

**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**



**CITY OF RUSHFORD, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2011**

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**CITY OF RUSHFORD, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2011**

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# CITY OF RUSHFORD, MINNESOTA

## CITY OFFICIALS AS OF DECEMBER 31, 2011

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

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**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2011**

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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, 2011, 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 2010 financial statements and, in our report dated May 5, 2011, 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, 2011, 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, Airport Fund, 2009/2011 Improvement Project Fund, Capital Improvements Fund and the Levee Improvement Project 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 16, 2012, 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.

As discussed in the notes to the financial statements, the City of Rushford adopted the provisions of *Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. This statement results in the City reporting nonspendable, restricted, assigned and unassigned fund balances in its governmental funds.

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

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.

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, Schaefer and Associates, Ltd.*

Rochester, Minnesota  
May 16, 2012

## 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, 2011.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$30,903,510 (*net assets*). Of this amount, \$3,128,613 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$1,794,006 .
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$70,744 or 11 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 it is important for the City to rebuild this fund balance. With the receipt of outstanding FEMA reimbursements, the completion of large restoration projects, and the implementation of appropriate utility rate charges, the fund balances will begin to be restored to a more appropriate balance, with the goal being 35-50% to meet the City's Fund Balance Policy.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$3,095,129. Approximately 76 percent of this total amount, or \$2,353,624 is nonspendable, restricted or otherwise committed.
- The City of Rushford increased total outstanding debt by \$1,730,350 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.

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

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).

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-one 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, airport operations fund, 2009/2011 improvement project fund, capital improvements fund, and the levee improvement project 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), airport operations fund (page 30), 2009/2011 improvement project fund (page 31), capital improvements fund (page 32), levee improvement project fund (page 33) 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 34-37 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 38-56 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 \$30,903,510 at the end of the most recent year.

A portion of the City of Rushford's net assets (29 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$21,219,246	\$ 20,804,598	\$ 632,024	\$ 500,356	\$21,851,270	\$ 21,304,954
Capital assets	9,570,568	7,339,508	9,891,624	8,899,249	19,462,192	16,238,757
Total assets	<u>30,789,814</u>	<u>28,144,106</u>	<u>10,523,648</u>	<u>9,399,605</u>	<u>41,313,462</u>	<u>37,543,711</u>
Long-term liabilities						
outstanding	4,858,989	3,995,463	4,648,818	3,781,994	9,507,807	7,777,457
Other liabilities	480,420	330,809	421,725	325,941	902,145	656,750
Total liabilities	<u>5,339,409</u>	<u>4,326,272</u>	<u>5,070,543</u>	<u>4,107,935</u>	<u>10,409,952</u>	<u>8,434,207</u>
Net assets:						
Invested in capital assets,						
net of related debt	4,703,718	3,336,970	4,120,240	4,010,941	8,823,958	7,347,911
Restricted	17,507,751	16,703,538	1,443,188	1,268,729	18,950,939	17,972,267
Unrestricted	<u>3,238,936</u>	<u>3,777,326</u>	<u>(110,323)</u>	<u>12,000</u>	<u>3,128,613</u>	<u>3,789,326</u>
Total net assets	<u>\$25,450,405</u>	<u>\$ 23,817,834</u>	<u>\$ 5,453,105</u>	<u>\$ 5,291,670</u>	<u>\$30,903,510</u>	<u>\$ 29,109,504</u>

An additional portion of the City of Rushford's net assets, \$18,950,939 (61%) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$16,122,648 related to flood recovery loans. The remaining balance of *Unrestricted Net Assets* of \$3,128,613 (10%) 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 \$1,632,571. 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 increased the City of Rushford's net assets by \$161,435.

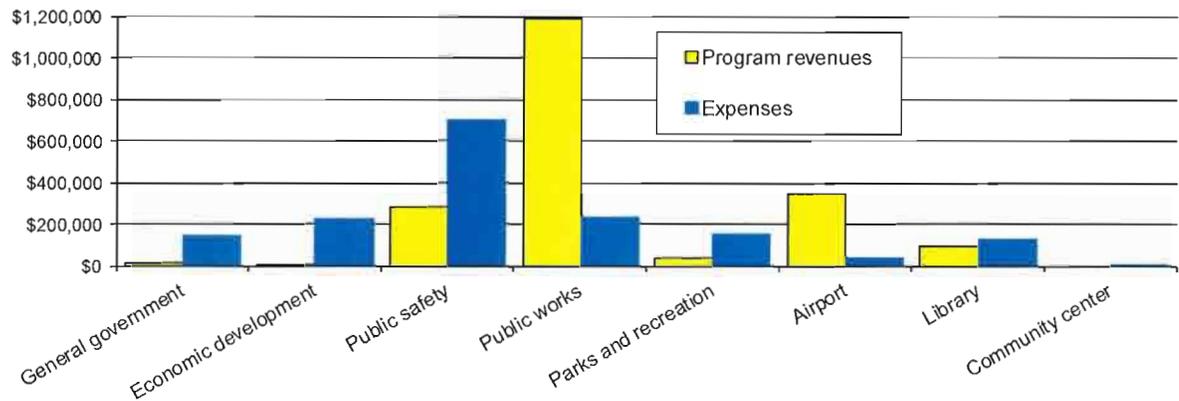
A condensed version of the Statement of Activities follows:

