

**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**



**CITY OF RUSHFORD, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2010**

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**CITY OF RUSHFORD, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2010**

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# CITY OF RUSHFORD, MINNESOTA

## CITY OFFICIALS AS OF DECEMBER 31, 2010

Chris Hallum	Mayor
Robert Dahl	Council Member & <i>Mayor Pro-tem</i>
Vern Bunke	Council Member
Mark Honsey	Council Member
Ted Robertson	Council Member
Windy Block	City Administrator
Kathy Zacher	Clerk-Treasurer

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**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2010**

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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, 2010, 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 2009 financial statements and, in our report dated April 29, 2010, 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, 2010, 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, 2009 Improvement Project Fund, Capital Improvements Fund and the Economic Development 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 May 5, 2011, 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  
May 5, 2011

## 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, 2010.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$29,109,504 (*net assets*). Of this amount, \$3,789,326 (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 decreased by (\$1,334,648).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$336,155 or 52 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 \$2,788,441. Approximately 52 percent of this total amount, or \$1,441,725, is reserved.
- The City of Rushford increased total outstanding debt by \$382,066 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, 2009 improvement project fund, capital improvements fund, and the economic development fund, all of which are considered to be major funds. Data from the other fifteen 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), 2009 improvement project fund (page 30), capital improvements fund (page 31), economic development fund (page 32) and the special revenue funds (pages 62-67) 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 33-36 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 37-56 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 58-61 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. All acquisitions of infrastructure assets after January 1, 2004 have and will be recorded.

**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 \$29,109,504 at the end of the most recent year.

A portion of the City of Rushford's net assets (25 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$20,804,598	\$ 22,349,694	\$ 500,356	\$ 2,265,848	\$21,304,954	\$ 24,615,542
Capital assets	<u>7,339,508</u>	<u>5,767,927</u>	<u>8,899,249</u>	<u>8,104,345</u>	<u>16,238,757</u>	<u>13,872,272</u>
Total assets	<u>28,144,106</u>	<u>28,117,621</u>	<u>9,399,605</u>	<u>10,370,193</u>	<u>37,543,711</u>	<u>38,487,814</u>
Long-term liabilities						
outstanding	3,995,463	4,249,747	3,781,994	3,145,644	7,777,457	7,395,391
Other liabilities	<u>330,809</u>	<u>299,261</u>	<u>325,941</u>	<u>349,010</u>	<u>656,750</u>	<u>648,271</u>
Total liabilities	<u>4,326,272</u>	<u>4,549,008</u>	<u>4,107,935</u>	<u>3,494,654</u>	<u>8,434,207</u>	<u>8,043,662</u>
Net assets:						
Invested in capital assets,						
net of related debt	3,336,970	1,511,891	4,010,941	3,881,582	7,347,911	5,393,473
Restricted	16,703,538	17,174,124	1,268,729	3,017,864	17,972,267	20,191,988
Unrestricted	<u>3,777,326</u>	<u>4,882,598</u>	<u>12,000</u>	<u>(23,907)</u>	<u>3,789,326</u>	<u>4,858,691</u>
Total net assets	<u>\$23,817,834</u>	<u>\$ 23,568,613</u>	<u>\$ 5,291,670</u>	<u>\$ 6,875,539</u>	<u>\$29,109,504</u>	<u>\$ 30,444,152</u>

An additional portion of the City of Rushford's net assets, \$17,972,267 (62%) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$16,616,655 related to flood recovery loans. The remaining balance of *Unrestricted Net Assets* of \$3,789,326 (13%) 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 \$249,221. The most significant change in governmental 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 decreased the City of Rushford's net assets by (\$1,583,869).

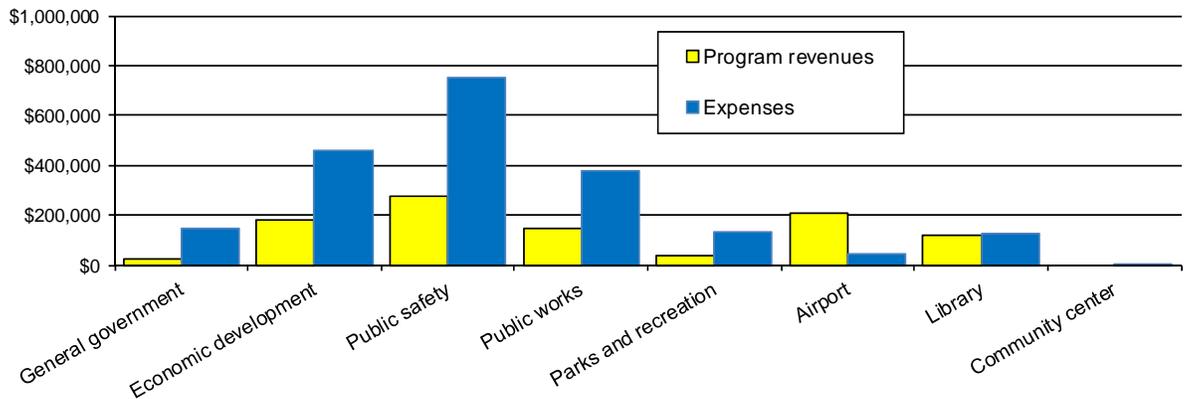
A condensed version of the Statement of Activities follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 313,810	\$ 283,203	\$ 2,677,978	\$ 2,356,268	\$ 2,991,788	\$ 2,639,471
Operating grants and contributions	77,901	187,673			77,901	187,673
Capital grants and contributions	600,190	578,789	10,701	109,155	610,891	687,944
General revenues:						
Property taxes	645,058	557,658			645,058	557,658
Tax increment revenues	10,858	10,499			10,858	10,499
Grants and contributions not restricted to specific programs	790,116	790,884			790,116	790,884
Other	98,044	227,743	39,331	34,424	137,375	262,167
Total revenues	2,535,977	2,636,449	2,728,010	2,499,847	5,263,987	5,136,296
Expenses:						
General government	147,136	163,805			147,136	163,805
Economic development	460,177	364,610			460,177	364,610
Public safety	749,884	777,492			749,884	777,492
Public works	378,708	193,576			378,708	193,576
Parks and recreation	133,376	152,232			133,376	152,232
Airport	47,515	52,823			47,515	52,823
Library	123,618	113,377			123,618	113,377
Community center	1,839	2,657			1,839	2,657
Interest on long-term debt	137,436	82,518			137,436	82,518
Liquor			535,628	524,956	535,628	524,956
Utilities			2,271,883	2,095,501	2,271,883	2,095,501
Extraordinary items	107,067	100,817	1,504,368	(32,997)	1,611,435	67,820
Total expenses	2,286,756	2,003,907	4,311,879	2,587,460	6,598,635	4,591,367
Increase (decrease) in net assets before transfers	249,221	632,542	(1,583,869)	(87,613)	(1,334,648)	544,929
Transfers		(529,309)		529,309		
Increase (decrease) in net assets	249,221	103,233	(1,583,869)	441,696	(1,334,648)	544,929
Net assets, beginning of year	23,568,613	23,465,380	6,875,539	6,433,843	30,444,152	29,899,223
Net assets, end of year	\$23,817,834	\$ 23,568,613	\$ 5,291,670	\$ 6,875,539	\$ 29,109,504	\$ 30,444,152

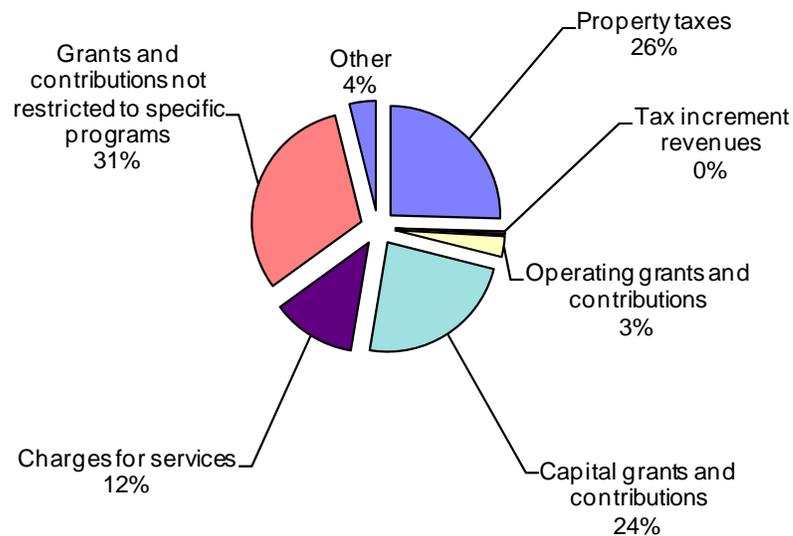
## CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



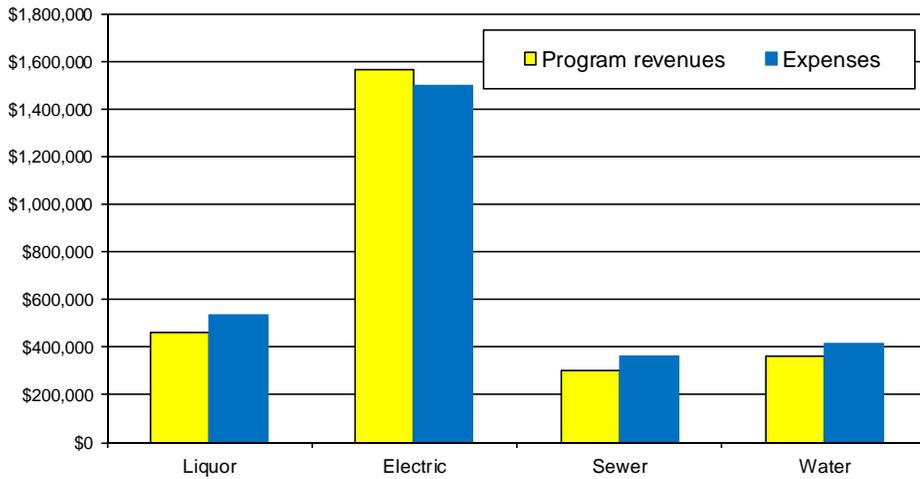
### Revenues by Source - Governmental Activities



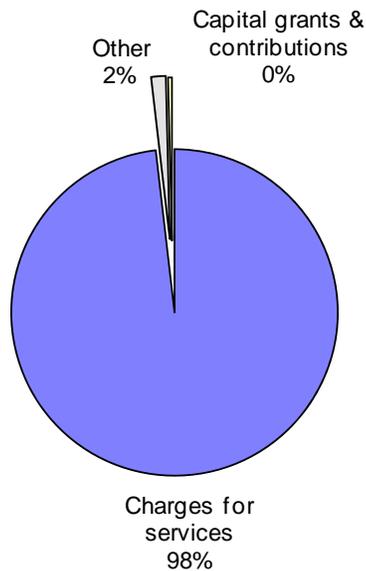
**CITY OF RUSHFORD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures, excluding extraordinary items. 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**

**FUND BASIS FINANCIAL 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 \$2,788,441, a decrease of \$1,313,331. Approximately 48 percent of this total amount, or \$1,346,716, 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 (\$1,441,725).

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 \$336,155. 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 52 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$45,874 during the current fiscal year in part due to decrease in Local Government Aid (LGA) and market value credit along with increases in professional services fees and public works repairs.

The business flood recovery loan program fund's fund balance decreased by \$6,276 for the year after receiving loan payments and interest in the amount of \$456,205 and transferring the fund balance to the EDA Revolving Loan Fund.

The 2009 improvement project fund's fund balance decreased by \$1,257,564 for the year, due to work being completed on the 2009 Improvement Project, which included the Himlie Business Park.

The capital improvements fund decreased its fund balance by \$398,658 for the year, due to increased professional engineering services to study infrastructure repair/replacement needs, repairs and construction costs for the community center.

The economic development fund increased its fund balance by \$117,735 for the year. Fund balances are needed to prepare for future land development and completion of the planned downtown City Center/Library Project.

The airport fund decreased its fund balance by \$9,172, with one federal grant project yet to be finalized. The fire department fund increased its total fund balance by \$30,617 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 \$79,670, due to decreased spending and preparing for the future library building project. The ambulance fund decreased its fund balance by \$52,469, due to allocation for uncollectible fees. Ambulance fund balance is designated for equipment replacement needs. The EDA Revolving Loan fund increased its fund balance by \$83,949, as the result of a transfer from the Business Flood Loan Fund. The Community Center fund balance increased \$97,660 during the year due to a transfer in of \$400,000 for work related to construction of a new community center.

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

The debt service funds have a total fund balance of \$626,849 all of which is reserved for the payment of debt service. This fund balance increase from the prior year is due to special assessments related to the 2009 improvement project being paid.

The Tax Increment Capital Project fund increased its fund balance by \$1,254, the Flood Restoration capital project fund decreased its fund balance by \$151,305 and the Blandin Grant capital project fund decreased its fund balance by \$914, which closes out/completes the projects for this fund.

**Proprietary funds.** The City of Rushford's proprietary funds statements found on pages 33-36 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 Liquor – \$15,743, Electric – \$33,379, Water – \$(44,258), and Sewer – \$7,136 . The increase/(decrease) in net assets in the respective proprietary funds are Liquor - \$(107,761), Electric - \$(302,878), Water - \$(182,750) and Sewer - \$(990,480) and were due in part to increased spending due to flood related repairs and decreased revenues due to lower number of customers and lower usage of customers as well as the write-down of the FEMA receivable amount.

Water Utility rates were increased in 2010, with the base rate increasing approximately 25% as per the water rate schedule adopted in 2004 and amended in 2009. 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 was 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. Sewer Utility rates were increased in October 2010, with the base rate increasing approximately 20% in preparation for the 2011 Waste Water Treatment Plant upgrade. This upgrade is necessary following damages caused by the 2007 flood event and to meet State mandates. This project will be funded by PFA loans, FEMA funds and by rate increases implemented for at least two more years.

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 the City's 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%. A rate study was conducted and implemented in 2009 to analyze increasing power supply costs, operating and maintenance expenses and decreases in energy sales. A rate increase was implemented that was estimated to be a break-even level. The increase affected different rate classes by different percentages, with an over-all percentage increase of approximately 11%. In August 2010 rates were adjusted again due to increasing power supply costs and decreases in energy sales. This increase affected rate classes by different percentages, with an over-all increase of approximately 10% Rates remain similar to neighboring utilities.

