,498		121,498	121,498	
Transfers in	20,000	20,000	20,000		20,000		20,000
Total other financing sources (uses)	20,000	20,000	141,498		141,498	121,498	20,000
EXTRAORDINARY ITEMS							
Flood recovery costs							(220,055)
Insurance proceeds			304		304	304	255,953
Extraordinary items, net			304		304	304	35,898
Net change in fund balance	60,273	32,448	(1,606)	43,138	41,532	9,084	128,135
FUND BALANCES, BEGINNING	281,161	281,161	179,364	101,797	281,161		153,026
FUND BALANCES, ENDING	341,434	313,609	177,758	144,935	322,693	9,084	281,161

CITY OF RUSHFORD, MINNESOTA
LIBRARY FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2007 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 38,861	\$ 38,861	\$ 41,133	\$ 2,272	\$ 52,875
Intergovernmental Revenues					
County apportionment and other revenue	21,000	29,500	29,510	10	22,386
Local government aid	10,000	10,000	8,581	(1,419)	10,364
Market value and disaster credit	24,139	24,139	24,139		9,348
Total Intergovernmental Revenues	55,139	63,639	62,230	(1,409)	42,098
Interest Income	1,500	1,800	1,282	(518)	2,138
Miscellaneous Revenues					
Fines, books and other	5,000	6,000	6,363	363	5,786
TOTAL REVENUES	100,500	110,300	111,008	708	102,897
EXPENDITURES					
Library					
Salaries	66,526	66,100	58,962	7,138	58,443
Employee benefits and retirement	8,400	7,800	7,661	139	7,444
Office supplies	1,350	1,700	1,063	637	1,247
General supplies	1,400	2,200	2,053	147	1,614
Professional services	625	665	665		575
Telephone	900	700	569	131	704
Insurance	1,425	1,600	1,567	33	1,253
Utilities	1,950	1,700	1,501	199	1,697
Repairs and maintenance	1,300	1,350	1,008	342	1,502
Dues, subscriptions and fees	1,400	1,500	1,528	(28)	1,542
Computer line fee	5,700	5,500	4,830	670	4,704
Miscellaneous	2,800	2,700	2,648	52	2,474
Capital outlay	17,700	18,700	18,396	304	13,439
TOTAL EXPENDITURES	111,476	112,215	102,451	9,764	96,638
Excess (deficiency) of revenues over (under) expenditures	(10,976)	(1,915)	8,557	10,472	6,259
FUND BALANCES, BEGINNING	82,896	82,896	82,896		76,637
FUND BALANCES, ENDING	\$ 71,920	\$ 80,981	\$ 91,453	\$ 10,472	\$ 82,896

CITY OF RUSHFORD, MINNESOTA
AMBULANCE FUND
Statement of Revenues and Expenditures - Budget and Actual
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2007 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Charges For Services					
Fees from runs	100,000	200,000	120,123	(79,877)	141,153
City and township contracts	15,868	15,868	16,484	616	15,868
Total Charges For Services	115,868	215,868	136,607	(79,261)	157,021
Interest Income	4,000	4,000	5,683	1,683	7,525
Miscellaneous Revenues					
Other	4,000	12,000	12,011	11	14,229
Total Miscellaneous revenues	4,000	12,000	12,011	11	14,229
TOTAL REVENUES	128,368	236,368	158,801	(77,567)	183,275
EXPENDITURES					
Public Safety					
Salaries	52,000	49,000	48,173	827	50,530
Employee benefits and retirement	5,000	5,000	4,846	154	4,637
Office supplies and expense	1,100	1,100	1,022	78	688
Meeting and conferences	13,000	14,000	12,865	1,135	12,096
Gas, oil and supplies	4,000	5,500	5,210	290	3,497
General supplies	9,325	11,900	11,076	824	9,673
Professional services	850	1,000	1,000		785
Telephone	1,350	1,450	1,399	51	1,324
Insurance	5,500	6,050	5,692	358	4,564
Utilities	2,600	3,000	2,630	370	2,685
Repairs and maintenance	2,000	3,000	3,149	(149)	21,562
Dues, subscriptions and fees	850	1,700	1,769	(69)	421
Miscellaneous	2,500	3,000	2,914	86	4,008
Capital outlay	2,000	38,000	139,386	(101,386)	133,783
TOTAL EXPENDITURES	102,075	143,700	241,131	(97,431)	250,253
Excess (deficiency) of revenues over (under) expenditures	26,293	92,668	(82,330)	(174,998)	(66,978)
OTHER FINANCING SOURCES (USES)					
Issuance of debt			100,000	100,000	
EXTRAORDINARY ITEMS					
Flood recovery costs					(53,180)
Insurance proceeds			311	311	134,398
Extraordinary items, net			311	311	81,218
Net change in fund balance	26,293	92,668	17,981	(74,687)	14,240
FUND BALANCES, BEGINNING	317,612	317,612	317,612		303,372
FUND BALANCES, ENDING	\$ 343,905	\$ 410,280	\$ 335,593	\$ (74,687)	\$ 317,612