<b>City of Rushford, Minnesota's Change in Net Assets</b>						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 303,263	\$ 313,810	\$ 2,576,022	\$ 2,677,978	\$ 2,879,285	\$ 2,991,788
Operating grants and contributions	75,973	77,901			75,973	77,901
Capital grants and contributions	1,588,661	600,190	180,039	10,701	1,768,700	610,891
<b>General revenues:</b>						
Property taxes	651,757	645,058			651,757	645,058
Tax increment revenues	10,026	10,858			10,026	10,858
<b>Grants and contributions not restricted to specific programs</b>						
Other	668,800	790,116			668,800	790,116
	147,165	98,044	4,750	39,331	151,915	137,375
<b>Total revenues</b>	<b>3,445,645</b>	<b>2,535,977</b>	<b>2,760,811</b>	<b>2,728,010</b>	<b>6,206,456</b>	<b>5,263,987</b>
<b>Expenses:</b>						
General government	143,360	147,136			143,360	147,136
Economic development	223,199	460,177			223,199	460,177
Public safety	700,291	749,884			700,291	749,884
Public works	234,021	378,708			234,021	378,708
Parks and recreation	151,353	133,376			151,353	133,376
Airport	38,485	47,515			38,485	47,515
Library	128,852	123,618			128,852	123,618
Community center	2,953	1,839			2,953	1,839
Interest on long-term debt	208,644	137,436			208,644	137,436
Liquor			235,445	535,628	235,445	535,628
Utilities			2,322,747	2,271,883	2,322,747	2,271,883
Extraordinary items	23,100	107,067		1,504,368	23,100	1,611,435
<b>Total expenses</b>	<b>1,854,258</b>	<b>2,286,756</b>	<b>2,558,192</b>	<b>4,311,879</b>	<b>4,412,450</b>	<b>6,598,635</b>
<b>Increase (decrease) in net assets</b>						
before transfers	1,591,387	249,221	202,619	(1,583,869)	1,794,006	(1,334,648)
Transfers	41,184		(41,184)			
<b>Increase (decrease) in net assets</b>	<b>1,632,571</b>	<b>249,221</b>	<b>161,435</b>	<b>(1,583,869)</b>	<b>1,794,006</b>	<b>(1,334,648)</b>
Net assets, beginning of year	23,817,834	23,568,613	5,291,670	6,875,539	29,109,504	30,444,152
<b>Net assets, end of year</b>	<b>\$25,450,405</b>	<b>\$ 23,817,834</b>	<b>\$ 5,453,105</b>	<b>\$ 5,291,670</b>	<b>\$ 30,903,510</b>	<b>\$ 29,109,504</b>

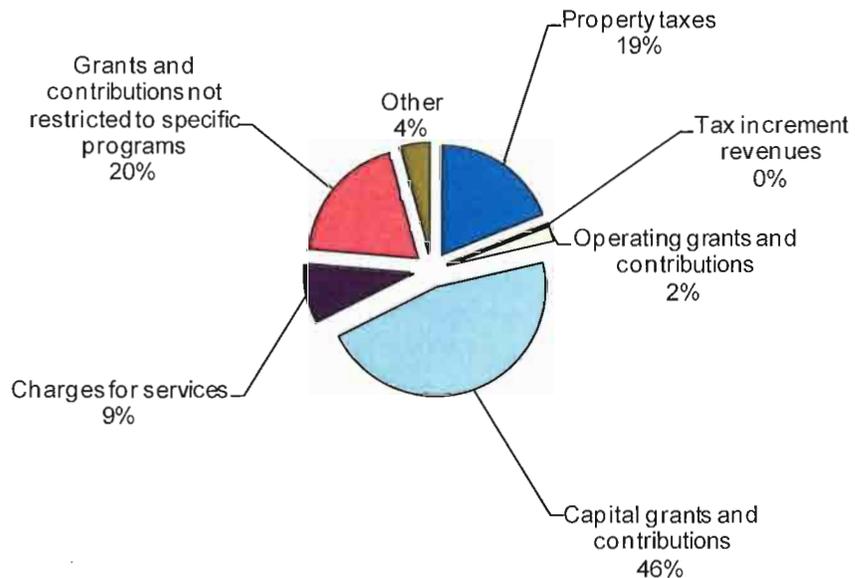
## CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



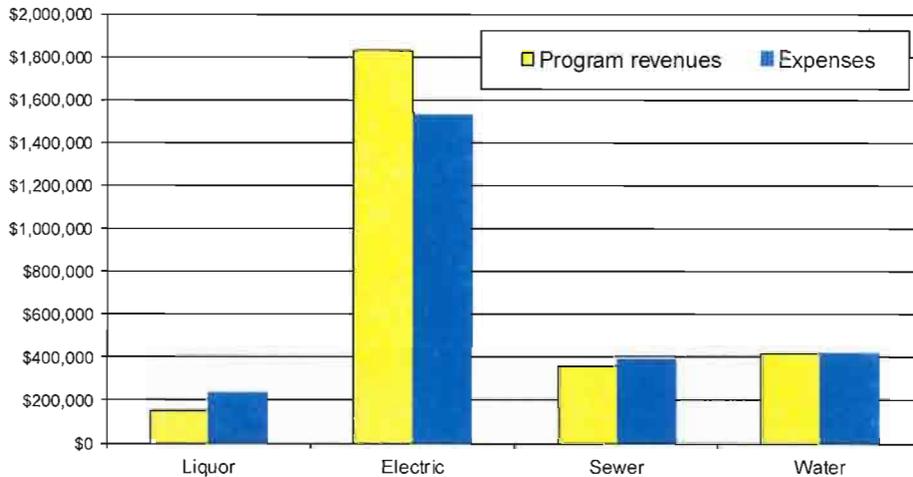
### Revenues by Source - Governmental Activities



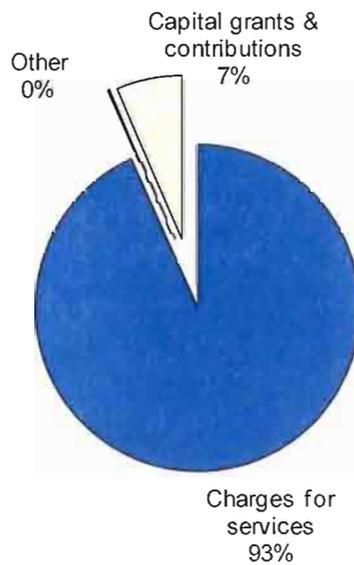
**CITY OF RUSHFORD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, *unassigned fund balance* may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

*GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions*, implemented this year has redefined fund balance classifications. Fund balance is now classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – report resources committed for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, represents the amount available for any purpose. However, only the General Fund may report a positive unassigned fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 9 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Rushford's governmental funds reported combined ending fund balances of \$3,095,129, an increase of \$306,688. The City of Rushford ended the year with a deficit of \$(627,718) in *unassigned fund balance*. \$2,066,940 of this governmental fund balance is *restricted* or *nonspendable*, \$285,962 has been *committed* by council action and \$1,369,223 is *assigned*.