### **General Fund Budgetary Highlights**

The City's general fund reserve has been spent down consistently in the past years. The 2010 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:

- Increases in professional/legal services
- Increase in repairs needed to street equipment

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

**OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS**

**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, 2010, amounts to \$16,238,757 (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 \$2,366,485, after depreciation of \$777,363. 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			
	2010	2009	2010	2009	2010	2009
Land	\$1,358,823	\$1,358,823	\$ 105,460	\$ 105,460	\$ 1,464,283	\$ 1,464,283
Buildings	1,080,953	1,153,961	6,449,215	6,823,985	7,530,168	7,977,946
Machinery and equipment	921,502	1,042,069	492,875	506,246	1,414,377	1,548,315
Infrastructure	683,518	733,543			683,518	733,543
Construction in progress	3,294,712	1,479,531	1,851,699	668,654	5,146,411	2,148,185
Total	<u>\$7,339,508</u>	<u>\$5,767,927</u>	<u>\$8,899,249</u>	<u>\$8,104,345</u>	<u>\$16,238,757</u>	<u>\$13,872,272</u>

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 47-48).

**Long-term debt.** At the end of the current fiscal year, the City of Rushford had \$7,856,217 in bonds and notes outstanding. Of this amount, \$6,725,025 comprises debt backed by the full faith and credit of the government and \$1,131,192 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			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 3,250,000	\$ 3,440,000	\$	\$	\$ 3,250,000	\$ 3,440,000
GO Revenue bonds			2,901,754	2,184,604	2,901,754	2,184,604
Revenue bonds			959,000	1,048,000	959,000	1,048,000
Notes payable	172,192	223,298			172,192	223,298
Contract for deed	573,271	586,449			573,271	586,449
Total	<u>\$ 3,995,463</u>	<u>\$ 4,249,747</u>	<u>\$ 3,860,754</u>	<u>\$ 3,232,604</u>	<u>\$ 7,856,217</u>	<u>\$ 7,482,351</u>

The City's total bonds and notes payable increased by \$382,066 during the current fiscal year. During 2010, the City issued additional PFA General Obligation Water Revenue Notes for \$828,977. A more detailed breakdown of these obligations can be found in Note 7 (page 49).

Standard & Poor's conducted a bond rating study in November 2009, providing a long term rating of A+/Stable.

## **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 2010 at 10.1 percent, and ended the fourth quarter of 2010 at 8.0 percent. In 2010 the average unemployment rate for the City of Rushford/Fillmore County was 8.38 percent compared to the state's average unemployment rate of 7.97 percent and the national average rate of 8.93 percent.
- The City's total market valuation increased by 8.2% for taxes payable year 2010. New construction and reconstruction of flood damaged properties accounted for a significant portion of this increase with the remainder due to state rate or assessment adjustments. 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 completed 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 plant closing 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. Utility funds have seen the impact of fewer residential customers and reduced customer usage.
- Rushford's aging sewer and water infrastructure problems were exacerbated by the 2007 flood event warranting careful planning and financing in order to provide citizens with quality services at affordable rates. The need for repairs and upgrades to the infrastructure becomes more more apparent each year since the flood. The 2009 Improvement Project, with another phase being planned to start by 2011, is the beginning phase of replacing this aging infrastructure and bringing residential services into compliance with sanitary sewer and water requirements. A combination of assessments and increased user fees will fund this project. State and Federal mandates will 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)**

- 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. In 2009, LGA was further reduced by \$39,094 and was further cut in 2010 by \$97,112. As the State struggles with their budget deficit it is anticipated further cuts may be forthcoming. 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, 2010**

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**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**December 31, 2010**

*With Comparative Totals for December 31, 2009*

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
<b>ASSETS</b>				
Cash and investments	\$ 1,100,556	\$ 10,518	\$ 1,111,074	\$ 2,964,363
Accrued interest receivable	3,935	705	4,640	6,293
Receivables (net of allowance for uncollectibles)	216,974	77,403	294,377	348,671
Loans receivable	16,881,882		16,881,882	17,161,559
Accrued utility revenue		206,249	206,249	204,529
Internal balances	1,106,314	(1,106,314)		
Due from other governmental units	1,066,276	568,982	1,635,258	3,099,365
Inventory		38,238	38,238	46,062
Restricted cash and investments	419,851	699,747	1,119,598	771,387
Prepaid items	8,810	4,828	13,638	13,313
Capital assets:				
Nondepreciable	4,653,535	1,957,159	6,610,694	3,612,468
Depreciable, net	2,685,973	6,942,090	9,628,063	10,259,804
Total Assets	<u>28,144,106</u>	<u>9,399,605</u>	<u>37,543,711</u>	<u>38,487,814</u>
<b>LIABILITIES</b>				
Accounts payable	213,166	184,009	397,175	392,424
Accrued interest payable	55,507	34,086	89,593	84,125
Accrued compensation and payroll taxes payable		17,618	17,618	17,822
Deposits payable		20,703	20,703	16,074
Accrued compensated absences	62,136	69,525	131,661	137,826
Noncurrent liabilities:				
Due within one year	254,907	313,862	568,769	451,857
Due in more than one year	3,740,556	3,468,132	7,208,688	6,943,534
Total Liabilities	<u>4,326,272</u>	<u>4,107,935</u>	<u>8,434,207</u>	<u>8,043,662</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,336,970	4,010,941	7,347,911	5,393,473
Restricted	16,703,538	1,268,729	17,972,267	20,191,988
Unrestricted	3,777,326	12,000	3,789,326	4,858,691
Total Net Assets	<u>\$ 23,817,834</u>	<u>\$ 5,291,670</u>	<u>\$ 29,109,504</u>	<u>\$ 30,444,152</u>

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for the Year Ended December 31, 2009*

<b>Functions/Programs</b>	<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	\$ 147,136	\$ 23,045	\$	\$
Economic development	460,177		3,883	175,226
Public safety	749,884	235,479	38,909	
Public works	378,708			146,268
Parks and recreation	133,376	37,885	2,091	
Airport	47,515	8,991		198,888
Library	123,618	8,410	33,018	79,808
Community center	1,839			
Interest and other charges	137,436			
Total governmental activities	<u>2,179,689</u>	<u>313,810</u>	<u>77,901</u>	<u>600,190</u>
Business-Type activities:				
Liquor	535,628	458,793		
Electric	1,495,420	1,560,909		
Sewer	362,711	304,421		
Water	413,752	353,855		10,701
Total business-type activities	<u>2,807,511</u>	<u>2,677,978</u>		<u>10,701</u>
Total	<u>\$ 4,987,200</u>	<u>\$ 2,991,788</u>	<u>\$ 77,901</u>	<u>\$ 610,891</u>

General revenues:  
 General property taxes  
 Tax increment revenues  
 Nonproperty taxes  
 Grants and contributions not restricted to specific programs  
 Interest earnings  
 Miscellaneous revenues  
 Extraordinary item (Note 14)  
 Transfers in (out)  
 Total general revenues and transfers

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

**See Notes to the Financial Statements**

FORM A-2

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Totals	
		2010	2009
\$ (124,091)		\$ (124,091)	\$ (146,650)
(281,068)		(281,068)	216,960
(475,496)		(475,496)	(520,003)
(232,440)		(232,440)	(180,903)
(93,400)		(93,400)	(56,873)
160,364		160,364	(564)
(2,382)		(2,382)	(80,217)
(1,839)		(1,839)	(2,657)
(137,436)		(137,436)	(82,518)
<u>(1,187,788)</u>		<u>(1,187,788)</u>	<u>(853,425)</u>
	(76,835)	(76,835)	(75,726)
	65,489	65,489	(50,759)
	(58,290)	(58,290)	(56,925)
	(49,196)	(49,196)	28,376
	<u>(118,832)</u>	<u>(118,832)</u>	<u>(155,034)</u>
<u>(1,187,788)</u>	<u>(118,832)</u>	<u>(1,306,620)</u>	<u>(1,008,459)</u>
645,058		645,058	557,658
10,858		10,858	10,499
1,774		1,774	1,611
790,116		790,116	790,884
48,895	4,627	53,522	58,806
47,375	34,704	82,079	201,750
(107,067)	(1,504,368)	(1,611,435)	(67,820)
<u>1,437,009</u>	<u>(1,465,037)</u>	<u>(28,028)</u>	<u>1,553,388</u>
249,221	(1,583,869)	(1,334,648)	544,929
<u>23,568,613</u>	<u>6,875,539</u>	<u>30,444,152</u>	<u>29,899,223</u>
<u>\$ 23,817,834</u>	<u>\$ 5,291,670</u>	<u>\$ 29,109,504</u>	<u>\$ 30,444,152</u>

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**CITY OF RUSHFORD, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**CITY OF RUSHFORD, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	<u>101</u>	Special Revenue	Capital Projects		
		Fund	Funds		
		<u>204</u>	<u>501</u>	<u>406</u>	<u>202</u>
	<u>General</u>	Business Flood Recovery Loan Program	2009 Improvement Project	Capital Improvements	Economic Development
<b>ASSETS</b>					
Cash and investments	\$ 23,407	\$	\$ 89,978	\$ 57,156	\$ 5,880
Restricted cash		1,085			
Accrued interest receivable				2,517	
Accounts receivable	267			13,619	
Loans receivable		16,616,655			
Taxes receivable - delinquent	9,674			87	1,950
Special assessments receivable:					
Deferred					
Delinquent					
Due from other funds	316,948			200,241	308,203
Advances to other funds	200,000		205,041		
Due from other governmental units	4,365		7,554	395,611	658
Prepaid items	7,136				47
<b>TOTAL ASSETS</b>	<b>\$ 561,797</b>	<b>\$ 16,617,740</b>	<b>\$ 302,573</b>	<b>\$ 669,231</b>	<b>\$ 316,738</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 15,968	\$ 1,085	\$ 59,458	\$ 1,947	\$ 45
Due to other funds				46,768	
Advance from other funds					
Deferred revenue	9,674	16,616,655		404,448	1,950
Total Liabilities	<u>25,642</u>	<u>16,617,740</u>	<u>59,458</u>	<u>453,163</u>	<u>1,995</u>
<b>Fund Balance:</b>					
Reserved	200,000		205,041		
Unreserved, designated	40,823			216,068	314,743
Unreserved, undesignated, reported in:					
General fund	295,332				
Special revenue funds					
Debt service funds					
Capital projects funds			38,074		
Total Fund Balance	<u>536,155</u>	<u></u>	<u>243,115</u>	<u>216,068</u>	<u>314,743</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 561,797</b>	<b>\$ 16,617,740</b>	<b>\$ 302,573</b>	<b>\$ 669,231</b>	<b>\$ 316,738</b>

**See Notes to the Financial Statements**

**FORM B-1**

Other Governmental Funds	Total Governmental Funds	
	2010	2009
\$ 924,135	\$ 1,100,556	2,956,813
418,766	419,851	12,682
1,418	3,935	4,283
170,225	184,111	237,426
265,227	16,881,882	17,161,559
15,067	26,778	16,005
5,425	5,425	34,166
660	660	347
297,511	1,122,903	2,295,717
102,721	507,762	
658,088	1,066,276	840,206
1,627	8,810	9,088
<u>\$ 2,860,870</u>	<u>\$21,328,949</u>	<u>\$23,568,292</u>

\$ 134,663	\$ 213,166	\$ 183,322
477,583	524,351	1,202,483
		16,115
770,264	17,802,991	18,064,600
<u>1,382,510</u>	<u>18,540,508</u>	<u>19,466,520</u>

1,036,684	1,441,725	432,548
643,118	1,214,752	3,017,866
	295,332	541,206
161,222	161,222	320,806
1,856	1,856	2,561
(364,520)	(326,446)	(213,215)
<u>1,478,360</u>	<u>2,788,441</u>	<u>4,101,772</u>

<u>\$ 2,860,870</u>	<u>\$21,328,949</u>	<u>\$23,568,292</u>
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**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	Special Revenue Fund		Capital Projects Funds		
	204		501		202
	101 General	Business Flood Recovery Loan Program	2009 Improvement Project	406 Capital Improvements	Economic Development
<b>REVENUES</b>					
Property taxes	\$ 223,157	\$	\$	\$ 62	\$ 44,213
Tax increment revenues					
Lodging taxes	1,774				
Special assessments				218	
Licenses and permits	21,280				
Fines and forfeits	15,589				
Intergovernmental revenues	287,864		34,597	184,706	278,470
Charges for services	37,710				
Interest income	1,476	26,055	3,819	7,337	822
Miscellaneous revenues	10,566	430,150		5,001	9,017
<b>TOTAL REVENUES</b>	<b>599,416</b>	<b>456,205</b>	<b>38,416</b>	<b>197,324</b>	<b>332,522</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	131,913				
Economic development		4,700			209,549
Public safety	317,752				
Public works	114,522				
Parks and recreation	81,103				
Airport					
Library					
Community center					
Capital outlay			1,295,980	175,982	5,238
Debt service					
<b>TOTAL EXPENDITURES</b>	<b>645,290</b>	<b>4,700</b>	<b>1,295,980</b>	<b>175,982</b>	<b>214,787</b>
Excess (deficiency) of revenues over (under) expenditures	(45,874)	451,505	(1,257,564)	21,342	117,735
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt					
Transfers in					
Transfers out		(457,781)		(420,000)	
Total other financing sources (uses)		(457,781)		(420,000)	
<b>EXTRAORDINARY ITEMS</b>					
Flood recovery costs					
Insurance proceeds					
Extraordinary items, net					
Net change in fund balances	(45,874)	(6,276)	(1,257,564)	(398,658)	117,735
<b>FUND BALANCES, Beginning</b>	<b>582,029</b>	<b>6,276</b>	<b>1,500,679</b>	<b>614,726</b>	<b>197,008</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 536,155</b>	<b>\$</b>	<b>\$ 243,115</b>	<b>\$ 216,068</b>	<b>\$ 314,743</b>