CITY OF RUSHFORD, MINNESOTA
FLOOD RELIEF
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2007 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$	\$ 925	\$ 909	\$ (16)	\$ 93
Miscellaneous Revenues					
Flood donations		4,900	4,935	35	245,266
TOTAL REVENUES		5,825	5,844	19	245,359
EXPENDITURES					
Economic Development, Aid disbursement		71,903	71,903		179,300
Excess (deficiency) of revenues over (under) expenditures		(66,078)	(66,059)	(19)	66,059
FUND BALANCES, BEGINNING	66,059	66,059	66,059		
FUND BALANCES, ENDING	\$ 66,059	\$ (19)	\$	\$ (19)	\$ 66,059

CITY OF RUSHFORD, MINNESOTA
TENBORG COMMUNITY CENTER FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2007 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 4,935	\$ 4,935	\$ 6,038	\$ 1,103	\$ 6,381
Intergovernmental Revenues					
Local government aid	10,000	10,000	8,581	(1,419)	10,364
Market value and disaster credit	3,065	3,065	3,065		1,226
Total Intergovernmental revenues	13,065	13,065	11,646	(1,419)	11,590
Charges For Services					
Rental fees					769
SEMCAC					1,581
Total Charges For Services					2,350
Interest Income	1,000	1,000	1,108	108	1,925
TOTAL REVENUES	19,000	19,000	18,792	(208)	22,246
EXPENDITURES					
General Government					
Cleaning expense	10,000				7,008
General supplies	500	500		500	217
Telephone	450	450		450	316
Professional services	450	450	440	10	325
Insurance	1,600	1,600	1,013	587	1,474
Utilities	6,500	1,000	18	982	4,056
Repairs and maintenance	500				473
Capital outlay					901
TOTAL EXPENDITURES	20,000	4,000	1,471	2,529	14,770
Excess (deficiency) of revenues over (under) expenditures	(1,000)	15,000	17,321	2,321	7,476
EXTRAORDINARY ITEMS					
Flood recovery costs					(48,108)
Insurance proceeds					48,108
Extraordinary items, net					
Net change in fund balance	(1,000)	15,000	17,321	2,321	7,476
FUND BALANCES, BEGINNING	69,705	69,705	69,705		62,229
FUND BALANCES, ENDING	\$ 68,705	\$ 84,705	\$ 87,026	\$ 2,321	\$ 69,705

CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

December 31, 2008

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Comparative Balance Sheets
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,900	\$ 76,598
Accounts receivable	279	
Due from other governmental units	286,274	862,394
Merchandise inventory	38,221	20,644
Prepaid insurance	1,250	5,212
Total Current Assets	338,924	964,848
Property and Equipment		
Building	753,121	1,000
Furniture and equipment	69,423	
Total	822,544	1,000
Less: Accumulated depreciation	2,227	
Net Property, Plant and Equipment	820,317	1,000
TOTAL ASSETS	\$ 1,159,241	\$ 965,848
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 85,075	\$ 1,172
Due to other funds	185,457	
Accrued wages	12,971	12,354
Accrued sales tax	3,786	1,629
Total Liabilities	287,289	15,155
Net Assets	871,952	950,693
TOTAL LIABILITIES AND NET ASSETS	\$ 1,159,241	\$ 965,848

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008	2007
Operating Revenues		
Total sales	\$ 265,007	\$ 358,071
Cost of sales	205,130	227,684
Gross Profit	<u>59,877</u>	<u>130,387</u>
Operating Expenses		
Salaries and wages	92,640	91,855
Employee benefits and retirement	12,418	12,113
Office supplies	737	1,022
General supplies	2,645	4,869
Contracted services	5,325	14,778
Advertising	2,795	1,550
Telephone	234	480
Utilities	1,611	8,375
Insurance	10,149	11,422
Repairs and maintenance	648	1,953
Depreciation	2,227	7,268
Licenses, dues and subscriptions	3,587	2,108
Miscellaneous expense	6,094	4,849
Total Operating Expenses	<u>141,110</u>	<u>162,642</u>
Operating Income (Loss)	<u>(81,233)</u>	<u>(32,255)</u>
Nonoperating Revenue and (Expense)		
Interest income	(156)	3,228
Rental income	342	6,336
Total Nonoperating Revenue and (Expense)	<u>186</u>	<u>9,564</u>
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items		
	(81,047)	(22,691)
Capital contributions and grants		862,394
Extraordinary items		
Flood recovery costs		(143,757)
Insurance proceeds		105,613
Transfers in	2,306	
Transfers out		<u>(30,000)</u>
Change in Net Assets	(78,741)	771,559
Net Assets, Beginning of Year	<u>950,693</u>	<u>179,134</u>
Net Assets, End of Year	<u>\$ 871,952</u>	<u>\$ 950,693</u>

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Gross Profit Schedule
December 31, 2008
With Comparative Totals for December 31, 2007

	Liquor	Beer	Misc	Totals	
				2008	2007
Sales					
On sale	\$ 8,001	\$ 12,748	\$ 696	\$ 21,445	\$ 89,540
Off sale	78,042	162,117	3,403	243,562	268,531
Total Sales	86,043	174,865	4,099	265,007	358,071
Cost of Sales					
Inventory, January 1	12,023	8,435	187	20,645	42,373
Purchases	77,213	139,411	4,219	220,843	203,885
Freight	1,863			1,863	2,071
Total	91,099	147,846	4,406	243,351	248,329
Less: Inventory, December 31	22,274	14,296	1,651	38,221	20,645
Total Cost of Sales	68,825	133,550	2,755	205,130	227,684
Gross Profit	\$ 17,218	\$ 41,315	\$ 1,344	\$ 59,877	\$ 130,387
Gross Profit Percentage 2008	20%	24%	33%	23%	36%
Gross Profit Percentage:					
2007	38%	36%	30%	36%	
2006	40%	30%	28%	33%	
2005	42%	30%	27%	33%	
2004	42%	29%	22%	33%	
2003	43%	28%	21%	32%	
2002	43%	29%	21%	32%	
2001	42%	29%	26%	32%	
2000	41%	28%	29%	32%	
1999	40%	29%	29%	32%	
1998	40%	28%	33%	32%	
1997	38%	29%	29%	32%	
1996	38%	28%	26%	31%	