The general fund is the chief operating fund of the City of Rushford. At the end of the current fiscal year, unassigned fund balance of the general fund was \$70,744. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$92,828 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 police repairs, along with an effort to reduce the tax levy.

The business flood recovery loan program fund's fund balance increased by \$722 for the year after receiving loan payments and interest in the amount of \$569,752 and transferring the fund balance to the EDA Revolving Loan Fund.

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

The airport fund increased its fund balance by \$13,164, with one federal grant project yet to be finalized.

The 2009/2011 improvement project fund's fund balance decreased by \$193,967 for the year, due to work being completed on the 2009 Improvement Project, and the new project in 2011 for street, water and sewer improvements in the North End of the City.

The capital improvements fund increased its fund balance by \$69,894 for the year, to rebuild funds for upcoming equipment upgrades and infrastructure improvements.

The levee improvement project fund decreased its fund balance by \$144,038, due to work being performed on the levee improvement project. In 2011 a Tax Abatement Bond was secured by the City to cover the City's share of the project. The State of MN, Flood Hazard Mitigation funding through the DNR is providing grant funds for the majority of the cost of the improvement project.

The fire department fund increased its total fund balance by \$68,003 in part due to the annual fire contract fees building a balance for the designated purpose of fire truck replacement needs. The EDA Revolving Loan fund increased its fund balance by \$416,856, as the result of a transfer from the Business Flood Loan Fund. The library fund increased its fund balance by \$62,410, due to decreased spending and preparing for the future library building project. The ambulance fund decreased its fund balance by \$2,076, due to allocation for uncollectible fees. Ambulance fund balance is designated for equipment replacement needs. The Community Center fund balance decreased \$44,694 during the year due to continued construction costs on the Community Center.

The debt service funds have a total fund balance of \$709,429 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 economic development fund increased its fund balance by \$65,390 for the year. Fund balances are needed to prepare for future land development and business opportunities. The Tax Increment Capital Project fund increased its fund balance by \$1,107, and the Flood Restoration capital project fund increased its fund balance by \$4,165..

**Proprietary funds.** The City of Rushford's proprietary funds statements found on pages 34-37 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 – \$(10,295), Electric – \$34,695, Water – \$2,713 , and Sewer – \$(137,436). The increase/(decrease) in net assets in the respective proprietary funds are Liquor - \$(100,876), Electric - \$329,508, Water - \$32,829 and Sewer - \$(100,026) 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 2011, with the rate increasing approximately 15% 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 October 2010 and again in October 2011. 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. An upgrade to the Wastewater Treatment Facility was begun in 2011, funded by PFA loans, FEMA grants and rate increases scheduled through 2012. A new contract was negotiated with the City of Rushford Village and includes increased customer rates as well as their participation in a share of the plant upgrade costs.

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

Following the November 2011 referendum, the Municipal On/Off Sale Liquor Store was closed for operation. Product and assets from the building have been or will be sold off to reimburse the Liquor Fund. The City will re-purpose the use of the building.

Electric Utility rates have been studied due to the change in the City's power supply contract, with the entire rate structure being 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. In 2011 the City received a Hazard Mitigation Grant to upgrade and replace overhead service lines with underground lines in the downtown area. A rate study will be conducted again in 2012 in anticipation of increased wholesale costs and to prepare for necessary work plan improvements.

**General Fund Budgetary Highlights**

The City's general fund reserve has been spent down consistently in the past years. The 2011 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 police equipment

**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, 2011, amounts to \$19,462,192 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Rushford's reported investment in capital assets for the current fiscal year was \$3,223,435, after depreciation of \$793,137. 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			
	2011	2010	2011	2010	2011	2010
Land	\$ 1,395,181	\$ 1,358,823	\$ 105,460	\$ 105,460	\$ 1,500,641	\$ 1,464,283
Buildings	902,019	1,080,953	7,834,510	6,449,215	8,736,529	7,530,168
Machinery and equipment	762,449	921,502	427,076	492,875	1,189,525	1,414,377
Infrastructure	2,931,989	683,518			2,931,989	683,518
Construction in progress	3,578,930	3,294,712	1,524,578	1,851,699	5,103,508	5,146,411
<b>Total</b>	<b>\$9,570,568</b>	<b>\$7,339,508</b>	<b>\$9,891,624</b>	<b>\$8,899,249</b>	<b>\$19,462,192</b>	<b>\$ 16,238,757</b>

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 48-49).

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

**OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS (CONTINUED)**

**Long-term debt.** At the end of the current fiscal year, the City of Rushford had \$9,646,637 in bonds and notes outstanding. Of this amount, \$8,664,870 comprises debt backed by the full faith and credit of the government and \$981,767 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			
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 4,245,000	\$ 3,250,000	\$	\$	\$ 4,245,000	\$ 3,250,000
GO Revenue bonds			3,860,435	2,901,754	3,860,435	2,901,754
Revenue bonds			863,000	959,000	863,000	959,000
Notes payable	118,767	172,192			118,767	172,192
Contract for deed	559,435	573,271			559,435	573,271
<b>Total</b>	<b>\$ 4,923,202</b>	<b>\$ 3,995,463</b>	<b>\$ 4,723,435</b>	<b>\$ 3,860,754</b>	<b>\$ 9,646,637</b>	<b>\$ 7,856,217</b>

The City's total bonds and notes payable increased by \$1,790,420 during the current fiscal year. During 2011, the City issued additional PFA General Obligation Sewer and Water Revenue Notes for \$1,176,543 and PFA General Obligation Bonds for \$1,185,000. A more detailed breakdown of these obligations can be found in Note 7 (page 50).

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

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Rushford/Fillmore County started the first quarter of 2011 at 8.1 percent, and ended the month of May of 2011 at 6.0 percent. For this same period of time, the State unemployment rate was 7.42%
- The City's total market valuation increased by 5.9% for taxes payable year 2011. 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. Legislative changes to the new homestead exclusion, rather than the State paying a market value homestead credit to the City, will shrink the value of the tax base, causing tax rates and taxes on most properties to increase in 2012. Taxes will also generally shift away from homestead to other properties.
- 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 in 2008 help determine and plan for the community's long term housing needs.