**See Notes to the Financial Statements**

**FORM B-2**

Other Governmental Funds	Total Governmental Funds	
	2010	2009
\$ 376,793	\$ 644,225	\$ 553,696
10,858	10,858	10,499
	1,774	1,611
155,788	156,006	25,105
	21,280	19,801
	15,589	10,542
527,578	1,313,215	1,503,515
235,653	273,363	250,311
9,386	48,895	46,808
139,552	594,286	393,943
<u>1,455,608</u>	<u>3,079,491</u>	<u>2,815,831</u>
	131,913	126,167
380,286	594,535	6,869,829
315,168	632,920	629,666
	114,522	100,286
	81,103	84,377
246,448	246,448	56,144
117,359	117,359	104,241
319,145	319,145	198,772
10,687	1,487,887	1,050,708
391,720	391,720	410,208
<u>1,780,813</u>	<u>4,117,552</u>	<u>9,630,398</u>
<u>(325,205)</u>	<u>(1,038,061)</u>	<u>(6,814,567)</u>
		2,726,320
900,656	900,656	460,958
<u>(22,875)</u>	<u>(900,656)</u>	<u>(990,267)</u>
<u>877,781</u>		<u>2,197,011</u>
<u>(275,270)</u>	<u>(275,270)</u>	<u>(382,035)</u>
		527
<u>(275,270)</u>	<u>(275,270)</u>	<u>(381,508)</u>
277,306	(1,313,331)	(4,999,064)
<u>1,201,054</u>	<u>4,101,772</u>	<u>9,100,836</u>
<u>\$ 1,478,360</u>	<u>\$ 2,788,441</u>	<u>\$ 4,101,772</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, 2010**

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

Total governmental fund balances (page 18)		\$	2,788,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental funds - capital assets		\$	10,037,198
Less: Accumulated depreciation			<u>(2,697,690)</u>
			7,339,508
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		\$	27,438
Deferred special assessments			5,425
Contracts receivable			15,868
FEMA receivable			618,492
Business flood loan receivable			16,616,655
Other deferred receivables			<u>550,298</u>
			17,834,176
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		\$	(3,995,463)
Compensated absences			(62,136)
Accrued interest			<u>(86,692)</u>
			<u>(4,144,291)</u>
Net assets of governmental activities (page 14)		\$	<u><u>23,817,834</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, 2010**

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

Net change in fund balances - total governmental funds (page 20)	\$	(1,313,331)
<p>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.</p>		
Capital outlay-capital improvements	\$ 1,926,248	
Depreciation expense	<u>(354,667)</u>	1,571,581
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.</p>		
Other		27,777
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue December 31, 2010	\$ 17,802,991	
Deferred revenue December 31, 2009	<u>(18,064,600)</u>	(261,609)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences December 31, 2010	\$ 62,136	
Compensated absences December 31, 2009	<u>(60,432)</u>	1,704
<p>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.</p>		
Principal retirement on long-term debt	\$ 254,284	
Change in accrued interest	<u>(31,185)</u>	<u>223,099</u>
Change in net assets of governmental activities (pages 15 and 16)	\$	<u><u>249,221</u></u>

**CITY OF RUSHFORD, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	2010			Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
<b>General Tax Levy</b>	\$ 223,115	\$ 223,115	\$ 223,157	\$ 42	\$ 197,836
<b>Licenses and Permits</b>					
Business	4,625	4,715	4,715		4,640
Nonbusiness	11,160	11,160	16,565	5,405	15,161
Total Licenses and Permits	15,785	15,875	21,280	5,405	19,801
<b>Lodging Taxes</b>	2,000	2,000	1,774	(226)	1,611
<b>Intergovernmental Revenues</b>					
Local government aid	250,000	250,000	251,558	1,558	267,408
Market value credit	29,600	29,600	13,436	(16,164)	18,320
Flood loss aid					49,880
Police aid	19,000	21,000	20,930	(70)	21,905
Snowmobile and canoe trail aids	35,350	12,350	11,276	(1,074)	86,047
Snowmobile trail assistance	(35,000)	(12,000)	(11,276)	724	(86,047)
Other aid	2,115	1,765	1,940	175	2,115
Total Intergovernmental Revenues	301,065	302,715	287,864	(14,851)	359,628
<b>Fines and Forfeits</b>	9,500	9,500	15,589	6,089	10,542
<b>Charges For Services</b>					
Swimming pool	32,500	35,000	35,745	745	30,957
Park usage fees	2,500	2,000	1,965	(35)	2,365
Total Charges For Services	35,000	37,000	37,710	710	33,322
<b>Interest Income</b>	5,000	3,000	1,476	(1,524)	3,739
<b>Miscellaneous Revenues</b>					
Other	5,050	5,300	10,566	5,266	9,338
<b>TOTAL REVENUES</b>	<b>\$ 596,515</b>	<b>\$ 598,505</b>	<b>\$ 599,416</b>	<b>\$ 911</b>	<b>\$ 635,817</b>

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, 2010**  
*With Comparative Totals for December 31, 2009*

	2010					2009 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)		
	Original	Final				
<b>EXPENDITURES</b>						
<b>General Government</b>						
<b>Mayor and Council</b>						
Salaries	\$ 9,000	\$ 9,000	\$ 9,080	\$ (80)		\$ 8,540
Meetings and conferences	1,200	2,500	2,387	113		717
General supplies	1,400	1,500	900	600		610
Printing and publishing	8,500	8,500	7,122	1,378		6,060
Professional services	2,000	5,000	5,160	(160)		1,205
Insurance	1,050	800	520	280		855
Dues, subscriptions and fees	4,000	6,000	3,945	2,055		3,837
Miscellaneous	1,050	1,050	720	330		653
Total Mayor and Council	<u>28,200</u>	<u>34,350</u>	<u>29,834</u>	<u>4,516</u>		<u>22,477</u>
<b>Election Judges</b>						
Salaries	700	1,200	1,131	69		322
Employee benefits and retirement	10	10	8	2		4
General supplies	810	210	9	201		1,133
Printing and publishing	300	100		100		289
Miscellaneous	200	200	84	116		160
Total Election Judges	<u>2,020</u>	<u>1,720</u>	<u>1,232</u>	<u>488</u>		<u>1,908</u>
<b>City Hall Administration</b>						
Salaries	43,000	43,000	38,001	4,999		41,416
Employee benefits and retirement	9,100	9,100	9,152	(52)		7,859
Office supplies and expense	1,900	1,900	1,252	648		1,636
General supplies	100	100	82	18		259
Telephone	3,000	3,000	2,939	61		3,011
Printing and publishing	1,750	1,400	1,223	177		1,164
Insurance	1,000	1,100	828	272		823
Repairs and maintenance	800	800	85	715		
Radio maintenance	2,000	2,000		2,000		35
Dues, subscriptions and fees	6,000	6,000	5,744	256		4,296
Miscellaneous			28	(28)		
Total City Hall Administration	<u>68,700</u>	<u>68,450</u>	<u>59,334</u>	<u>9,116</u>		<u>60,528</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, 2010**  
**With Comparative Totals for December 31, 2009**

	2010					2009 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)		
	Original	Final				
<b>General Government (Continued)</b>						
<b>Professional Services</b>						
Legal and audit	\$ 24,675	\$ 29,175	\$ 25,078	\$ 4,097	\$ 23,017	
Assessor	3,800	3,800	3,719	81	3,643	
Total Professional Services	<u>28,475</u>	<u>32,975</u>	<u>28,797</u>	<u>4,178</u>	<u>26,660</u>	
<b>Building and Planning</b>						
General supplies	520	520	262	258	835	
Professional services	200	1,200	1,130	70	3,210	
Consultant	1,000	1,000	775	225	348	
Telephone	50	50	32	18	23	
Printing and publishing	450	450		450	138	
Total Building and Planning	<u>2,220</u>	<u>3,220</u>	<u>2,199</u>	<u>1,021</u>	<u>4,554</u>	
<b>Municipal Building</b>						
General supplies	600	600	809	(209)	471	
Insurance	650	650	479	171	476	
Utilities	8,450	8,450	6,547	1,903	6,712	
Repairs and maintenance	2,550	3,050	2,682	368	2,381	
Total Municipal Building	<u>12,250</u>	<u>12,750</u>	<u>10,517</u>	<u>2,233</u>	<u>10,040</u>	
Total General Government	<u>141,865</u>	<u>153,465</u>	<u>131,913</u>	<u>21,552</u>	<u>126,167</u>	
<b>Public Safety</b>						
<b>Police Protection</b>						
Salaries	201,593	201,593	202,548	(955)	192,797	
Employee benefits and retirement	31,700	31,300	31,439	(139)	30,213	
Office supplies and expense	1,125	1,575	1,286	289	536	
Meetings and conferences	1,700	1,800	1,852	(52)	1,508	
Gas, oil and supplies	9,500	9,500	8,994	506	7,672	
General supplies	3,300	3,300	2,759	541	2,627	
Professional services	12,300	13,300	13,032	268	10,156	
Telephone	2,100	2,100	2,281	(181)	2,146	
Insurance	11,150	10,350	9,523	827	10,162	
Utilities	2,900	2,500	1,894	606	2,057	
Repairs and maintenance	1,200	1,600	3,914	(2,314)	1,364	
Dues, subscriptions and fees	600	600	475	125	460	
Miscellaneous	350	400	2,961	(2,561)	1,970	
Total Police Protection	<u>\$ 279,518</u>	<u>\$ 279,918</u>	<u>\$ 282,958</u>	<u>\$ (3,040)</u>	<u>\$ 263,668</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, 2010**  
**With Comparative Totals for December 31, 2009**

	2010				2009 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
<b>Public Safety (Continued)</b>					
<b>Ambulance</b>					
Per capita charges	\$ 6,784	\$ 6,784	\$ 6,784		\$ 6,784
<b>Building and Safety</b>					
Salaries					241
Professional services	20,000	21,150	20,241	909	33,512
Printing and publishing	200	300	356	(56)	260
Miscellaneous	445	445	294	151	329
Total Building and Safety	20,645	21,895	20,891	1,004	34,342
<b>Civil Defense</b>	1,225	1,250	918	332	1,341
<b>Animal Control</b>					
Salaries and wages	3,300	3,300	2,899	401	3,251
Insurance	50	50	71	(21)	91
Total Animal Control	3,350	3,350	2,970	380	3,342
<b>Health and Welfare</b>					
Health officer salary	100				
Weed and insect control	4,520	4,470	3,231	1,239	3,414
Total Health and Welfare	4,620	4,470	3,231	1,239	3,414
Total Public Safety	\$ 316,142	\$ 317,667	\$ 317,752	\$ (85)	\$ 312,891

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, 2010**  
*With Comparative Totals for December 31, 2009*

	2010				2009 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
<b>Public Works</b>					
<b>Highways, Streets and Alleys</b>					
Salaries	\$ 21,000	\$ 24,500	\$ 23,641	\$ 859	\$ 18,075
Employee benefits and retirement	3,355	3,355	3,415	(60)	2,836
Gas, oil and supplies	13,000	11,000	11,285	(285)	9,765
General supplies	5,500	9,500	9,475	25	7,421
Blacktop and surface materials	1,500	1,500	1,728	(228)	1,447
Professional services		3,500	3,442	58	225
Insurance	7,750	6,250	5,513	737	6,770
Repairs and maintenance	12,000	14,000	16,071	(2,071)	20,189
Miscellaneous	800	800	676	124	795
City garage expense	4,050	4,000	3,836	164	3,937
Street lighting	20,000	22,000	22,836	(836)	19,448
Total Highways, Streets and Alleys	88,955	100,405	101,918	(1,513)	90,908
<b>Dikes</b>					
Salaries	5,000	6,800	7,173	(373)	4,506
Employee benefits and retirement	1,205	1,305	1,324	(19)	992
Gas, oil and supplies	1,700	1,700	1,697	3	1,260
General supplies	700	700	584	116	109
Insurance	600	850	751	99	420
Utilities	1,000	1,000	1,075	(75)	892
Repairs and maintenance	800	500		500	782
Professional services					417
Total Dikes	11,005	12,855	12,604	251	9,378
Total Public Works	99,960	113,260	114,522	(1,262)	100,286
<b>Parks and Recreation</b>					
<b>Park Department</b>					
Salaries	10,500	7,500	7,075	425	8,200
Employee benefits and retirement	1,300	1,300	967	333	882
Gas and oil	1,500	1,500	1,843	(343)	1,246
General supplies	2,500	2,500	1,847	653	3,271
Telephone	10	10	8	2	7
Insurance	4,200	5,050	4,129	921	4,223
Utilities	2,250	2,250	2,612	(362)	1,930
Repairs and maintenance	4,200	6,200	5,771	429	6,710
Legal printing		250	250		
Miscellaneous	100	100	82	18	86
Total Park Department	\$ 26,560	\$ 26,660	\$ 24,584	\$ 2,076	\$ 26,555

**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, 2010**  
*With Comparative Totals for December 31, 2009*

	2010				2009 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
<b>Parks and Recreation (Continued)</b>					
<b>Swimming Pool</b>					
Salaries	\$ 27,000	\$ 27,000	\$ 27,711	\$ (711)	\$ 24,999
Employee benefits and retirement	2,200	2,200	2,136	64	1,910
Meetings and conferences	1,400	1,900	1,909	(9)	1,283
General supplies	7,000	6,000	5,559	441	7,145
Telephone	650	400	358	42	650
Printing and publishing	150	150	131	19	144
Insurance	3,100	3,100	2,821	279	3,036
Utilities	8,900	6,700	6,233	467	7,718
Repairs and maintenance	1,900	2,700	2,431	269	2,596
Miscellaneous	600	600	497	103	440
Total Swimming Pool	52,900	50,750	49,786	964	49,921
<b>Recreation Programs</b>					
General supplies					20
Insurance					247
Miscellaneous					30
Total Recreation Programs					297
<b>Tourism</b>	4,400	4,350	3,264	1,086	3,215
<b>Tree Board</b>					
Salaries	1,300	1,300	1,300		1,300
General supplies	730	695	550	145	329
Contractual services	1,500	1,500	1,500		2,520
Insurance	200	200	104	96	225
Miscellaneous	20	20	15	5	15
Total Tree Board	3,750	3,715	3,469	246	4,389
Total Parks and Recreation	87,610	85,475	81,103	4,372	84,377
<b>TOTAL EXPENDITURES</b>	645,577	669,867	645,290	24,577	623,721
Excess (deficiency) of revenues over (under) expenditures	(49,062)	(71,362)	(45,874)	25,488	12,096
<b>OTHER FINANCING USES</b>					
Transfers out					(7,209)
Net change in fund balances	(49,062)	(71,362)	(45,874)	25,488	4,887
<b>FUND BALANCE, January 1</b>	582,029	582,029	582,029		577,142
<b>FUND BALANCE, December 31</b>	\$ 532,967	\$ 510,667	\$ 536,155	\$ 25,488	\$ 582,029