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
ELECTRIC DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,380,000	\$ 1,234,682	\$ (145,318)	\$ 1,281,709
Cost of Production				
Purchased power	860,000	858,776	1,224	847,331
Net Operating Revenue	520,000	375,906	(144,094)	434,378
Operating Expenses				
Distribution				
Salaries	3,000	2,758	242	5,394
Gas, oil and supplies	2,500	2,580	(80)	1,153
General supplies	2,000	1,676	324	2,009
Professional services	12,000	2,471	9,529	3,568
Repairs and maintenance	133,300	57,377	75,923	28,489
Depreciation and amortization	100,000	120,157	(20,157)	109,109
Total Distribution	252,800	187,019	65,781	149,722
General Administration				
Salaries	162,000	161,518	482	148,694
Employee benefits and retirement	22,500	21,946	554	20,716
Office supplies and expense	1,600	1,221	379	1,314
Professional services	6,450	6,125	325	4,570
Postage	5,200	4,509	691	5,399
Printing and publishing	1,200	773	427	798
Insurance	6,900	6,737	163	7,534
Dues, subscriptions and fees	5,700	5,678	22	4,810
Miscellaneous	3,081	2,648	433	2,261
Total General Administration	214,631	211,155	3,476	196,096
Total Operating Expenses	467,431	398,174	69,257	345,818
Operating Income (Loss)	52,569	(22,268)	(74,837)	88,560
Nonoperating Revenue and (Expense)				
Interest expense	(44,717)	(44,717)		(47,102)
Interest income	15,818	13,295	(2,523)	27,344
Penalty income	6,000	4,818	(1,182)	6,823
Service fee - refuse billings	4,000	3,579	(421)	3,325
Legal settlement	(1,220)	(1,218)	2	
Compost site fees	(425)	(894)	(469)	(283)
Miscellaneous income	5,000	4,184	(816)	7,449
Total Other Income (Expense)	(15,544)	(20,953)	(5,409)	(2,444)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	37,025	(43,221)	(80,246)	86,116
Capital contributions and grants				455,780
Extraordinary items				(199,926)
Flood recovery costs				(199,926)
Transfers out	(30,000)	(30,000)		(30,000)
Change in Net Assets	7,025	(73,221)	(80,246)	311,970
Net Assets, Beginning of Year	2,073,503	2,073,503		1,761,533
Net Assets, End of Year	\$ 2,080,528	\$ 2,000,282	\$ (80,246)	\$ 2,073,503

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
WATER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 284,500	\$ 257,038	\$ (27,462)	\$ 262,767
Cost of Production				
Utilities and fuel oil	12,100	11,142	958	11,552
Net Operating Revenue	272,400	245,896	(26,504)	251,215
Operating Expenses Distribution				
Salaries	57,000	53,549	3,451	52,724
Gas, oil and supplies	9,500	6,633	2,867	5,063
General supplies	2,000	1,212	788	329
Professional services	20,200	8,778	11,422	
Repairs and maintenance	15,700	14,935	765	25,624
Depreciation and amortization	60,000	94,171	(34,171)	70,946
Sewage and water testing	1,000	768	232	528
Total Distribution	165,400	180,046	(14,646)	155,214
General Administration				
Salaries	26,000	25,795	205	24,470
Employee benefits and retirement	10,955	10,872	83	10,054
Office supplies and expense	575	526	49	501
Professional services	3,650	10,035	(6,385)	5,693
Postage	300	675	(375)	202
Printing and publishing	1,700	2,212	(512)	1,108
Insurance	6,000	5,744	256	4,186
Dues, subscriptions and fees	2,000	2,043	(43)	6,761
Miscellaneous	3,250	3,699	(449)	3,113
Total General Administration	54,430	61,601	(7,171)	56,088
Total Operating Expenses	219,830	241,647	(21,817)	211,302
Operating Income (Loss)	52,570	4,249	(48,321)	39,913
Nonoperating Revenue and (Expense)				
Interest expense	(67,126)	(43,706)	23,420	(20,883)
Interest income	500	1,539	1,039	466
Miscellaneous income	4,000	4,185	185	1,184
Total Other Income (Expense)	(62,626)	(37,982)	24,644	(19,233)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	(10,056)	(33,733)	(23,677)	20,680
Capital contributions and grants		142,300	142,300	820,005
Extraordinary items				(188,842)
Flood recovery costs				(188,842)
Transfers in		189,463	189,463	
Transfers out				(97,000)
Change in Net Assets	(10,056)	298,030	308,086	554,843
Net Assets, Beginning of Year	1,188,669	1,188,669		633,826
Net Assets, End of Year	\$ 1,178,613	\$ 1,486,699	\$ 308,086	\$ 1,188,669