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

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

- 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 apparent each year since the flood. The 2009 Improvement Project, with the second phase being the 2011 Improvement Project will help bring residential services into compliance with sanitary sewer and water requirements. A combination of FEMA grants, bond levy, assessments and increased user fees are funding these projects. State and Federal mandates will also have a significant impact on that planning, especially when the mandates are unfunded.
- 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. In 2011 a combination of State cuts in LGA and market value credit reductions totaled \$72,392. As the State struggles with their budget deficit it is anticipated further cuts may be forthcoming. The City attempts to set aside reserves to guard against these possible 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, 2011**

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**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**  
*With Comparative Totals for December 31, 2010*

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 1,119,924	\$	\$ 1,119,924	\$ 1,111,074
Accrued interest receivable	2,163	1,212	3,375	4,640
Receivables (net of allowance for uncollectibles)	499,141	79,276	578,417	294,377
Loans receivable	16,452,156		16,452,156	16,881,882
Accrued utility revenue		227,410	227,410	206,249
Internal balances	1,122,566	(1,122,566)		
Due from other governmental units	1,175,955	691,772	1,867,727	1,635,258
Inventory		210	210	38,238
Restricted cash and investments	839,308	751,416	1,590,724	1,119,598
Prepaid items	8,033	3,294	11,327	13,638
Capital assets:				
Nondepreciable	4,974,112	1,630,038	6,604,150	6,610,694
Depreciable, net	4,596,456	8,261,586	12,858,042	9,628,063
Total Assets	<u>30,789,814</u>	<u>10,523,648</u>	<u>41,313,462</u>	<u>37,543,711</u>
<b>LIABILITIES</b>				
Accounts payable	317,757	297,321	615,078	397,175
Accrued interest payable	101,364	38,233	139,597	89,593
Accrued compensation and payroll taxes payable		15,089	15,089	17,618
Deposits payable		16,093	16,093	20,703
Accrued compensated absences	56,674	54,989	111,663	131,661
Unearned revenue	4,625		4,625	
Noncurrent liabilities:				
Due within one year	304,739	341,368	646,107	568,769
Due in more than one year	4,554,250	4,307,450	8,861,700	7,208,688
Total Liabilities	<u>5,339,409</u>	<u>5,070,543</u>	<u>10,409,952</u>	<u>8,434,207</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,703,718	4,120,240	8,823,958	7,347,911
Restricted	17,507,751	1,443,188	18,950,939	17,972,267
Unrestricted	3,238,936	(110,323)	3,128,613	3,789,326
Total Net Assets	<u>\$ 25,450,405</u>	<u>\$ 5,453,105</u>	<u>\$ 30,903,510</u>	<u>\$ 29,109,504</u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**  
*With Comparative Totals for the Year Ended December 31, 2010*

<u>Functions/Programs</u>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 143,360	\$ 14,409	\$	\$
Economic development	223,199		2,368	
Public safety	700,291	225,597	39,747	17,650
Public works	234,021			1,184,061
Parks and recreation	151,353	36,666	2,031	
Airport	38,485	11,171		338,247
Library	128,852	15,420	31,827	48,703
Community center	2,953			
Interest and other charges	208,644			
Total governmental activities	<u>1,831,158</u>	<u>303,263</u>	<u>75,973</u>	<u>1,588,661</u>
Business-Type activities:				
Liquor	235,445	149,863		
Electric	1,521,991	1,650,208		180,039
Sewer	387,355	357,808		
Water	413,401	418,143		
Total business-type activities	<u>2,558,192</u>	<u>2,576,022</u>		<u>180,039</u>
Total	<u>\$ 4,389,350</u>	<u>\$ 2,879,285</u>	<u>\$ 75,973</u>	<u>\$ 1,768,700</u>

General revenues:  
    General property taxes  
    Tax increment revenues  
    Nonproperty taxes  
    Grants and contributions not restricted to specific programs  
    Interest earnings  
    Miscellaneous revenues  
    Donation of Land  
    Extraordinary item (Note 13)  
    Transfers in (out)  
    Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2011	2010
\$ (128,951)		\$ (128,951)	\$ (124,091)
(220,831)		(220,831)	(281,068)
(417,297)		(417,297)	(475,496)
950,040		950,040	(232,440)
(112,656)		(112,656)	(93,400)
310,933		310,933	160,364
(32,902)		(32,902)	(2,382)
(2,953)		(2,953)	(1,839)
(208,644)		(208,644)	(137,436)
<u>136,739</u>		<u>136,739</u>	<u>(1,187,788)</u>
	(85,582)	(85,582)	(76,835)
	308,256	308,256	65,489
	(29,547)	(29,547)	(58,290)
	<u>4,742</u>	<u>4,742</u>	<u>(49,196)</u>
	197,869	197,869	(118,832)
<u>136,739</u>	<u>197,869</u>	<u>334,608</u>	<u>(1,306,620)</u>
651,757		651,757	645,058
10,026		10,026	10,858
2,246		2,246	1,774
668,800		668,800	790,116
64,752	3,234	67,986	53,522
37,027	1,516	38,543	82,079
43,140		43,140	
(23,100)		(23,100)	(1,611,435)
41,184	(41,184)		
<u>1,495,832</u>	<u>(36,434)</u>	<u>1,459,398</u>	<u>(28,028)</u>
1,632,571	161,435	1,794,006	(1,334,648)
<u>23,817,834</u>	<u>5,291,670</u>	<u>29,109,504</u>	<u>30,444,152</u>
<u>\$ 25,450,405</u>	<u>\$ 5,453,105</u>	<u>\$ 30,903,510</u>	<u>\$ 29,109,504</u>

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**CITY OF RUSHFORD, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**CITY OF RUSHFORD, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2011**  
*With Comparative Totals for December 31, 2010*