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS FLOOD RECOVERY LOAN PROGRAM FUND (204)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	2010			Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
Loan repayments	\$	\$	\$ 430,150	\$ 430,150	\$
Miscellaneous					384
Interest income			26,055	26,055	
<b>TOTAL REVENUES</b>			<b>456,205</b>	<b>456,205</b>	<b>384</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Professional services			4,700	(4,700)	59,842
Loans					6,505,219
<b>TOTAL EXPENDITURES</b>			<b>4,700</b>	<b>(4,700)</b>	<b>6,565,061</b>
Excess (deficiency) of revenues over (under) expenditures			451,505	451,505	(6,564,677)
<b>OTHER FINANCING USES</b>					
Transfers out			(457,781)	(457,781)	
Net change in fund balances			(6,276)	(6,276)	(6,564,677)
<b>FUND BALANCES, Beginning</b>	6,276	6,276	6,276		6,570,953
<b>FUND BALANCES, Ending</b>	<b>\$ 6,276</b>	<b>\$ 6,276</b>	<b>\$</b>	<b>\$ (6,276)</b>	<b>\$ 6,276</b>

**CITY OF RUSHFORD, MINNESOTA**  
**2009 IMPROVEMENT PROJECT (501)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	2010			Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenues					
Other state aid	\$	\$	\$ 34,597	\$ 34,597	\$
Interest income			3,819	3,819	226
<b>TOTAL REVENUES</b>			38,416	38,416	226
<b>EXPENDITURES</b>					
<b>Current</b>					
Capital outlay	2,200,000	2,200,000	1,295,980	904,020	401,567
<b>TOTAL EXPENDITURES</b>	2,200,000	2,200,000	1,295,980	904,020	401,567
Excess (deficiency) of revenues over (under) expenditures	(2,200,000)	(2,200,000)	(1,257,564)	942,436	(401,341)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt					2,635,875
Transfers out					(733,855)
Total other financing sources (uses)					1,902,020
Net change in fund balances	(2,200,000)	(2,200,000)	(1,257,564)	942,436	1,500,679
<b>FUND BALANCES, Beginning</b>	1,500,679	1,500,679	1,500,679		
<b>FUND BALANCES, Ending</b>	\$ (699,321)	\$ (699,321)	\$ 243,115	\$ 942,436	\$ 1,500,679

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA**  
**CAPITAL IMPROVEMENTS FUND (406)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	2010			Variance Favorable (Unfavorable)	2009 Actual Amounts	
	Budgeted Amounts		Actual			
	Original	Final				
<b>REVENUES</b>						
Property taxes	\$		\$	62	\$	585
Special assessments		9,150		218		209
Intergovernmental revenues						
Local government aid		169,112	186,112	184,706	(1,406)	214,309
Interest income		1,000	1,000	7,337	6,337	9,923
Miscellaneous		4,681	4,681	5,001	320	71,872
<b>TOTAL REVENUES</b>		<b>183,943</b>	<b>191,793</b>	<b>197,324</b>	<b>5,531</b>	<b>296,898</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
Capital outlay		170,000	150,000	175,982	(25,982)	571,146
<b>TOTAL EXPENDITURES</b>		<b>170,000</b>	<b>150,000</b>	<b>175,982</b>	<b>(25,982)</b>	<b>571,146</b>
Excess (deficiency) of revenues over (under) expenditures		13,943	41,793	21,342	(20,451)	(274,248)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						352,945
Transfers out			(20,000)	(420,000)	(400,000)	(187,615)
Total other financing sources (uses)			(20,000)	(420,000)	(400,000)	165,330
Net change in fund balances		13,943	21,793	(398,658)	(420,451)	(108,918)
<b>FUND BALANCES, Beginning</b>		<b>614,726</b>	<b>614,726</b>	<b>614,726</b>		<b>723,644</b>
<b>FUND BALANCES, Ending</b>	<b>\$</b>	<b>628,669</b>	<b>\$</b>	<b>636,519</b>	<b>\$</b>	<b>614,726</b>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA**  
**ECONOMIC DEVELOPMENT FUND (202)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	2010			Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 44,130	\$ 44,130	\$ 44,213	\$ 83	\$ 43,381
Intergovernmental revenues					
State EDA grant aid	260,000	195,000	175,226	(19,774)	248,629
Local government aid	100,000	100,000	100,624	624	75,062
Market value credit	5,870	5,870	2,620	(3,250)	3,981
Other state aid					10,501
Interest income			822	822	18,385
Miscellaneous			9,017	9,017	1,101
<b>TOTAL REVENUES</b>	410,000	345,000	332,522	(12,478)	401,040
<b>EXPENDITURES</b>					
<b>Current</b>					
Capital outlay	410,000	111,151	5,238	105,913	58,979
Economic development		209,549	209,549		303,882
<b>TOTAL EXPENDITURES</b>	410,000	320,700	214,787	105,913	362,861
Excess of revenues over expenditures		24,300	117,735	93,435	38,179
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					52,850
Transfers out					(26,425)
Total other financing sources (uses)					26,425
Net change in fund balances		24,300	117,735	93,435	64,604
<b>FUND BALANCES, Beginning</b>	197,008	197,008	197,008		132,404
<b>FUND BALANCES, Ending</b>	\$ 197,008	\$ 221,308	\$ 314,743	\$ 93,435	\$ 197,008

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA  
PROPRIETARY FUNDS  
Statement of Net Assets  
December 31, 2010  
With Comparative Totals for December 31, 2009**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2010	2009
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$	\$ 10,518	\$	\$	\$ 10,518	\$ 7,550
Accrued interest receivable	72	633			705	2,010
Accounts receivable		55,077	11,868	10,458	77,403	60,727
Accrued utility revenue		157,679	21,468	27,102	206,249	204,529
Due from other funds		26,797			26,797	355,932
Due from other governmental units	91,344	38,092	248,877	190,669	568,982	2,259,159
Advance to other funds		300,000			300,000	16,115
Merchandise inventory	38,238				38,238	46,062
Prepaid items	1,325	708	1,207	1,588	4,828	4,225
<b>Total Current Assets</b>	<b>130,979</b>	<b>589,504</b>	<b>283,420</b>	<b>229,817</b>	<b>1,233,720</b>	<b>2,956,309</b>
<b>Property and Equipment</b>						
Property, plant and equipment	842,783	3,085,635	4,507,224	2,931,465	11,367,107	11,332,552
Less: Accumulated depreciation	58,130	1,518,254	1,261,260	1,481,913	4,319,557	3,896,861
Property and Equipment, Net	784,653	1,567,381	3,245,964	1,449,552	7,047,550	7,435,691
Construction work in process		94,234	912,274	845,191	1,851,699	668,654
<b>Total Property and Equipment</b>	<b>784,653</b>	<b>1,661,615</b>	<b>4,158,238</b>	<b>2,294,743</b>	<b>8,899,249</b>	<b>8,104,345</b>
<b>Other Assets</b>						
Restricted cash and cash equivalents		189,444	239,598	270,705	699,747	758,705
<b>Total Assets</b>	<b>915,632</b>	<b>2,440,563</b>	<b>4,681,256</b>	<b>2,795,265</b>	<b>10,832,716</b>	<b>11,819,359</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	6,033	123,407	47,720	6,849	184,009	209,102
Due to other funds	200,241		234,439	190,669	625,349	1,449,166
Current maturities of bonds payable		60,000	193,000	60,862	313,862	200,827
Accrued interest		11,916	16,277	5,893	34,086	28,618
Accrued sales tax	3,913	13,705			17,618	17,822
Deferred revenue		4,133			4,133	159
Customer deposits		16,570			16,570	15,915
<b>Total Current Liabilities</b>	<b>210,187</b>	<b>229,731</b>	<b>491,436</b>	<b>264,273</b>	<b>1,195,627</b>	<b>1,921,609</b>
<b>Long-Term Liabilities</b>						
Notes payable, net of current maturities, and bond issuance costs		515,409	2,540,808	411,915	3,468,132	2,944,817
Advance from other funds				807,762	807,762	
Accrued compensated absences	13,946	21,505	14,804	19,270	69,525	77,394
<b>Total Liabilities</b>	<b>224,133</b>	<b>766,645</b>	<b>3,047,048</b>	<b>1,503,220</b>	<b>5,541,046</b>	<b>4,943,820</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	584,412	1,413,003	1,189,991	823,535	4,010,941	3,881,582
Restricted	91,344	227,536	488,475	461,374	1,268,729	3,017,864
Unrestricted	15,743	33,379	(44,258)	7,136	12,000	(23,907)
<b>Total Net Assets</b>	<b>\$ 691,499</b>	<b>\$ 1,673,918</b>	<b>\$ 1,634,208</b>	<b>\$ 1,292,045</b>	<b>\$ 5,291,670</b>	<b>\$ 6,875,539</b>

**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, 2010  
With Comparative Totals for December 31, 2009**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2010	2009
<b>Operating Revenues</b>						
Sales	\$ 458,793	\$ 1,560,909	\$ 353,855	\$ 304,421	\$ 2,677,978	\$ 2,356,268
<b>Operating Expenses</b>						
Cost of sales and production	325,474	1,056,836			1,382,310	1,255,594
Distribution expense		193,312	303,859	290,390	787,561	726,354
General administration		210,574	66,131	55,320	332,025	329,252
Liquor store operating expenses	210,154				210,154	207,095
Total Operating Expenses	535,628	1,460,722	369,990	345,710	2,712,050	2,518,295
Operating Income (Loss)	(76,835)	100,187	(16,135)	(41,289)	(34,072)	(162,027)
<b>Nonoperating Revenue and (Expense)</b>						
Other Income (Expense)	1,689	(3,354)	(32,736)	(11,028)	(45,429)	41,417
<b>Income (Loss) Before Capital Contributions, and Extraordinary Items</b>	(75,146)	96,833	(48,871)	(52,317)	(79,501)	(120,610)
Capital contributions						529,309
Extraordinary gain (loss)	(32,615)	(399,711)	(133,879)	(938,163)	(1,504,368)	32,997
<b>Change in Net Assets</b>	(107,761)	(302,878)	(182,750)	(990,480)	(1,583,869)	441,696
<b>Net Assets, Beginning of Year</b>	799,260	1,976,796	1,816,958	2,282,525	6,875,539	6,433,843
<b>Net Assets, End of Year</b>	\$ 691,499	\$ 1,673,918	\$ 1,634,208	\$ 1,292,045	\$ 5,291,670	\$ 6,875,539

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows  
 For the Year Ended December 31, 2010  
 With Comparative Totals for December 31, 2009**

	Enterprise Funds				Totals	
	609	604	601	602	2010	2009
	Liquor Fund	Electric Department	Water Department	Sewer Department		
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 458,793	\$ 1,559,447	\$ 347,698	\$ 298,273	\$ 2,664,211	\$ 2,324,149
Cash paid to employees for services	(127,273)	(169,533)	(89,279)	(110,645)	(496,730)	(491,901)
Cash paid to suppliers	(371,944)	(1,176,292)	(127,732)	(164,158)	(1,840,126)	(1,813,160)
Net Cash Provided By (Used In) Operating Activities	(40,424)	213,622	130,687	23,470	327,355	19,088
<b>Cash Flows From Noncapital Financing Activities</b>						
Decrease in due to other funds		(127,773)	(301,846)	(433,348)	(862,967)	(175,413)
Decrease (Increase) in due from other funds	39,150	329,135			368,285	(134,455)
Grant aid received			196,511		196,511	299,677
Flood recovery insurance reimbursement						32,997
Other income	2,707	28,887	1,057	4,760	37,411	22,180
Transfers in (out)						
Net Cash Provided By (Used In) Noncapital Financing Activities	41,857	230,249	(104,278)	(428,588)	(260,760)	44,986
<b>Cash Flows From Capital and Related Financing Activities</b>						
Proceeds from issuance of debt			828,977		828,977	1,393,303
Principal payment on long-term debt		(55,000)	(87,000)	(58,827)	(200,827)	(859,620)
Purchase of capital assets	(728)	(88,893)	(605,570)	(492,658)	(1,187,849)	(675,652)
Advances (to) from other funds		(300,000)		807,762	507,762	
Repayment of advances		16,115			16,115	2,932
Interest paid on debt		(29,791)	(44,862)	(17,734)	(92,387)	(104,344)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(728)	(457,569)	91,545	238,543	(128,209)	(243,381)
<b>Cash Flows From Investing Activities</b>						
Interest earnings on investments	(705)	5,301	(730)	1,758	5,624	10,149
Net Cash Provided By (Used In) Investing Activities	(705)	5,301	(730)	1,758	5,624	10,149
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>						
		(8,397)	117,224	(164,817)	(55,990)	(169,158)
<b>Cash and Cash Equivalents - January 1</b>						
		208,359	122,374	435,522	766,255	935,413
<b>Cash and Cash Equivalents - December 31</b>						
	\$	\$ 199,962	\$ 239,598	\$ 270,705	\$ 710,265	\$ 766,255
<b>Shown on the Balance Sheet as:</b>						
Cash and investments	\$	\$ 10,518	\$	\$	\$ 10,518	\$ 7,550
Restricted cash and investments		189,444	239,598	270,705	699,747	758,705
Total	\$	\$ 199,962	\$ 239,598	\$ 270,705	\$ 710,265	\$ 766,255

**See Notes to the Financial Statements**

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

	Enterprise Funds				Totals	
	<u>609</u>	<u>604</u>	<u>601</u>	<u>602</u>	2010	2009
	Liquor Fund	Electric Department	Water Department	Sewer Department		
<b>Operating Income (Loss)</b>	\$ (76,835)	\$ 100,187	\$ (16,135)	\$ (41,289)	\$ (34,072)	\$ (162,027)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	28,236	121,263	172,974	108,423	430,896	365,407
(Increase) Decrease In:						
Accounts receivable		(12,953)	(2,397)	(1,326)	(16,676)	(6,323)
Other accounts receivable		6,862	(3,760)	(4,822)	(1,720)	(22,738)
Merchandise inventory	7,824				7,824	(7,841)
Prepaid insurance	82	(92)	(167)	(426)	(603)	(34)
Increase (Decrease) In:						
Accounts payable	(337)	(1,541)	(17,602)	(35,574)	(55,054)	(127,600)
Accrued wages	606	(4,733)	(2,226)	(1,516)	(7,869)	6,232
Deferred revenue		3,974			3,974	(3,473)
Bond issuance costs						(22,930)
Customer deposits		655			655	415
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (40,424)</b>	<b>\$ 213,622</b>	<b>\$ 130,687</b>	<b>\$ 23,470</b>	<b>\$ 327,355</b>	<b>\$ 19,088</b>
<b>Non Cash Transactions</b>						
Purchase of capital assets included in accounts payable at year end	\$	\$ 5,859	\$ 13,575	\$ 10,325	\$ 29,759	\$ 32,356
Contribution of capital assets						529,309

**See Notes to the Financial Statements**

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**CITY OF RUSHFORD, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

# CITY OF RUSHFORD, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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The City of Rushford, Minnesota was first incorporated in 1854. The City operates under a home rule charter which prescribes a Mayor-Council form of government. Four Council members are elected to four year terms and the Mayor who is elected to a two year term.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed 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 2010.