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
SEWER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2008
With Comparative Totals for December 31, 2007

	2008		Variance Favorable (Unfavorable)	2007 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 302,419	\$ 265,555	\$ (36,864)	\$ 294,230
Cost of Production				
Utilities and fuel oil	25,500	22,588	2,912	22,098
Net Operating Revenue	276,919	242,967	(33,952)	272,132
Operating Expenses				
Distribution				
Salaries	97,500	96,713	787	81,648
Gas, oil and supplies	3,300	3,206	94	1,388
General supplies	5,000	3,642	1,358	4,907
Professional services	40,000	20,707	19,293	14,241
Repairs and maintenance	33,500	6,029	27,471	12,676
Depreciation	90,000	108,932	(18,932)	106,490
Sewage and water testing	4,700	4,614	86	4,528
Total Distribution	274,000	243,843	30,157	225,878
General Administration				
Salaries	19,500	19,283	217	18,212
Employee benefits and retirement	15,950	15,807	143	13,458
Professional services	3,700	3,475	225	2,855
Printing and publishing	1,200	1,142	58	610
Insurance	6,100	5,662	438	4,453
Dues, subscriptions and fees	3,000	2,704	296	3,027
Miscellaneous	4,650	4,552	98	2,225
Total General Administration	54,100	52,625	1,475	44,840
Total Operating Expenses	328,100	296,468	31,632	270,718
Operating Income (Loss)	(51,181)	(53,501)	(2,320)	1,414
Nonoperating Revenue and (Expense)				
Interest expense	(21,602)	(20,917)	685	(22,778)
Interest income	6,000	7,081	1,081	10,794
Miscellaneous income	75,000	31,521	(43,479)	100
Total Other Income (Expense)	59,398	17,685	(41,713)	(11,884)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	8,217	(35,816)	(44,033)	(10,470)
Capital contributions and grants		588	588	1,220,211
Extraordinary items				(278,440)
Flood recovery costs				9,071
Insurance proceeds		43,627	43,627	60,000
Transfers in		66,034	66,034	
Change in Net Assets	8,217	74,433	66,216	1,000,372
Net Assets, Beginning of Year	2,000,477	2,000,477		1,000,105
Net Assets, End of Year	\$ 2,008,694	\$ 2,074,910	\$ 66,216	\$ 2,000,477

CITY OF RUSHFORD, MINNESOTA
PFA WATER LOAN OF 1999 AND 2008
LOAN RETIREMENT DEBT SERVICE FUND
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

Revenues	\$ 106,928
Expenditures	
Principal	37,000
Interest	30,127
Total expenditures	67,127
Excess Revenues (Expenditures)	39,801
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	39,801
Fund Balance, January 1	66,232
Fund Balance, December 31	\$ 106,033

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CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2008

CHANGE FUNDS	<u>\$ 3,068</u>
CHECKING ACCOUNTS	
<i>Associated Bank</i>	
General checking account	(3,481,650)
Flood checking account	4,857,480
<i>Rushford State Bank:</i>	
General checking account	<u>35,775</u>
TOTAL CHECKING ACCOUNTS	<u>1,411,605</u>
SAVINGS ACCOUNTS	
<i>Associated Bank:</i>	
Money market funds account	<u>6,002,115</u>
TOTAL SAVINGS ACCOUNTS	<u>6,002,115</u>
TOTAL CHANGE FUNDS AND DEMAND ACCOUNTS	<u><u>\$ 7,416,788</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2008