	Special Revenue Fund			Capital Projects Funds		
	101	204	612	501	406	470
	General	Business Flood Recovery Loan Program	Airport Operations	2009/2011 Improvement Project	Capital Improvements	Levee Improvement Project
<b>ASSETS</b>						
Cash and investments	\$ 5,808				\$ 4,171	\$ 37,669
Restricted cash		53,052				
Accrued interest receivable					520	
Accounts receivable	885		899		10,913	
Loans receivable		16,122,648				
Taxes receivable - delinquent	9,475		693		471	
Special assessments receivable:						
Deferred						
Delinquent					603	
Due from other funds	79,284				280,559	
Advances to other funds	366,042			205,041		
Due from other governmental units	2,840		124,416		400,820	189,053
Prepaid items	6,541		64			
<b>TOTAL ASSETS</b>	<b>\$ 470,875</b>	<b>\$ 16,175,700</b>	<b>\$ 126,072</b>	<b>\$ 205,041</b>	<b>\$ 698,057</b>	<b>\$ 226,722</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 13,448	\$ 52,330	\$ 1,969	\$ 3,788	\$ 8,196	\$ 226,722
Due to other funds			45,835	152,105		144,038
Deferred revenue	14,100	16,122,648	14,762		403,899	
Total Liabilities	<u>27,548</u>	<u>16,174,978</u>	<u>62,566</u>	<u>155,893</u>	<u>412,095</u>	<u>370,760</u>
<b>Fund Balance:</b>						
Nonspendable:						
Prepaid items	6,541		64			
Advances to other funds	366,042			205,041		
Restricted:						
Externally imposed by:						
Grantors:						
EDA revolving loans						
Business flood loans		722				
Creditors (debt covenants)						
Contributors						
Committed					285,962	
Assigned			63,442			
Unassigned	70,744			(155,893)		(144,038)
Total Fund Balance	<u>443,327</u>	<u>722</u>	<u>63,506</u>	<u>49,148</u>	<u>285,962</u>	<u>(144,038)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 470,875</b>	<b>\$ 16,175,700</b>	<b>\$ 126,072</b>	<b>\$ 205,041</b>	<b>\$ 698,057</b>	<b>\$ 226,722</b>

**See Notes to the Financial Statements**

FORM B-1

	Other Governmental Funds	Total Governmental Funds	
		2011	2010
\$	1,072,276	\$ 1,119,924	1,100,556
	786,256	839,308	419,851
	1,643	2,163	3,935
	22,857	35,554	184,111
	329,508	16,452,156	16,881,882
	16,172	26,811	26,778
	436,037	436,037	5,425
		603	660
	828,981	1,188,824	1,122,903
	102,721	673,804	507,762
	458,826	1,175,955	1,066,276
	1,428	8,033	8,810
<u>\$</u>	<u>4,056,705</u>	<u>\$21,959,172</u>	<u>\$21,328,949</u>

\$	11,304	\$ 317,757	\$ 213,166
	398,084	740,062	524,351
	1,250,815	17,806,224	17,802,991
	1,660,203	18,864,043	18,540,508

	1,428	8,033	8,810
	102,721	673,804	507,762
	649,884	649,884	331,883
		722	
	606,708	606,708	515,197
	128,511	128,511	86,883
		285,962	1,213,408
	1,305,781	1,369,223	200,822
	(398,531)	(627,718)	(76,324)
	2,396,502	3,095,129	2,788,441
<u>\$</u>	<u>4,056,705</u>	<u>\$21,959,172</u>	<u>\$21,328,949</u>

**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2011**  
**With Comparative Totals for December 31, 2010**

	Special Revenue Fund			Capital Projects Funds		
	101	204	612	501	406	470
	General	Business Flood Recovery Loan Program	Airport Operations	2009/2011 Improvement Project	Capital Improvements	Levee Improvement Project
<b>REVENUES</b>						
Property taxes	\$ 225,425	\$	\$ 17,577	\$	\$ 14,257	\$
Tax increment revenues						
Lodging taxes	2,246					
Special assessments					1,281	
Licenses and permits	12,644					
Fines and forfeits	10,228					
Intergovernmental revenues	286,664		349,284		215,676	606,511
Charges for services	36,316		11,171			
Interest income	645	44,151	52	643	2,873	
Miscellaneous revenues	4,789	525,601	486		48,659	40
<b>TOTAL REVENUES</b>	<b>578,957</b>	<b>569,752</b>	<b>378,570</b>	<b>643</b>	<b>282,746</b>	<b>606,551</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General government	137,660					
Economic development		52,330				
Public safety	328,403					
Public works	112,207					
Parks and recreation	93,515					
Airport			365,406			
Library						
Community center						
Capital outlay				1,339,762	202,852	750,589
Debt service						
<b>TOTAL EXPENDITURES</b>	<b>671,785</b>	<b>52,330</b>	<b>365,406</b>	<b>1,339,762</b>	<b>202,852</b>	<b>750,589</b>
Excess (deficiency) of revenues over (under) expenditures	(92,828)	517,422	13,164	(1,339,119)	79,894	(144,038)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt				1,145,152		
Transfers in					10,000	
Transfers out		(516,700)			(20,000)	
Total other financing sources (uses)		(516,700)		1,145,152	(10,000)	
<b>EXTRAORDINARY ITEMS</b>						
Flood recovery costs						
Net change in fund balances	(92,828)	722	13,164	(193,967)	69,894	(144,038)
<b>FUND BALANCES, Beginning</b>	<b>536,155</b>		<b>50,342</b>	<b>243,115</b>	<b>216,068</b>	
<b>FUND BALANCES, Ending</b>	<b>\$ 443,327</b>	<b>\$ 722</b>	<b>\$ 63,506</b>	<b>\$ 49,148</b>	<b>\$ 285,962</b>	<b>\$ (144,038)</b>

See Notes to the Financial Statements

FORM B-2

Other Governmental Funds	Total Governmental Funds	
	2011	2010
\$ 394,989	\$ 652,248	\$ 644,225
10,026	10,026	10,858
	2,246	1,774
143,054	144,335	156,006
	12,644	21,280
	10,228	15,589
230,107	1,688,242	1,313,215
223,092	270,579	273,363
16,388	64,752	48,895
94,228	673,803	594,286
<u>1,111,884</u>	<u>3,529,103</u>	<u>3,079,491</u>
	137,660	131,913
160,799	213,129	594,535
248,317	576,720	632,920
	112,207	114,522
	93,515	81,103
	365,406	246,448
113,637	113,637	117,359
64,694	64,694	319,145
44,943	2,338,146	1,487,887
417,873	417,873	391,720
<u>1,050,263</u>	<u>4,432,987</u>	<u>4,117,552</u>
<u>61,621</u>	<u>(903,884)</u>	<u>(1,038,061)</u>
25,036	1,170,188	
590,759	600,759	900,656
(22,875)	(559,575)	(900,656)
<u>592,920</u>	<u>1,211,372</u>	
<u>(800)</u>	<u>(800)</u>	<u>(275,270)</u>
653,741	306,688	(1,313,331)
<u>1,742,761</u>	<u>2,788,441</u>	<u>4,101,772</u>
<u>\$ 2,396,502</u>	<u>\$ 3,095,129</u>	<u>\$ 2,788,441</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, 2011**