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.

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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

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*.

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.

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

The City reports the following major governmental funds (continued):

The *2009 Improvement Project Fund* accounts for the capital improvements related to the 2009 improvement bonds.

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

The *Economic Development Fund* accounts for the City's economic development activities.

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.

# CITY OF RUSHFORD, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### 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.

##### 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.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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

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.

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.

	Useful Life in Years
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 has 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

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
received.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*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)**

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**1. Summary of Significant Accounting Policies (Continued)**

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**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, 2010, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$835,839.

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**2. Cash and Investments**

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**Summary of Cash and Investments**

As of December 31, 2010, 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	\$ 1,969
Deposits	1,603,388
Deposits with SELCO	79,808
Certificates of deposit	545,507
Total	<u>\$ 2,230,672</u>

Recorded on the Statement of Net Assets as follows:

Cash and investments	\$ 1,111,074
Restricted cash and investments	1,119,598
Total	<u>\$ 2,230,672</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
-

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

quality, and maturing in 270 days or less.

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Cash and Investments (Continued)

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##### 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, 2010, there were no individual investments greater than 5 percent of the City's total investments.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Deferred Special Assessments Receivable**

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Year of Assessment:	Debt Service Funds
2002	\$ 4,849
2004	576
Total	<u>\$ 5,425</u>

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

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**4. Due From Other Governmental Units**

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Fund Type	Fillmore County	State of Minnesota	Federal Government	Total
General	\$ 4,365	\$	\$	\$ 4,365
Special Revenue	1,510	146,353	53,922	201,785
Capital Project	658	272,986	582,367	856,011
Debt Service	4,115			4,115
Enterprise		142,246	426,737	568,982
Totals	<u>\$ 10,648</u>	<u>\$ 561,585</u>	<u>\$ 1,063,025</u>	<u>\$ 1,635,258</u>

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**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**5. Loans and Leases Receivable**

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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 did not necessarily have any adverse affect by the flood but did have a business plan and commitment that would ultimately result in new job creation or demonstrated new expanded economic activity in the City, 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.

A summary of business flood recovery loans is as follows:

	<u>2010</u>	<u>2009</u>
Business Flood Recovery Loans:		
Category 1 Loans	\$ 13,234,056	\$ 13,623,662
Category 1-A Loans	1,620,724	1,648,702
Category 2 Loans	<u>1,761,875</u>	<u>1,889,197</u>
Total	<u>\$ 16,616,655</u>	<u>\$ 17,161,561</u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Capital Assets**

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,358,823	\$	\$	\$ 1,358,823
Construction in progress	1,479,531	1,815,181		3,294,712
Total capital assets, not being depreciated	<u>2,838,354</u>	<u>1,815,181</u>		<u>4,653,535</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,443,052			2,443,052
Infrastructure	845,705			845,705
Machinery and equipment	1,983,839	111,067		2,094,906
Total capital assets, being depreciated	<u>5,272,596</u>	<u>111,067</u>		<u>5,383,663</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,289,091	73,008		1,362,099
Infrastructure	112,162	50,025		162,187
Machinery and equipment	941,770	231,634		1,173,404
Total accumulated depreciation	<u>2,343,023</u>	<u>354,667</u>		<u>2,697,690</u>
Total capital assets, being depreciated, net	<u>2,929,573</u>	<u>(243,600)</u>		<u>2,685,973</u>
Governmental activities capital assets, net	<u>\$ 5,767,927</u>	<u>\$ 1,571,581</u>	<u>\$</u>	<u>\$ 7,339,508</u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Capital Assets (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress	668,654	1,183,045		1,851,699
Total capital assets, not being depreciated	774,114	1,183,045		1,957,159
Capital assets, being depreciated:				
Buildings and improvements	10,459,971			10,459,971
Machinery and equipment	767,121	34,555		801,676
Total capital assets, being depreciated	11,227,092	34,555		11,261,647
Less accumulated depreciation for:				
Buildings and improvements	3,635,986	374,770		4,010,756
Machinery and equipment	260,875	47,926		308,801
Total accumulated depreciation	3,896,861	422,696		4,319,557
Total capital assets, being depreciated, net	7,330,231	(388,141)		6,942,090
Business-type activities capital assets, net	\$ 8,104,345	\$ 794,904	\$	\$ 8,899,249

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 11,237
Public safety	144,328
Public works	95,526
Airport	28,783
Library	22,270
Park and recreation	52,523
Total depreciation expense - governmental activities	<u>\$354,667</u>
<b>Business-Type Activities:</b>	
Electric	\$116,304
Water	169,733
Sewer	108,423
Liquor	28,236
Total depreciation expense - business-type activities	<u>\$422,696</u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**7. Long-Term Debt**

A summary of changes in long-term debt during 2010 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Accrued Interest
<b>GOVERNMENTAL ACTIVITIES</b>							
Bonds and Notes Payable:							
General obligation bonds:							
2000 Improvement Bonds	5.30% - 5.80%	\$ 65,000	\$	\$ 30,000	\$ 35,000	\$ 35,000	\$ 843
2001 Improvement Bonds	4.70% - 5.15%	225,000		75,000	150,000	70,000	3,194
2002 Improvement Bonds	4.50%	60,000		30,000	30,000	30,000	561
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	360,000		55,000	305,000	55,000	4,314
2009B Improvement Bonds (1)	3.00% - 4.50%	2,730,000			2,730,000		43,440
Notes payable:							
2001 USDA Loan	4.88%	42,166		8,862	33,304	8,862	676
2008 Fire Rescue Rig Capital Lease	4.65%	99,356		23,172	76,184	22,249	2,501
2008 Ambulance Capital Lease	4.65%	81,776		19,072	62,704	19,959	2,499
Contract for deed - land	5.00%	586,449		13,178	573,271	13,837	28,664
Governmental Activities							
Long-term Liabilities		<u>4,249,747</u>		<u>254,284</u>	<u>3,995,463</u>	<u>254,907</u>	<u>86,692</u>
<b>BUSINESS-TYPE ACTIVITIES (1)</b>							
Bonds and Notes Payable:							
General Obligation Revenue Note:							
1999 Water Department	3.04%	450,000		39,000	411,000	40,000	4,540
1996A Sewer Department	3.43%	531,604		58,827	472,777	60,862	5,893
2008 Water Department	1.35%	1,203,000		14,000	1,189,000	45,000	5,842
2010 Water Department	1.00%		828,977		828,977	72,000	
Revenue Bonds:							
2007A Water Revenue Bonds	4.25%	368,000		34,000	334,000	36,000	5,895
2009A Electric Revenue Refunding	2.40 - 4.10%	680,000		55,000	625,000	60,000	11,916
Less: Unamortized Discount		(86,960)		(8,200)	(78,760)		
Business-type Activities							
Long-term Liabilities		<u>3,145,644</u>	<u>828,977</u>	<u>192,627</u>	<u>3,781,994</u>	<u>313,862</u>	<u>34,086</u>
Total		<u>\$ 7,395,391</u>	<u>\$ 828,977</u>	<u>\$ 446,911</u>	<u>\$ 7,777,457</u>	<u>\$ 568,769</u>	<u>\$ 120,778</u>

(1) The 2009B Improvement Project Bond proceeds were expended as follows: 27% Water Fund improvements, 19% Sewer Fund improvements, and 54% Capital Improvement Project Fund improvements. The Sewer and Water Funds will transfer amounts to the 2009 Improvement Project Debt Service Fund to cover their allocated share of this debt.

**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, 2010, 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
<u>Governmental Activities</u>								
2011	\$ 135,000	\$ 112,193	\$ 55,000	\$ 9,563			\$ 65,285	\$ 36,745
2012	175,000	105,233	60,000	7,778			68,384	33,646
2013	95,000	100,323	60,000	5,798			71,631	30,397
2014	100,000	97,398	65,000	3,608			24,368	26,994
2015	100,000	94,398	65,000	1,214			18,981	25,788
2016-2020	570,000	343,925					97,583	114,920
2021-2025	700,000	331,945					124,542	87,960
2026-2030	870,000	180,718					158,950	53,552
2031-2031	200,000	17,775					115,739	11,762
<b>Totals</b>	<b>\$ 2,945,000</b>	<b>\$ 1,383,908</b>	<b>\$ 305,000</b>	<b>\$ 27,961</b>	<b>\$</b>	<b>\$</b>	<b>\$ 745,463</b>	<b>\$ 421,764</b>

<u>Business-Type Activities</u>								
2011					\$ 284,508	\$ 86,307		
2012					306,021	81,399		
2013					317,623	73,883		
2014					324,283	65,427		
2015					337,026	56,278		
2016-2020					1,348,426	162,061		
2021-2025					598,685	47,163		
2026-2029					344,182	11,084		
<b>Totals</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 3,860,754</b>	<b>\$ 583,602</b>	<b>\$</b>	<b>\$</b>

Under the terms of various bond and installment note agreements, the City is required to maintain reserves for system replacement and debt service. Restricted net assets and restricted cash balances at December 31 were as follows:

	2010	2009
Bond Agreement Restrictions:		
WIF Replacement Account	\$ 163,520	\$ 151,840
Debt Service		
Sewer Revenue Note of 1996	107,185	103,357
PFA Water Loan of 1999, 2008 and 2010	239,598	122,374
Electric Revenue Bonds of 2000	189,444	200,809
Restricted Net Assets	699,747	578,380
Debt Service		
USDA Fire Hall/ Police Garage of 2002	7,075	6,289
Grant Restriction:		
Flood loans	1,085	6,393
Donor Restriction:		
Library donations on deposit with SELCO	79,808	
Municipal Restriction:		
EDA revolving loan funds	331,883	
Equipment replacement - Sewer Fund		180,325
Total Restricted Cash	<u>\$ 1,119,598</u>	<u>\$ 771,387</u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**8. Individual Fund Disclosures**

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 200,000	\$
Capital Projects Fund:		
2009 Improvement Project Fund	205,041	
Debt Service Fund:		
2009 Improvement Project Fund	102,721	
Enterprise Funds:		
Electric Fund	300,000	
Sewer Fund		807,762
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 807,762</u>	<u>\$ 807,762</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Funds:		
Ambulance	\$	\$ 22,875
Fire Fund	20,000	
Community Center	400,000	
Business Flood Recovery Loan Program		457,781
EDA Revolving Loan	457,781	
Capital Project Funds:		
Capital improvements		420,000
Debt Service		
2008 Ambulance Capital Lease	22,875	
	<u>                    </u>	<u>                    </u>
Total Transfers	<u>\$ 900,656</u>	<u>\$ 900,656</u>
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 316,948	\$
Capital Improvements	200,241	46,768
Economic Development	308,203	
Flood Restoration		467,241
2009 Improvement Project Debt Service Fund	164,116	
Airport Operations Fund		7,080
Ambulance Fund		3,262
Fire Fund	133,395	
	<u>                    </u>	<u>                    </u>
Subtotal Governmental Funds	1,122,903	524,351
Enterprise	26,797	625,349
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,149,700</u>	<u>\$ 1,149,700</u>

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

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**9. Fund Balance**

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, 2010 is as follows:

<u>Fund</u>	<u>Designated Amount</u>
General Fund	
Cash and investments designated for future equipment purchases	\$ 40,823
Economic Development Fund	
Cash and investments designated for future equipment purchases	314,743
Special Revenue Funds:	
Firemen's Fund	
Cash and investments designated for future equipment purchases	199,493
Firemen's Mill Rate Fund	
Cash and investments designated for future equipment purchases	217,818
Ambulance Fund	
Cash and investments designated for future equipment purchases	178,356
Capital Project Funds	
Cash and investments designated for future capital expenditures	263,519
Total Designated	<u>\$ 1,214,752</u>
	<u>Reserved Amount</u>
General Fund	
Cash and investments reserved for advances	\$ 200,000
Capital Project Funds	
2009 Improvement Project	
Cash and investments reserved for advances	205,041
Debt Service	
2009 Improvement Project	
Cash and investments reserved for advances	102,721
Tax Increment and General Obligation Improvement Bonds	
Cash and investments reserved for business loans and debt service	854,155
Special Revenue Funds:	
Library Fund	
Cash and investments reserved for new building	79,808
Total Reserved	<u>\$ 1,441,725</u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**10. Net Assets**

	Restricted Net Assets Imposed By				Total
	Grantors	Contributors	Bond Reserve	Legally Enforceable	
<u>Major Governmental Funds:</u>					
Business Flood Recovery Loan Program Fund:					
Flood Recovery Loans	\$ 16,616,655	\$	\$	\$	\$ 16,616,655
<u>Nonmajor Governmental Funds:</u>					
Library Fund:					
Restricted for new building	79,808				79,808
Fire and Police Garage Debt Service Fund:					
Restricted for future debt service			7,075		7,075
Total Governmental Activities	<u>16,696,463</u>		<u>7,075</u>		<u>16,703,538</u>
<u>Major Proprietary Funds:</u>					
Liquor Fund:					
Due from FEMA	91,344				91,344
Electric Utility Fund:					
Due from FEMA	38,092				38,092
Restricted for future debt service and capital expenditures			189,444		189,444
Water Utility Fund:					
Due from FEMA	248,877				248,877
Restricted for future debt service and capital expenditures			239,598		239,598
Sewer Utility Fund:					
Due from FEMA	190,669				190,669
Restricted for future debt service and capital expenditures			270,705		270,705
Total Business-Type Activities	<u>568,982</u>		<u>699,747</u>		<u>1,268,729</u>
Total Restricted Net Assets	<u>\$ 17,265,445</u>	<u>\$</u>	<u>\$ 706,822</u>	<u>\$</u>	<u>\$ 17,972,267</u>

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 11. Defined Benefit Pension Plans - Statewide

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##### 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 General Employees Retirement Fund (GERF) 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.