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Associated Bank</i> Certificate	2.83%	\$ 100,000
<i>Rushford State Bank</i> Certificate	3.25%	100,000
Certificate	3.25%	100,000
Certificate	5.00%	20,000
Certificate	5.00%	20,000
Certificate	5.00%	20,000
Certificate	3.34%	172,539
Certificate	4.90%	100,000
Certificate	3.75%	70,000
Certificate	4.06%	122,454
Certificate	5.09%	31,789
<i>Colonial Savings and Loan</i> Government National Mortgage Association Certificate		<u>521</u>
TOTAL INVESTMENTS		857,303
TOTAL CHANGE FUNDS AND DEMAND ACCOUNTS (from prior page)		<u>7,416,788</u>
TOTAL CASH AND INVESTMENTS, December 31, 2008		<u><u>\$ 8,274,091</u></u>

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2008**

\$1,301,818 SERIES 1996A
G.O. SEWER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 56,860	\$ 19,701	\$ 76,561
2010	58,827	17,734	76,561
2011	60,862	15,699	76,561
2012	62,968	13,593	76,561
2013	65,146	11,415	76,561
2014	67,400	9,161	76,561
2015	69,731	6,830	76,561
2016	72,144	4,417	76,561
2017	74,526	1,922	76,448
TOTAL	\$ 588,464	\$ 100,472	\$ 688,936

\$765,000 SERIES 1999
G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 38,000	\$ 14,835	\$ 52,835
2010	39,000	13,680	52,680
2011	40,000	12,494	52,494
2012	42,000	11,278	53,278
2013	43,000	10,002	53,002
2014	44,000	8,694	52,694
2015	46,000	7,356	53,356
2016	47,000	5,958	52,958
2017	48,000	4,530	52,530
2018	50,000	3,070	53,070
2019	51,000	1,550	52,550
TOTAL	\$ 488,000	\$ 93,447	\$ 581,447

\$15,000 NOTE PAYABLE OF 2005
WATER NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 3,000		\$ 3,000

CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2008

\$400,000 SERIES 2007A
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 32,000	\$ 17,000	\$ 49,000
2010	34,000	15,640	49,640
2011	36,000	14,195	50,195
2012	37,000	12,665	49,665
2013	39,000	11,093	50,093
2014	41,000	9,435	50,435
2015	43,000	7,693	50,693
2016	44,000	5,865	49,865
2017	46,000	3,995	49,995
2018	48,000	2,040	50,040
TOTAL	\$ 400,000	\$ 99,621	\$ 499,621

\$1,070,000 SERIES 2000
ELECTRIC REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 50,000	\$ 42,287	\$ 92,287
2010	50,000	39,538	89,538
2011	55,000	36,787	91,787
2012	60,000	33,680	93,680
2013	60,000	30,290	90,290
2014	65,000	26,810	91,810
2015	70,000	23,040	93,040
2016	70,000	18,840	88,840
2017	75,000	14,640	89,640
2018	80,000	10,065	90,065
2019	85,000	5,185	90,185
TOTAL	\$ 720,000	\$ 281,162	\$ 1,001,162

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2008**

\$488,391 SERIES 2008
 G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 24,380	\$ 4,759	\$ 29,139
2010	22,925	6,214	29,139
2011	23,237	5,902	29,139
2012	23,553	5,586	29,139
2013	23,873	5,265	29,138
2014	24,198	4,940	29,138
2015	24,527	4,611	29,138
2016	24,861	4,278	29,139
2017	25,199	3,939	29,138
2018	25,542	3,597	29,139
2019	25,889	3,249	29,138
2020	26,242	2,897	29,139
2021	26,599	2,540	29,139
2022	26,961	2,178	29,139
2023	27,327	1,811	29,138
2024	27,699	1,439	29,138
2025	28,076	1,063	29,139
2026	28,458	681	29,139
2027	28,845	294	29,139
TOTAL	\$ 488,391	\$ 65,243	\$ 553,634