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

Total governmental fund balances (page 18)		\$ 3,095,129
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 12,396,256	
Less: Accumulated depreciation	<u>(2,825,688)</u>	
		9,570,568
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	\$ 27,414	
Deferred special assessments	436,037	
Contracts receivable	16,324	
FEMA receivable	848,384	
Business flood loan receivable	16,122,648	
Other deferred receivables	<u>350,929</u>	
		17,801,736
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	\$ (4,923,202)	
Compensated absences	(56,674)	
Accrued interest	(101,365)	
Unamortized bond issuance costs	<u>64,213</u>	
		<u>(5,017,028)</u>
Net assets of governmental activities (page 14)		<u>\$ 25,450,405</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, 2011**

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

Net change in fund balances - total governmental funds (page 20)	\$	306,688	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay-capital improvements	\$	2,622,586	
Depreciation expense		<u>(369,872)</u>	
			2,252,714
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.			
Other			12,858
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Deferred revenue December 31, 2011	\$	17,806,224	
Deferred revenue December 31, 2010		<u>(17,802,991)</u>	
			3,233
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.			
Compensated absences December 31, 2011	\$	56,674	
Compensated absences December 31, 2010		<u>(62,136)</u>	
			(5,462)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Principal retirement on long-term debt	\$	257,261	
Issuance of debt		(1,185,000)	
Issuance costs		42,458	
Amortization of issuance costs		(2,175)	
Change in accrued interest		<u>(50,004)</u>	
			<u>(937,460)</u>
Change in net assets of governmental activities (pages 15 and 16)	\$		<u><u>1,632,571</u></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, 2011**  
**With Comparative Totals for December 31, 2010**

	2011			Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
<b>General Tax Levy</b>	\$ 255,616	\$ 255,616	\$ 225,425	\$ (30,191)	\$ 223,157
<b>Licenses and Permits</b>					
Business	4,715	4,775	4,775		4,715
Nonbusiness	11,160	11,160	7,869	(3,291)	16,565
Total Licenses and Permits	15,875	15,935	12,644	(3,291)	21,280
<b>Lodging Taxes</b>	2,000	2,000	2,246	246	1,774
<b>Intergovernmental Revenues</b>					
Local government aid	250,000	250,000	250,000		251,558
Market value credit			13,457	13,457	13,436
Police aid	20,000	20,000	21,092	1,092	20,930
Snowmobile aids	21,350	21,000	20,332	(668)	11,276
Snowmobile trail assistance	(21,000)	(21,000)	(20,332)	668	(11,276)
Other aid	2,115	2,115	2,115		1,940
Total Intergovernmental Revenues	272,465	272,115	286,664	14,549	287,864
<b>Fines and Forfeits</b>	9,500	9,500	10,228	728	15,589
<b>Charges For Services</b>					
Swimming pool	35,000	33,100	33,855	755	35,745
Park usage fees	2,000	2,000	2,461	461	1,965
Total Charges For Services	37,000	35,100	36,316	1,216	37,710
<b>Interest Income</b>	2,000	1,000	645	(355)	1,476
<b>Miscellaneous Revenues</b>					
Other	5,050	5,200	4,789	(411)	10,566
<b>TOTAL REVENUES</b>	\$ 599,506	\$ 596,466	\$ 578,957	\$ (17,509)	\$ 599,416

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, 2011**  
*With Comparative Totals for December 31, 2010*

	2011		Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts				
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 9,000	\$ 9,000	\$ 8,700	\$ 300	\$ 9,080
Meetings and conferences	1,200	1,300	1,253	47	2,387
General supplies	1,400	1,300	500	800	900
Printing and publishing	8,500	8,500	5,801	2,699	7,122
Professional services	5,000	9,000	6,513	2,487	5,160
Insurance	800	550	489	61	520
Dues, subscriptions and fees	5,000	4,000	3,948	52	3,945
Miscellaneous	1,050	1,350	1,251	99	720
Total Mayor and Council	31,950	35,000	28,455	6,545	29,834
<b>Election Judges</b>					
Salaries	700	650	370	280	1,131
Employee benefits and retirement	10	10	6	4	8
General supplies	810	810	1,578	(768)	9
Printing and publishing	350	450	442	8	
Miscellaneous	200	150	350	(200)	84
Total Election Judges	2,070	2,070	2,746	(676)	1,232
<b>City Hall Administration</b>					
Salaries	43,000	43,500	42,658	842	38,001
Employee benefits and retirement	9,300	8,500	8,685	(185)	9,152
Office supplies and expense	1,900	1,900	1,100	800	1,252
General supplies	100	100	123	(23)	82
Telephone	3,000	3,000	2,916	84	2,939
Printing and publishing	1,300	1,300	1,183	117	1,223
Insurance	1,100	900	747	153	828
Repairs and maintenance	800	500		500	85
Radio maintenance	1,000	500	105	395	
Dues, subscriptions and fees	6,000	6,000	5,348	652	5,744
Miscellaneous			42	(42)	28
Total City Hall Administration	67,550	66,250	62,907	3,343	59,334

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, 2011  
*With Comparative Totals for December 31, 2010*