GERF 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 GERF 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 GERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://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)**

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**11. Defined Benefit Pension Plans - Statewide (Continued)**

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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. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. In 2010, The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members, 7% for Coordinated Plan GERS members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$42,557, \$38,524, and \$35,200, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2010, 2009, and 2008 were \$27,424, \$26,121, and \$22,742, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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**12. Defined Contribution Pension Plan - Volunteer Fire Relief Association**

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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 2010, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2010 and as of December 31, 2010 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 2010 totaling \$18,614 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.

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## CITY OF RUSHFORD, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 13. Commitments and Contingencies

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*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 2010.

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 2010. 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.

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#### 14. Extraordinary Item

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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 continuing impact of the flood has been reported as an extraordinary item in the financial statements.

Losses incurred in 2010 are primarily the result of a reduction in planned FEMA reimbursement of losses and assistance with needed infrastructure replacement.

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**CITY OF RUSHFORD, MINNESOTA**

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS**

**DECEMBER 31, 2010**

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**CITY OF RUSHFORD, MINNESOTA**

**NONMAJOR FUNDS**

**DECEMBER 31, 2010**

**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, 2010**

Special Revenue

	<u>612</u>	<u>614</u>	<u>211</u>	<u>607</u>	<u>203</u> EDA	<u>213</u>	<u>Total</u>
	Airport Operations	Fire Department	Library	Ambulance	Revolving Loan	Community Center	
<b>ASSETS</b>							
Cash and investments	\$	\$ 281,051	\$ 104,207	\$ 33,364	\$	\$ 6,518	\$ 425,140
Accrued interest receivable		1,005		413			1,418
Accounts receivable	284	3,850		166,091			170,225
Loans receivable					265,227		265,227
Special assessments receivable:							
Deferred							
Delinquent	660						660
Prepaid items	72		258	1,297			1,627
Taxes receivable - delinquent		947	2,645			52	3,644
Due from other funds		133,395					133,395
Advances to other funds							
Due from other governmental units	128,616	16,735	1,646	54,789			201,786
Restricted cash			79,808		331,883		411,691
<b>TOTAL ASSETS</b>	<b>\$ 129,632</b>	<b>\$ 436,983</b>	<b>\$ 188,564</b>	<b>\$ 255,954</b>	<b>\$ 597,110</b>	<b>\$ 6,570</b>	<b>\$ 1,614,813</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 56,308	\$ 2,358	\$ 1,008	\$ 3,679	\$	\$	\$ 63,353
Due to other funds	7,080			3,262			10,342
Deferred revenue	15,902	17,314	3,386	70,657	265,227	52	372,538
Total Liabilities	<u>79,290</u>	<u>19,672</u>	<u>4,394</u>	<u>77,598</u>	<u>265,227</u>	<u>52</u>	<u>446,233</u>
<b>Fund Balance</b>							
Reserved			79,808		331,883		411,691
Unreserved							
Designated		417,311		178,356			595,667
Undesignated	50,342		104,362			6,518	161,222
Total Fund Balance	<u>50,342</u>	<u>417,311</u>	<u>184,170</u>	<u>178,356</u>	<u>331,883</u>	<u>6,518</u>	<u>1,168,580</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 129,632</b>	<b>\$ 436,983</b>	<b>\$ 188,564</b>	<b>\$ 255,954</b>	<b>\$ 597,110</b>	<b>\$ 6,570</b>	<b>\$ 1,614,813</b>

Debt Service						Capital Project				
Tax Increment District		351,352		381	382 / 383	360			802	
378	350	353,354,355	Fire & Police	Equipment Capital	EDA			405	700	
2004	2009	G.O.	Garage	Leases	Land Purchase	Total	Tax Increment	Flood Restoration	Blandin Grant	Total
G.O. Refunding Bonds	Improvement Project	Bonds								
\$ 96,609	\$ 67,726	\$ 142,592	\$ 1,703	\$ 33,954	\$ 6,239	\$ 348,823	\$ 47,451	\$ 102,721	\$	\$ 924,135
										1,418
										170,225
										265,227
		5,425				5,425				5,425
										660
										1,627
2,259	1,586	4,413	460	986	1,719	11,423				15,067
	164,116					164,116				297,511
	102,721					102,721				102,721
890	712	1,427	153	366	566	4,114		452,188		658,088
			7,075			7,075				418,766
<u>\$ 99,758</u>	<u>\$ 336,861</u>	<u>\$ 153,857</u>	<u>\$ 9,391</u>	<u>\$ 35,306</u>	<u>\$ 8,524</u>	<u>\$ 643,697</u>	<u>\$ 47,451</u>	<u>\$ 554,909</u>	<u>\$</u>	<u>\$ 2,860,870</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$ 71,310	\$	\$ 134,663
								467,241		477,583
2,259	1,586	9,838	460	986	1,719	16,848		380,878		770,264
<u>2,259</u>	<u>1,586</u>	<u>9,838</u>	<u>460</u>	<u>986</u>	<u>1,719</u>	<u>16,848</u>		<u>919,429</u>		<u>1,382,510</u>
97,499	335,275	144,019	7,075	34,320	6,805	624,993				1,036,684
							47,451			643,118
			1,856			1,856		(364,520)		(201,442)
<u>97,499</u>	<u>335,275</u>	<u>144,019</u>	<u>8,931</u>	<u>34,320</u>	<u>6,805</u>	<u>626,849</u>	<u>47,451</u>	<u>(364,520)</u>		<u>1,478,360</u>
<u>\$ 99,758</u>	<u>\$ 336,861</u>	<u>\$ 153,857</u>	<u>\$ 9,391</u>	<u>\$ 35,306</u>	<u>\$ 8,524</u>	<u>\$ 643,697</u>	<u>\$ 47,451</u>	<u>\$ 554,909</u>	<u>\$</u>	<u>\$ 2,860,870</u>

**CITY OF RUSHFORD, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2010**

	Special Revenue						
	612	614	211	607	203 EDA Revolving Loan	213 Community Center	Total
	Airport Operations	Fire Department	Library	Ambulance			
<b>REVENUES</b>							
Property tax	\$ 15,841	\$ 24,683	\$ 60,696	\$	\$	\$ 35	\$ 101,255
Tax increments							
Intergovernmental	211,011	20,381	47,799	4,500		16,770	300,461
Charges for services	9,763	50,504	8,410	166,976			235,653
Special assessments							
Interest income	175	7,312	316	1,730	2,571		12,104
Miscellaneous	486	17,152	79,808	2,953	3,883		104,282
<b>TOTAL REVENUES</b>	<b>237,276</b>	<b>120,032</b>	<b>197,029</b>	<b>176,159</b>	<b>6,454</b>	<b>16,805</b>	<b>753,755</b>
<b>EXPENDITURES</b>							
Public safety		109,415		205,753			315,168
Airport	246,448						246,448
Library			117,359				117,359
Community center						319,145	319,145
Debt service							
Capital outlay							
Economic development					380,286		380,286
<b>TOTAL EXPENDITURES</b>	<b>246,448</b>	<b>109,415</b>	<b>117,359</b>	<b>205,753</b>	<b>380,286</b>	<b>319,145</b>	<b>1,378,406</b>
Excess (deficiency) of revenues over (under) expenditures	(9,172)	10,617	79,670	(29,594)	(373,832)	(302,340)	(624,651)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in		20,000			457,781	400,000	877,781
Transfer out				(22,875)			(22,875)
Total other financing sources (uses)		20,000		(22,875)	457,781	400,000	854,906
<b>EXTRAORDINARY ITEMS</b>							
Flood recovery costs							
Extraordinary items, net							
Net change in fund balances	(9,172)	30,617	79,670	(52,469)	83,949	97,660	230,255
<b>FUND BALANCES, Beginning</b>	<b>59,514</b>	<b>386,694</b>	<b>104,500</b>	<b>230,825</b>	<b>247,934</b>	<b>(91,142)</b>	<b>938,325</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 50,342</b>	<b>\$ 417,311</b>	<b>\$ 184,170</b>	<b>\$ 178,356</b>	<b>\$ 331,883</b>	<b>\$ 6,518</b>	<b>\$ 1,168,580</b>

Debt Service							Capital Project			
378 Tax Increment District 2004 G.O. Refunding Bonds	350 2009 Improvement Project	351,352 353,354,355 G.O. Bonds	381 Fire & Police Garage	382 / 383 Equipment Capital Leases	360 EDA Land Purchase	Total	405 Tax Increment	700 Flood Restoration	802 Blandin Grant	Total
\$ 59,967	\$ 47,049	\$ 95,888	\$ 10,305	\$ 24,403	\$ 37,926	\$ 275,538	\$ 10,858	\$	\$	\$ 376,793
3,597	120,342	5,762	610	1,456	2,253	134,020		93,097		527,578
202	135,417 316	20,371 229	27	742	(1)	155,788 1,515	168	(4,402)	1	155,788 9,386
								35,270		139,552
63,766	303,124	122,250	10,942	26,601	40,178	566,861	11,026	123,965	1	1,455,608
										315,168
										246,448
										117,359
66,644	70,601	150,371	10,861	50,667	42,576	391,720				319,145
							9,772		915	391,720
										10,687
										380,286
66,644	70,601	150,371	10,861	50,667	42,576	391,720	9,772		915	1,780,813
(2,878)	232,523	(28,121)	81	(24,066)	(2,398)	175,141	1,254	123,965	(914)	(325,205)
										900,656
										(22,875)
										877,781
										(275,270)
										(275,270)
(2,878)	232,523	(28,121)	81	(1,191)	(2,398)	198,016	1,254	(151,305)	(914)	277,306
100,377	102,752	172,140	8,850	35,511	9,203	428,833	46,197	(213,215)	914	1,201,054
\$ 97,499	\$ 335,275	\$ 144,019	\$ 8,931	\$ 34,320	\$ 6,805	\$ 626,849	\$ 47,451	\$ (364,520)	\$	\$ 1,478,360

**CITY OF RUSHFORD, MINNESOTA**  
**AIRPORT FUND (612)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	<u>Budgeted Amounts</u>		2010 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$ 15,887	\$ 15,887	\$ 15,841	\$ (46)	\$ 11,282
<b>Intergovernmental Revenues</b>					
State grants	55,148	88,600	198,888	110,288	41,313
Local government aid	10,000	10,000	11,180	1,180	9,384
Flood loss aid					2,625
Market value and disaster credit	2,113	2,113	943	(1,170)	1,035
Total Intergovernmental revenues	67,261	100,713	211,011	110,298	54,357
<b>Charges for Services</b>					
Land leases	4,800	4,800	5,256	456	5,972
Hangar rentals	4,320	4,320	3,245	(1,075)	3,990
Fuel and utilities	900	900	1,262	362	984
Total Charges For Services	10,020	10,020	9,763	(257)	10,946
<b>Interest Income</b>	250	200	175	(25)	220
<b>Miscellaneous Revenues</b>			486	486	1,230
<b>TOTAL REVENUES</b>	93,418	126,820	237,276	110,456	78,035
<b>EXPENDITURES</b>					
<b>Airport</b>					
Salaries	4,300	4,300	4,300		4,100
General supplies	350	1,000	800	200	402
Fuel	2,000	2,000	1,628	372	1,387
Professional services	5,850	45,850	64,019	(18,169)	18,419
Insurance	6,000	5,500	4,408	1,092	5,096
Utilities	4,330	4,330	4,448	(118)	4,851
Repairs and maintenance	3,350	3,350	532	2,818	6,805
Dues, subscriptions and fees	1,300	1,300	1,394	(94)	1,328
Taxes on property	300	300	334	(34)	300
Capital outlay	50,077	64,000	164,585	(100,585)	13,456
<b>TOTAL EXPENDITURES</b>	77,857	131,930	246,448	(114,518)	56,144
Excess (deficit) of revenues over (under) expenditures	15,561	(5,110)	(9,172)	(4,062)	21,891
<b>FUND BALANCES, BEGINNING</b>	59,514	59,514	59,514		37,623
<b>FUND BALANCES, ENDING</b>	\$ 75,075	\$ 54,404	\$ 50,342	\$ (4,062)	\$ 59,514

**CITY OF RUSHFORD, MINNESOTA**  
**FIRE DEPARTMENT FUND (614)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts			Variance with Final Budget Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final	General	Mill Rate	Total		
<b>REVENUES</b>							
<b>Property Tax Levy</b>							
Property taxes collected	\$ 24,713	\$ 24,713	\$ 24,683		\$ 24,683	\$ (30)	\$ 23,076
<b>Intergovernmental Revenues</b>							
Fire relief aid	16,000	18,614	18,614		18,614		15,827
Market value, county & grant aid	3,287	3,287	1,767		1,767	(1,520)	6,300
Total Intergovernmental revenues	19,287	21,901	20,381		20,381	(1,520)	22,127
<b>Charges For Services</b>							
Township contributions	41,503	41,503		41,486	41,486	(17)	41,503
Fire calls, contracts and water hauling	7,000	7,000	9,018		9,018	2,018	7,249
Total Charges For Services	48,503	48,503	9,018	41,486	50,504	2,001	48,752
<b>Interest Income</b>							
	3,200	3,200	3,011	4,301	7,312	4,112	6,803
<b>Miscellaneous Revenues</b>							
Donations	14,000	14,000	17,152		17,152	3,152	13,485
<b>TOTAL REVENUES</b>	<b>109,703</b>	<b>112,317</b>	<b>74,245</b>	<b>45,787</b>	<b>120,032</b>	<b>7,715</b>	<b>114,243</b>
<b>EXPENDITURES</b>							
<b>Public Safety</b>							
Salaries	15,000	10,000	9,917		9,917	83	11,441
Fire relief aid	18,250	21,564	21,374		21,374	190	18,704
Office supplies	450	450	179		179	271	247
Meeting and conferences	9,400	9,000	8,447		8,447	553	5,557
General supplies	8,250	8,300	7,515	394	7,909	391	7,906
Professional services	1,000	1,000	1,000		1,000		1,035
Telephone	500	550	578		578	(28)	548
Insurance	11,000	11,100	9,827		9,827	1,273	9,750
Utilities	4,150	4,350	3,551		3,551	799	3,324
Benefit dances	1,000	900	641		641	259	651
Repairs and maintenance	2,700	3,000	1,121	1,687	2,808	192	2,448
Dues, subscriptions and fees	1,400	1,400	912		912	488	1,174
Miscellaneous	13,700	13,700	13,105	1,935	15,040	(1,340)	5,337
Capital outlay	4,000	27,000	16,065	11,167	27,232	(232)	2,120
<b>TOTAL EXPENDITURES</b>	<b>90,800</b>	<b>112,314</b>	<b>94,232</b>	<b>15,183</b>	<b>109,415</b>	<b>2,899</b>	<b>70,242</b>
Excess (deficit) revenues over (under) expenditures	18,903	3	(19,987)	30,604	10,617	10,614	44,001
<b>OTHER FINANCING SOURCES</b>							
Transfers in		20,000	20,000		20,000		20,000
Net change in fund balance	18,903	20,003	13	30,604	30,617	10,614	64,001
FUND BALANCES, BEGINNING	386,694	386,694	199,480	187,214	386,694		322,693
FUND BALANCES, ENDING	\$ 405,597	\$ 406,697	\$ 199,493	\$ 217,818	\$ 417,311	\$ 10,614	\$ 386,694