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2008**

\$240,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2000

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 25,000	\$ 4,483	\$ 29,483
2010	30,000	2,900	32,900
2011	35,000	1,015	36,015
TOTAL	\$ 90,000	\$ 8,398	\$ 98,398

\$680,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 70,000	\$ 13,228	\$ 83,228
2010	75,000	9,584	84,584
2011	70,000	5,905	75,905
2012	80,000	2,060	82,060
TOTAL	\$ 295,000	\$ 30,777	\$ 325,777

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2008**

\$200,000 GENERAL OBLIGATION
IMPROVEMENT REFUNDING BONDS OF 2002

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 25,000	\$ 3,263	\$ 28,263
2010	30,000	2,025	32,025
2011	30,000	675	30,675
TOTAL	\$ 85,000	\$ 5,963	\$ 90,963

\$990,000 GENERAL OBLIGATION
REFUNDING BONDS OF 2004A PAYABLE FROM
TAX INCREMENT DEBT SERVICE FUND

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 150,000	\$ 13,913	\$ 163,913
2010	55,000	11,213	66,213
2011	55,000	9,563	64,563
2012	60,000	7,778	67,778
2013	60,000	5,798	65,798
2014	65,000	3,608	68,608
2015	65,000	1,214	66,214
TOTAL	\$ 510,000	\$ 53,087	\$ 563,087

CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2008

\$99,000 USDA LOAN OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 5,342	\$ 2,519	\$ 7,861
2010	5,608	2,253	7,861
2011	5,888	1,973	7,861
2012	6,181	1,680	7,861
2013	6,490	1,371	7,861
2014	6,813	1,048	7,861
2015	7,153	708	7,861
2016	7,053	350	7,403
TOTAL	\$ 50,528	\$ 11,902	\$ 62,430

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 12,551	\$ 29,950	\$ 42,501
2010	13,178	29,322	42,500
2011	13,837	28,664	42,501
2012	14,529	27,971	42,500
2013	15,255	27,246	42,501
2014	16,018	26,482	42,500
2015	16,819	25,682	42,501
2016	17,660	24,840	42,500
2017	18,543	23,958	42,501
2018	19,470	23,030	42,500
2019	20,443	22,058	42,501
2020	21,466	21,034	42,500
2021	22,539	19,962	42,501
2022	23,666	18,834	42,500
2023	24,849	17,652	42,501
2024	26,092	16,408	42,500
2025	27,396	15,105	42,501
2026	28,766	13,734	42,500
2027	30,204	12,297	42,501
2028	31,715	10,785	42,500
2029	33,300	9,201	42,501
2030	34,965	7,535	42,500
2031	36,714	5,787	42,501
2032	38,549	3,951	42,500
2033	40,476	2,025	42,501
TOTAL	\$ 599,000	\$ 463,513	\$ 1,062,513

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2008**

\$121,498 FIRE RESCUE VEHICLE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 22,142	\$ 5,650	\$ 27,792
2010	23,172	4,620	27,792
2011	24,250	3,542	27,792
2012	25,377	2,415	27,792
2013	26,557	1,235	27,792
TOTAL	\$121,498	\$ 17,462	\$138,960

\$100,000 AMBULANCE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	\$ 18,224	\$ 4,650	\$ 22,874
2010	19,072	3,803	22,875
2011	19,959	2,916	22,875
2012	20,887	1,988	22,875
2013	21,858	1,016	22,874
TOTAL	\$100,000	\$ 14,373	\$114,373

AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2008, and have issued our report thereon dated April 16, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Rushford, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the use of the City of Rushford, Minnesota and is not intended to be, and should not be, used by anyone other than those specified parties.

Smith, Schafers and Associates, Ltd.

Rochester, Minnesota
April 16, 2009