	2011				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>General Government (Continued)</b>					
<b>Professional Services</b>					
Legal and audit	\$ 29,175	\$ 32,100	\$ 28,451	\$ 3,649	\$ 25,078
Assessor	3,900	3,900	3,769	131	3,719
Total Professional Services	<u>33,075</u>	<u>36,000</u>	<u>32,220</u>	<u>3,780</u>	<u>28,797</u>
<b>Building and Planning</b>					
General supplies	520	520	72	448	262
Professional services	1,200	2,200	1,589	611	1,130
Consultant	1,000	1,000		1,000	775
Telephone	50	50	43	7	32
Printing and publishing	450	450		450	
Total Building and Planning	<u>3,220</u>	<u>4,220</u>	<u>1,704</u>	<u>2,516</u>	<u>2,199</u>
<b>Municipal Building</b>					
General supplies	600	600	568	32	809
Insurance	650	700	581	119	479
Utilities	8,650	8,300	7,304	996	6,547
Repairs and maintenance	3,100	1,800	1,175	625	2,682
Total Municipal Building	<u>13,000</u>	<u>11,400</u>	<u>9,628</u>	<u>1,772</u>	<u>10,517</u>
Total General Government	<u>150,865</u>	<u>154,940</u>	<u>137,660</u>	<u>17,280</u>	<u>131,913</u>
<b>Public Safety</b>					
<b>Police Protection</b>					
Salaries	211,500	212,500	217,083	(4,583)	202,548
Employee benefits and retirement	34,200	34,000	34,721	(721)	31,439
Office supplies and expense	1,225	1,225	334	891	1,286
Meetings and conferences	1,800	1,500	1,540	(40)	1,852
Gas, oil and supplies	9,500	10,000	11,111	(1,111)	8,994
General supplies	3,300	3,300	2,032	1,268	2,759
Professional services	12,300	12,300	14,141	(1,841)	13,032
Telephone	2,300	2,300	2,416	(116)	2,281
Insurance	11,400	9,900	9,675	225	9,523
Utilities	2,650	2,650	1,929	721	1,894
Repairs and maintenance	2,100	3,100	4,828	(1,728)	3,914
Dues, subscriptions and fees	500	500	460	40	475
Miscellaneous	400	700	1,464	(764)	2,961
Total Police Protection	<u>\$ 293,175</u>	<u>\$ 293,975</u>	<u>\$ 301,734</u>	<u>\$ (7,759)</u>	<u>\$ 282,958</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, 2011  
With Comparative Totals for December 31, 2010

	2011				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>Public Safety (Continued)</b>					
<b>Ambulance</b>					
Per capita charges	\$ 6,784	\$ 6,784	\$ 6,924	\$ (140)	\$ 6,784
<b>Building and Safety</b>					
Professional services	20,700	20,700	13,355	7,345	20,241
Printing and publishing	300	200		200	356
Miscellaneous	400	300	114	186	294
Total Building and Safety	21,400	21,200	13,469	7,731	20,891
<b>Civil Defense</b>	650	650	670	(20)	918
<b>Animal Control</b>					
Salaries and wages	3,300	3,800	2,905	895	2,899
Insurance	50	50	58	(8)	71
Total Animal Control	3,350	3,850	2,963	887	2,970
<b>Health and Welfare</b>					
Weed and insect control	4,470	2,970	2,643	327	3,231
Total Public Safety	\$ 329,829	\$ 329,429	\$ 328,403	\$ 1,026	\$ 317,752

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, 2011**  
**With Comparative Totals for December 31, 2010**

	2011		Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts				
	Original	Final			
<b>Public Works</b>					
<b>Highways, Streets and Alleys</b>					
Salaries	\$ 29,800	\$ 29,300	\$ 31,049	\$ (1,749)	\$ 23,641
Employee benefits and retirement	4,355	4,255	4,332	(77)	3,415
Gas, oil and supplies	11,000	12,000	10,992	1,008	11,285
General supplies	7,000	7,000	8,003	(1,003)	9,475
Blacktop and surface materials	1,500	1,300	885	415	1,728
Professional services	3,500	500		500	3,442
Insurance	7,000	7,400	6,689	711	5,513
Repairs and maintenance	14,000	14,000	7,894	6,106	16,071
Miscellaneous	650	550	500	50	676
City garage expense	4,300	4,600	4,474	126	3,836
Street lighting	23,000	23,500	23,977	(477)	22,836
Total Highways, Streets and Alleys	106,105	104,405	98,795	5,610	101,918
<b>Dikes</b>					
Salaries	8,300	8,600	8,311	289	7,173
Employee benefits and retirement	1,605	1,555	1,533	22	1,324
Gas, oil and supplies	1,700	1,700	1,396	304	1,697
General supplies	800	600	165	435	584
Insurance	850	850	663	187	751
Utilities	1,000	1,000	1,072	(72)	1,075
Repairs and maintenance	500	500	272	228	
Total Dikes	14,755	14,805	13,412	1,393	12,604
Total Public Works	120,860	119,210	112,207	7,003	114,522
<b>Parks and Recreation</b>					
<b>Park Department</b>					
Salaries	8,300	9,400	8,311	1,089	7,075
Employee benefits and retirement	1,550	1,500	1,393	107	967
Professional services		100	95	5	
Gas and oil	1,600	1,500	1,388	112	1,843
General supplies	2,500	2,000	1,101	899	1,847
Telephone	10	10	9	1	8
Insurance	5,300	4,450	3,810	640	4,129
Utilities	2,500	3,200	4,214	(1,014)	2,612
Repairs and maintenance	4,500	5,700	6,338	(638)	5,771
Legal printing	250	250	21	229	250
Miscellaneous	100	200	1,006	(806)	82
Total Park Department	\$ 26,610	\$ 28,310	\$ 27,686	\$ 624	\$ 24,584

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, 2011  
With Comparative Totals for December 31, 2010