**CITY OF RUSHFORD, MINNESOTA**  
**LIBRARY FUND (211)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$ 60,654	\$ 60,654	\$ 60,696	\$ 42	\$ 54,664
<b>Intergovernmental Revenues</b>					
County apportionment and other revenue	30,660	30,660	33,018	2,358	29,768
Flood loss aid					14,438
Local government aid	10,000	10,000	11,180	1,180	9,384
Market value	8,067	8,067	3,601	(4,466)	5,016
Total Intergovernmental Revenues	48,727	48,727	47,799	(928)	58,606
<b>Interest Income</b>	800	500	316	(184)	626
<b>Miscellaneous Revenues</b>					
Capital campaign donations			79,808	79,808	
Fines, books and other	5,200	5,500	8,410	2,910	3,392
Total Miscellaneous Revenues	5,200	5,500	88,218	82,718	3,392
<b>TOTAL REVENUES</b>	115,381	115,381	197,029	81,648	117,288
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	71,300	71,300	69,233	2,067	65,866
Employee benefits and retirement	10,100	10,100	9,609	491	8,981
Office supplies	1,400	1,400	890	510	926
General supplies	2,000	2,000	1,549	451	1,309
Professional services	850	850	850		790
Telephone	750	750	674	76	646
Insurance	2,050	2,050	1,752	298	1,764
Utilities	2,250	2,050	1,603	447	1,603
Repairs and maintenance	4,050	2,750	2,348	402	2,323
Dues, subscriptions and fees		1,500	1,541	(41)	1,343
SELCO contract	2,000	2,000	2,079	(79)	
Computer line fee	6,000	6,000	5,909	91	3,667
Miscellaneous	3,100	3,100	3,310	(210)	2,830
Capital outlay	17,700	17,700	16,012	1,688	12,193
<b>TOTAL EXPENDITURES</b>	123,550	123,550	117,359	6,191	104,241
Excess (deficit) of revenues over (under) expenditures	(8,169)	(8,169)	79,670	87,839	13,047
<b>FUND BALANCES, BEGINNING</b>	104,500	104,500	104,500		91,453
<b>FUND BALANCES, ENDING</b>	\$ 96,331	\$ 96,331	\$ 184,170	\$ 87,839	\$ 104,500

**CITY OF RUSHFORD, MINNESOTA**  
**AMBULANCE FUND (607)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Intergovernmental Revenues</b>					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
<b>Charges For Services</b>					
Fees from runs	200,000	160,000	151,108	(8,892)	138,031
City and township contracts	15,868	15,868	15,868		15,868
Total Charges For Services	215,868	175,868	166,976	(8,892)	153,899
<b>Interest Income</b>	1,000	2,000	1,730	(270)	1,981
<b>Miscellaneous Revenues</b>					
Other	3,500	3,500	2,953	(547)	3,732
Total Miscellaneous revenues	3,500	3,500	2,953	(547)	3,732
<b>TOTAL REVENUES</b>	224,868	185,868	176,159	(9,709)	164,112
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	60,500	63,000	63,863	(863)	57,591
Employee benefits and retirement	6,800	6,800	6,967	(167)	5,220
Office supplies and expense	1,000	900	821	79	706
Meeting and conferences	13,000	14,000	13,685	315	11,278
Gas, oil and supplies	4,000	4,000	4,169	(169)	3,019
General supplies	10,800	9,800	8,918	882	9,340
Professional services	1,100	1,100	1,690	(590)	1,000
Telephone	1,500	1,500	1,386	114	1,352
Insurance	6,450	6,650	6,277	373	5,960
Utilities	3,300	2,900	2,520	380	2,952
Repairs and maintenance	3,500	3,500	4,657	(1,157)	2,615
Dues, subscriptions and fees	1,900	9,000	8,673	327	610
Miscellaneous	2,000	2,000	1,791	209	1,657
Bad debt expense			81,258	(81,258)	139,928
Capital outlay	4,000	4,000	(922)	4,922	3,305
<b>TOTAL EXPENDITURES</b>	119,850	129,150	205,753	(76,603)	246,533
Excess (deficiency) of revenues over (under) expenditures	105,018	56,718	(29,594)	(86,312)	(82,421)
<b>OTHER FINANCING USES</b>					
Transfer out	(22,875)	(22,875)	(22,875)		(22,874)
<b>EXTRAORDINARY ITEMS</b>					
Insurance proceeds					527
Net change in fund balance	82,143	33,843	(52,469)	(86,312)	(104,768)
FUND BALANCES, BEGINNING	230,825	230,825	230,825		335,593
FUND BALANCES, ENDING	\$ 312,968	\$ 264,668	\$ 178,356	\$ (86,312)	\$ 230,825

**CITY OF RUSHFORD, MINNESOTA**  
**EDA REVOLVING LOAN FUND (203)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Interest Income</b>	\$ 736	\$ 736	\$ 2,571	\$ 1,835	\$ 8,149
<b>Miscellaneous Revenues</b>					
Loan principal	214,500	214,500	3,883	(210,617)	116,952
Other					135,477
Total miscellaneous revenues	214,500	214,500	3,883	(210,617)	252,429
<b>TOTAL REVENUES</b>	215,236	215,236	6,454	(208,782)	260,578
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Telephone			19	(19)	
Dues, subscriptions and fees			46	(46)	
Loans	153,083	153,083	379,896	(226,813)	
Interest expense	7,316	7,316	325	6,991	886
<b>TOTAL EXPENDITURES</b>	160,399	160,399	380,286	(219,887)	886
Excess (deficit) of revenues over (under) expenditures	54,837	54,837	(373,832)	428,669	259,692
<b>OTHER FINANCING USES</b>					
Transfers in			457,781	457,781	
Net change in fund balance	54,837	54,837	83,949	886,450	259,692
FUND BALANCES, BEGINNING	247,934	247,934	247,934		(11,758)
FUND BALANCES, ENDING	\$302,771	\$ 302,771	\$ 331,883	\$ 886,450	\$247,934

**CITY OF RUSHFORD, MINNESOTA**  
**COMMUNITY CENTER FUND (213)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$	\$	\$ 35	\$ 35	\$ 105
<b>Intergovernmental Revenues</b>					
Local government aid	20,000	20,000	16,770	(3,230)	18,766
Flood loss aid	430,000	430,000		(430,000)	1,707
Market value and disaster credit					(363)
Total Intergovernmental Revenues	450,000	450,000	16,770	(433,230)	20,110
<b>Interest Income</b>					389
<b>TOTAL REVENUES</b>	450,000	450,000	16,805	(433,195)	20,604
<b>EXPENDITURES</b>					
<b>General Government</b>					
Contractual services	20,000	20,000		20,000	1,838
General supplies			1,194	(1,194)	
Professional services			400	(400)	400
Insurance	1,000	1,000	244	756	418
Capital outlay	430,000	430,000	317,307	112,693	196,116
<b>TOTAL EXPENDITURES</b>	451,000	451,000	319,145	131,855	198,772
Excess (deficit) of revenues over (under) expenditures	(1,000)	(1,000)	(302,340)	(301,340)	(178,168)
<b>OTHER FINANCING SOURCES</b>					
Transfers in			400,000	400,000	
Net change in fund balance	(1,000)	(1,000)	97,660	98,660	(178,168)
<b>FUND BALANCES, BEGINNING</b>	(91,142)	(91,142)	(91,142)		87,026
<b>FUND BALANCES, ENDING</b>	\$ (92,142)	\$ (92,142)	\$ 6,518	\$ 98,660	\$ (91,142)

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**CITY OF RUSHFORD, MINNESOTA**

**ENTERPRISE FUNDS**

**December 31, 2010**

**CITY OF RUSHFORD, MINNESOTA**  
**LIQUOR FUND (609)**  
**Comparative Balance Sheets**  
**December 31, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$	\$
Accounts receivable	72	385
Due from other governmental units	91,344	123,959
Merchandise inventory	38,238	46,062
Prepaid insurance	1,325	1,407
Total Current Assets	130,979	171,813
<b>Property and Equipment</b>		
Building	766,148	766,148
Furniture and equipment	76,635	75,907
Total	842,783	842,055
Less: Accumulated depreciation	58,130	29,894
Net Property, Plant and Equipment	784,653	812,161
<b>TOTAL ASSETS</b>	<b>\$ 915,632</b>	<b>\$ 983,974</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,033	\$ 6,236
Due to other funds	200,241	161,091
Accrued wages	13,946	13,340
Accrued sales tax	3,913	4,047
Total Liabilities	224,133	184,714
<b>Net Assets</b>	691,499	799,260
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 915,632</b>	<b>\$ 983,974</b>

**CITY OF RUSHFORD, MINNESOTA**  
**LIQUOR FUND (609)**  
**Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	2010	2009
<b>Operating Revenues</b>		
Total sales	\$ 458,793	\$ 449,230
Cost of sales	325,474	317,861
Gross Profit	<u>133,319</u>	<u>131,369</u>
<b>Operating Expenses</b>		
Salaries and wages	112,463	115,134
Employee benefits and retirement	15,416	15,604
Office supplies	546	1,110
General supplies	5,368	6,536
Contracted services	9,868	9,074
Advertising	3,812	2,297
Telephone	792	1,242
Utilities	15,919	13,691
Insurance	8,555	7,841
Repairs and maintenance	2,033	2,076
Depreciation	28,236	27,667
Licenses, dues and subscriptions	6,171	4,438
Miscellaneous expense	975	385
Total Operating Expenses	<u>210,154</u>	<u>207,095</u>
Operating Income (Loss)	<u>(76,835)</u>	<u>(75,726)</u>
<b>Nonoperating Revenue and (Expense)</b>		
Interest income	(705)	(603)
Rental income	2,394	3,637
Total Nonoperating Revenue and (Expense)	<u>1,689</u>	<u>3,034</u>
<b>Net Loss Before Extraordinary Items</b>	<u>(75,146)</u>	<u>(72,692)</u>
Extraordinary items	<u>(32,615)</u>	
<b>Change in Net Assets</b>	<u>(107,761)</u>	<u>(72,692)</u>
<b>Net Assets, Beginning of Year</b>	<u>799,260</u>	<u>871,952</u>
<b>Net Assets, End of Year</b>	<u>\$ 691,499</u>	<u>\$ 799,260</u>

**CITY OF RUSHFORD, MINNESOTA  
LIQUOR FUND  
Gross Profit Schedule  
December 31, 2010  
With Comparative Totals for December 31, 2009**

	Liquor	Beer	Misc	Totals	
				2010	2009
<b>Sales</b>					
On sale	\$ 36,848	\$ 52,195	\$ 4,124	\$ 93,167	\$ 102,531
Off sale	115,210	244,343	6,073	365,626	346,699
Total Sales	152,058	296,538	10,197	458,793	449,230
<b>Cost of Sales</b>					
Inventory, January 1	27,268	16,720	2,074	46,062	38,221
Purchases	102,057	207,418	5,927	315,402	323,295
Freight	2,248			2,248	2,407
Total	131,573	224,138	8,001	363,712	363,923
Less: Inventory, December 31	22,019	14,946	1,273	38,238	46,062
Total Cost of Sales	109,554	209,192	6,728	325,474	317,861
<b>Gross Profit</b>	<b>\$ 42,504</b>	<b>\$ 87,346</b>	<b>\$ 3,469</b>	<b>\$ 133,319</b>	<b>\$ 131,369</b>
<b>Gross Profit Percentage</b>	<b>28%</b>	<b>29%</b>	<b>34%</b>	<b>29%</b>	<b>29%</b>
<b>Gross Profit Percentage:</b>					
2009	29%	29%	29%	29%	
2008	20%	24%	33%	23%	
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 (604)**  
**ELECTRIC DEPARTMENT**  
**Statement of Revenues and Expenses - Budget and Actual**  
**For the Year Ended December 31, 2010**  
**With Comparative Totals for December 31, 2009**

	2010		Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 1,520,000	\$ 1,560,909	\$ 40,909	\$ 1,338,803
<b>Operating Expenses</b>				
<b>Cost of Production</b>				
Purchased power	1,000,000	1,056,836	(56,836)	937,733
<b>Distribution</b>				
Salaries	7,900	4,383	3,517	3,808
Gas, oil and supplies	2,000	2,038	(38)	1,184
General supplies	2,500	2,091	409	2,779
Professional services	8,000	7,839	161	7,518
Repairs and maintenance	165,400	55,698	109,702	44,982
Depreciation and amortization	100,000	121,263	(21,263)	121,884
Total Distribution	285,800	193,312	92,488	182,155
<b>General Administration</b>				
Salaries	169,000	160,417	8,583	173,036
Employee benefits and retirement	24,000	23,224	776	23,887
Office supplies and expense	1,000	936	64	1,392
Professional services	6,800	6,611	189	5,886
Postage	4,000	3,997	3	4,179
Printing and publishing	900	599	301	952
Insurance	5,750	6,063	(313)	5,780
Dues, subscriptions and fees	6,500	6,340	160	5,995
Miscellaneous	3,050	2,387	663	1,524
Total General Administration	221,000	210,574	10,426	222,631
<b>Total Operating Expenses</b>	1,506,800	1,460,722	46,078	1,342,519
<b>Operating Income (Loss)</b>	13,200	100,187	86,987	(3,716)
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(29,791)	(37,092)	(7,301)	(46,903)
Interest income	8,319	4,851	(3,468)	8,992
Penalty income	10,000	12,717	2,717	8,407
Service fee - refuse billings	3,500	3,375	(125)	3,993
Legal settlement	(2,000)	(2,313)	(313)	
Compost site fees	2,500	2,394	(106)	(140)
Miscellaneous income	12,000	12,714	714	5,881
Total Other Income (Expense)	4,528	(3,354)	(7,882)	(19,770)
<b>Net Income (Loss) Before Extraordinary Items</b>	17,728	96,833	79,105	(23,486)
Extraordinary items		(399,711)	(399,711)	
<b>Change in Net Assets</b>	17,728	(302,878)	(320,606)	(23,486)
<b>Net Assets, Beginning of Year</b>	1,976,796	1,976,796		2,000,282
<b>Net Assets, End of Year</b>	\$ 1,994,524	\$ 1,673,918	\$ (320,606)	\$ 1,976,796

**CITY OF RUSHFORD, MINNESOTA**  
**UTILITIES FUND (601)**  
**WATER DEPARTMENT**  
**Statement of Revenues and Expenses - Budget and Actual**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	2010		Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 343,000	\$ 353,855	\$ 10,855	\$ 289,227
<b>Operating Expenses</b>				
<b>Distribution</b>				
Salaries	63,700	53,479	10,221	55,210
Utilities and fuel oil	19,400	19,835	(435)	15,512
Gas, oil and supplies	13,800	10,263	3,537	12,630
General supplies	1,500	659	841	1,325
Professional services	20,200	14,002	6,198	6,510
Repairs and maintenance	24,000	31,421	(7,421)	40,215
Depreciation and amortization	80,000	172,974	(92,974)	106,583
Sewage and water testing	1,200	1,226	(26)	1,235
Total Distribution	223,800	303,859	(80,059)	239,220
<b>General Administration</b>				
Salaries	33,000	33,574	(574)	28,623
Employee benefits and retirement	12,955	12,753	202	11,525
Office supplies and expense	600	309	291	480
Professional services	4,650	4,815	(165)	4,328
Postage	150	100	50	46
Printing and publishing	1,000	666	334	756
Insurance	7,650	6,892	758	6,234
Dues, subscriptions and fees	1,500	1,493	7	1,392
Miscellaneous	5,000	5,529	(529)	2,633
Total General Administration	66,505	66,131	374	56,017
<b>Total Operating Expenses</b>	290,305	369,990	(79,685)	295,237
<b>Operating Income (Loss)</b>	52,695	(16,135)	(68,830)	(6,010)
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(44,862)	(43,762)	1,100	(36,127)
Interest income		(732)	(732)	(747)
Grants		10,701	10,701	70,513
Miscellaneous income		1,057	1,057	
Total Other Income (Expense)	(44,862)	(32,736)	12,126	33,639
<b>Income (Loss) Before Capital Contributions, and Extraordinary Items</b>	7,833	(48,871)	(56,704)	27,629
Capital contributions				302,630
Extraordinary items		(133,879)	(133,879)	
<b>Change in Net Assets</b>	7,833	(182,750)	(190,583)	330,259
<b>Net Assets, Beginning of Year</b>	1,816,958	1,816,958		1,486,699
<b>Net Assets, End of Year</b>	\$ 1,824,791	\$ 1,634,208	\$ (190,583)	\$ 1,816,958

**CITY OF RUSHFORD, MINNESOTA**  
**UTILITIES FUND (602)**  
**SEWER DEPARTMENT**  
**Statement of Revenues and Expenses - Budget and Actual**  
**For the Year Ended December 31, 2010**  
*With Comparative Totals for December 31, 2009*

	2010		Variance Favorable (Unfavorable)	2009 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 323,000	\$ 304,421	\$ (18,579)	\$ 279,008
<b>Operating Expenses</b>				
<b>Distribution</b>				
Salaries	97,400	90,068	7,332	86,115
Utilities and fuel oil	26,500	29,505	(3,005)	25,404
Gas, oil and supplies	2,000	2,053	(53)	1,104
General supplies	6,500	6,290	210	3,982
Professional services	17,042	2,805	14,237	68,027
Repairs and maintenance	8,500	46,806	(38,306)	6,944
Depreciation	90,000	108,423	(18,423)	109,273
Sewage and water testing	5,000	4,440	560	4,130
Total Distribution	<u>252,942</u>	<u>290,390</u>	<u>(37,448)</u>	<u>304,979</u>
<b>General Administration</b>				
Salaries	20,000	19,061	939	20,603
Employee benefits and retirement	16,355	15,847	508	14,806
Professional services	5,100	5,623	(523)	4,655
Printing and publishing	1,250	778	472	791
Insurance	6,300	5,512	788	5,064
Dues, subscriptions and fees	2,300	1,988	312	1,890
Miscellaneous	5,850	6,511	(661)	2,795
Total General Administration	<u>57,155</u>	<u>55,320</u>	<u>1,835</u>	<u>50,604</u>
<b>Total Operating Expenses</b>	<u>310,097</u>	<u>345,710</u>	<u>(35,613)</u>	<u>355,583</u>
<b>Operating Income (Loss)</b>	<u>12,903</u>	<u>(41,289)</u>	<u>(54,192)</u>	<u>(76,575)</u>
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(17,800)	(17,001)	799	(18,992)
Interest income	2,000	1,213	(787)	4,356
Grants				38,642
Miscellaneous income	4,800	4,760	(40)	508
Total Other Income (Expense)	<u>(11,000)</u>	<u>(11,028)</u>	<u>(28)</u>	<u>24,514</u>
<b>Income (Loss) Before Capital Contributions, and Extraordinary Items</b>	1,903	(52,317)	(54,220)	(52,061)
Capital contributions				226,679
Extraordinary items		(938,163)	(938,163)	32,997
<b>Change in Net Assets</b>	1,903	(990,480)	(992,383)	207,615
<b>Net Assets, Beginning of Year</b>	<u>2,282,525</u>	<u>2,282,525</u>		<u>2,074,910</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,284,428</u>	<u>\$ 1,292,045</u>	<u>\$ (992,383)</u>	<u>\$ 2,282,525</u>

**CITY OF RUSHFORD, MINNESOTA  
PFA WATER LOAN OF 1999, 2008 AND 2010  
LOAN RETIREMENT DEBT SERVICE FUND  
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance  
For the Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Revenues</b>	<u>\$ 249,085</u>	<u>\$ 138,455</u>
<b>Expenditures</b>		
Principal	87,000	79,760
Interest	44,862	42,354
Total expenditures	<u>131,862</u>	<u>122,114</u>
<b>Excess Revenues</b>	<u>117,223</u>	<u>16,341</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	117,223	16,341
<b>Fund Balance, January 1</b>	<u>122,374</u>	<u>106,033</u>
<b>Fund Balance, December 31</b>	<u><u>\$ 239,597</u></u>	<u><u>\$ 122,374</u></u>

**CITY OF RUSHFORD, MINNESOTA**

**SUPPLEMENTAL SCHEDULES**

**CITY OF RUSHFORD, MINNESOTA**  
**Summary of Cash and Investments**  
**December 31, 2010**

<b>CHANGE FUNDS</b>	<u>\$ 1,969</u>
<b>CHECKING ACCOUNTS</b>	
<i>Associated Bank</i>	
General checking account	862,228
<i>Rushford State Bank:</i>	
General checking account	<u>16,736</u>
<b>TOTAL CHECKING ACCOUNTS</b>	<u>878,964</u>
<b>SAVINGS ACCOUNTS</b>	
<i>Associated Bank:</i>	
Money market funds account	<u>724,424</u>
<b>DEPOSITS HELD BY FISCAL AGENTS</b>	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	<u>79,808</u>
 <b>TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS</b>	 <u>\$ 1,685,165</u>

**CITY OF RUSHFORD, MINNESOTA**  
**Summary of Cash and Investments**  
**December 31, 2010**

**INVESTMENTS**

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Rushford State Bank</i>		
Certificate	3.65%	\$ 30,000
Certificate	1.90%	100,000
Certificate	2.65%	70,000
Certificate	2.43%	33,507
Certificate	3.25%	152,000
Certificate	2.75%	60,000
Certificate	4.90%	100,000
<b>TOTAL INVESTMENTS</b>		545,507
<b>TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS</b>		<u>1,685,165</u>
<b>TOTAL CASH AND INVESTMENTS, December 31, 2010</b>		<u>\$ 2,230,672</u>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2010**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 472,777</b>	<b>\$ 63,037</b>	<b>\$ 535,814</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 411,000</b>	<b>\$ 64,932</b>	<b>\$ 475,932</b>

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS-TYPE ACTIVITIES**  
**Debt Retirement Schedule**  
**December 31, 2010**

\$680,000 SERIES 2009A  
ELECTRIC REVENUE REFUNDING NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 60,000	\$ 22,512	\$ 82,512
2012	60,000	21,072	81,072
2013	65,000	19,272	84,272
2014	65,000	17,322	82,322
2015	70,000	14,886	84,886
2016	70,000	12,260	82,260
2017	75,000	9,636	84,636
2018	80,000	6,560	86,560
2019	80,000	3,280	83,280
<b>TOTAL</b>	<b>\$ 625,000</b>	<b>\$ 126,800</b>	<b>\$ 751,800</b>

\$400,000 SERIES 2007A  
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 334,000</b>	<b>\$ 66,981</b>	<b>\$ 400,981</b>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2010**

\$1,212,760 SERIES 2008  
G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 45,000	\$ 16,075	\$ 61,075
2012	64,000	15,466	79,466
2013	65,000	14,601	79,601
2014	66,000	13,722	79,722
2015	67,000	12,830	79,830
2016	68,000	11,924	79,924
2017	69,000	11,005	80,005
2018	70,000	10,072	80,072
2019	71,000	9,126	80,126
2020	72,000	8,166	80,166
2021	73,000	7,192	80,192
2022	74,000	6,205	80,205
2023	75,000	5,205	80,205
2024	76,000	4,191	80,191
2025	77,000	3,163	80,163
2026	78,000	2,122	80,122
2027	79,000	1,068	80,068
<b>TOTAL</b>	<b>\$ 1,189,000</b>	<b>\$ 152,133</b>	<b>\$ 1,341,133</b>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2010**

\$828,977 SERIES 2010  
G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 42,646	\$ 5,332	\$ 47,978
2012	40,053	7,925	47,978
2013	40,477	7,500	47,977
2014	40,884	7,093	47,977
2015	41,295	6,683	47,978
2016	41,693	6,285	47,978
2017	42,129	5,848	47,977
2018	42,553	5,425	47,978
2019	42,980	4,997	47,977
2020	43,400	4,578	47,978
2021	43,848	4,129	47,977
2022	44,289	3,689	47,978
2023	44,734	3,243	47,977
2024	45,176	2,802	47,978
2025	45,638	2,340	47,978
2026	46,097	1,881	47,978
2027	46,560	1,418	47,978
2028	47,025	953	47,978
2029	47,500	477	47,977
<b>TOTAL</b>	<b>\$ 828,977</b>	<b>\$ 82,598</b>	<b>\$ 911,575</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2010**

\$2,730,000 GENERAL OBLIGATION  
IMPROVEMENT BONDS OF 2009B

YEAR	PRINCIPAL	INTEREST	AMOUNT
2011	\$	\$ 104,598	\$ 104,598
2012	95,000	103,173	198,173
2013	95,000	100,323	195,323
2014	100,000	97,398	197,398
2015	100,000	94,398	194,398
2016	105,000	91,323	196,323
2017	110,000	87,961	197,961
2018	115,000	84,305	199,305
2019	120,000	80,336	200,336
2020	120,000	76,136	196,136
2021	130,000	71,696	201,696
2022	135,000	66,825	201,825
2023	140,000	61,494	201,494
2024	145,000	55,794	200,794
2025	150,000	49,894	199,894
2026	160,000	43,494	203,494
2027	165,000	36,588	201,588
2028	175,000	29,254	204,254
2029	180,000	21,488	201,488
2030	190,000	13,275	203,275
2031	200,000	4,500	204,500
<b>TOTAL</b>	<b>\$2,730,000</b>	<b>\$ 1,374,253</b>	<b>\$ 4,104,253</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2010**

\$240,000 GENERAL OBLIGATION  
IMPROVEMENT BONDS OF 2000

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 35,000	\$ 1,015	\$ 36,015
<b>TOTAL</b>	<b>\$ 35,000</b>	<b>\$ 1,015</b>	<b>\$ 36,015</b>

\$680,000 GENERAL OBLIGATION  
IMPROVEMENT BONDS OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 70,000	\$ 5,905	\$ 75,905
2012	80,000	2,060	82,060
<b>TOTAL</b>	<b>\$ 150,000</b>	<b>\$ 7,965</b>	<b>\$ 157,965</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2010**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 30,000	\$ 675	\$ 30,675
<b>TOTAL</b>	<b>\$ 30,000</b>	<b>\$ 675</b>	<b>\$ 30,675</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 305,000</b>	<b>\$ 27,961</b>	<b>\$ 332,961</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2010**

\$99,000 USDA LOAN OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 7,239	\$ 1,623	\$ 8,862
2012	7,591	1,271	8,862
2013	7,961	901	8,862
2014	8,350	512	8,862
2015	2,163	106	2,269
<b>TOTAL</b>	<b>\$ 33,304</b>	<b>\$ 4,413</b>	<b>\$ 37,717</b>

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 573,271</b>	<b>\$ 404,241</b>	<b>\$ 977,512</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2010**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 24,250	\$ 3,542	\$ 27,792
2012	25,377	2,415	27,792
2013	26,557	1,235	27,792
<b>TOTAL</b>	<b>\$ 76,184</b>	<b>\$ 7,192</b>	<b>\$ 83,376</b>

\$100,000 AMBULANCE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 19,959	\$ 2,916	\$ 22,875
2012	20,887	1,988	22,875
2013	21,858	1,016	22,874
<b>TOTAL</b>	<b>\$ 62,704</b>	<b>\$ 5,920</b>	<b>\$ 68,624</b>

## 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, 2010, and have issued our report thereon dated May 5, 2011.

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, Schafner and Associates, Ltd.*

Rochester, Minnesota  
May 5, 2011