	2011		Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts				
	Original	Final			
<b>Parks and Recreation (Continued)</b>					
<b>Swimming Pool</b>					
Salaries	\$ 28,000	\$ 31,000	\$ 30,686	\$ 314	\$ 27,711
Employee benefits and retirement	2,300	2,400	2,355	45	2,136
Meetings and conferences	1,900	1,700	1,565	135	1,909
General supplies	6,000	7,900	8,466	(566)	5,559
Telephone	400	400	379	21	358
Printing and publishing	150	150	139	11	131
Insurance	3,300	2,900	2,683	217	2,821
Utilities	7,600	8,000	9,169	(1,169)	6,233
Repairs and maintenance	1,700	1,800	2,424	(624)	2,431
Miscellaneous	600	600	555	45	497
<b>Total Swimming Pool</b>	<b>51,950</b>	<b>56,850</b>	<b>58,421</b>	<b>(1,571)</b>	<b>49,786</b>
<b>Tourism</b>	<b>4,500</b>	<b>4,500</b>	<b>3,306</b>	<b>1,194</b>	<b>3,264</b>
<b>Tree Board</b>					
Salaries	1,400	1,400	1,400		1,300
General supplies	685	1,110	947	163	550
Contractual services	1,500	1,600	1,600		1,500
Insurance	150	100	140	(40)	104
Miscellaneous	15	15	15		15
<b>Total Tree Board</b>	<b>3,750</b>	<b>4,225</b>	<b>4,102</b>	<b>123</b>	<b>3,469</b>
<b>Total Parks and Recreation</b>	<b>86,810</b>	<b>93,885</b>	<b>93,515</b>	<b>370</b>	<b>81,103</b>
<b>TOTAL EXPENDITURES</b>	<b>688,364</b>	<b>697,464</b>	<b>671,785</b>	<b>25,679</b>	<b>645,290</b>
Excess (deficiency) of revenues over (under) expenditures	(88,858)	(100,998)	(92,828)	8,170	(45,874)
<b>FUND BALANCE, January 1</b>	<b>536,155</b>	<b>536,155</b>	<b>536,155</b>		<b>582,029</b>
<b>FUND BALANCE, December 31</b>	<b>\$ 447,297</b>	<b>\$ 435,157</b>	<b>\$ 443,327</b>	<b>\$ 8,170</b>	<b>\$ 536,155</b>

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, 2011  
 With Comparative Totals for December 31, 2010

	2011		Actual	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts				
	Original	Final			
<b>REVENUES</b>					
Loan repayments	\$	\$	\$ 525,601	\$ 525,601	\$ 430,150
Interest income			44,151	44,151	26,055
<b>TOTAL REVENUES</b>			569,752	569,752	456,205
<b>EXPENDITURES</b>					
<b>Current</b>					
Professional services					4,700
Loan principal refund			52,330	(52,330)	
<b>TOTAL EXPENDITURES</b>			52,330	(52,330)	4,700
Excess (deficiency) of revenues over (under) expenditures			517,422	517,422	451,505
<b>OTHER FINANCING USES</b>					
Transfers out			(516,700)	(516,700)	(457,781)
Net change in fund balances			722	722	(6,276)
<b>FUND BALANCES, Beginning</b>					6,276
<b>FUND BALANCES, Ending</b>	\$	\$	\$ 722	\$ 722	\$

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA  
 AIRPORT FUND (612)  
 Statement of Revenues and Expenditures - Budget and Actual  
 For the Year Ended December 31, 2011  
 With Comparative Totals for December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$ 20,000	\$ 20,000	\$ 17,577	\$ (2,423)	\$ 15,841
<b>Intergovernmental Revenues</b>					
State grants	467,500	468,300	338,247	(130,053)	198,888
Local government aid	10,000	10,000	10,000		11,180
Market value and disaster credit			1,037	1,037	943
Total Intergovernmental revenues	477,500	478,300	349,284	(129,016)	211,011
<b>Charges for Services</b>					
Land leases	4,800	4,800	5,896	1,096	5,256
Hangar rentals	4,320	4,320	4,095	(225)	3,245
Fuel and utilities	1,050	1,050	1,180	130	1,262
Total Charges For Services	10,170	10,170	11,171	1,001	9,763
<b>Interest Income</b>	100	50	52	2	175
<b>Miscellaneous Revenues</b>			486	486	486
<b>TOTAL REVENUES</b>	<b>507,770</b>	<b>508,520</b>	<b>378,570</b>	<b>(129,950)</b>	<b>237,276</b>
<b>EXPENDITURES</b>					
<b>Airport</b>					
Salaries	4,500	4,500	4,500		4,300
General supplies	425	1,800	1,794	6	800
Fuel	2,000	2,000	1,288	712	1,628
Professional services	900	900	637	263	888
Insurance	5,800	5,150	4,103	1,047	4,408
Utilities	4,330	4,340	3,638	702	4,448
Repairs and maintenance	3,425	2,000	2,495	(495)	532
Dues, subscriptions and fees	1,300	1,300	947	353	1,394
Taxes on property	350	350	348	2	334
Capital outlay	481,406	481,406	345,656	135,750	227,716
<b>TOTAL EXPENDITURES</b>	<b>504,436</b>	<b>503,746</b>	<b>365,406</b>	<b>138,340</b>	<b>246,448</b>
Excess (deficit) of revenues over (under) expenditures	3,334	4,774	13,164	8,390	(9,172)
<b>FUND BALANCES, BEGINNING</b>	<b>50,342</b>	<b>50,342</b>	<b>50,342</b>		<b>59,514</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 53,676</b>	<b>\$ 55,116</b>	<b>\$ 63,506</b>	<b>\$ 8,390</b>	<b>\$ 50,342</b>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA  
 2009/2011 IMPROVEMENT PROJECT (501)  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2011  
 With Comparative Totals for December 31, 2010

	2011			Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenues					
Other state aid	\$	\$	\$	\$	\$ 34,597
Interest income			643	643	3,819
<b>TOTAL REVENUES</b>			643	643	38,416
<b>EXPENDITURES</b>					
<b>Current</b>					
Capital outlay			1,339,762	(1,339,762)	1,295,980
<b>TOTAL EXPENDITURES</b>			1,339,762	(1,339,762)	1,295,980
Excess (deficiency) of revenues over (under) expenditures			(1,339,119)	(1,339,119)	(1,257,564)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt			1,145,152	1,145,152	
Net change in fund balances			(193,967)	(193,967)	(1,257,564)
<b>FUND BALANCES, Beginning</b>	243,115	243,115	243,115		1,500,679
<b>FUND BALANCES, Ending</b>	\$ 243,115	\$ 243,115	\$ 49,148	\$ (193,967)	\$ 243,115

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, 2011  
 With Comparative Totals for December 31, 2010

	2011				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 40,000	\$ 16,622	\$ 14,257	\$ (2,365)	\$ 62
Special assessments			1,281	1,281	218
Intergovernmental revenues					
Local government aid	192,669	169,018	215,676	46,658	184,706
Interest income	2,000	2,000	2,873	873	7,337
Miscellaneous	1,900	24,900	48,659	23,759	5,001
<b>TOTAL REVENUES</b>	<b>236,569</b>	<b>212,540</b>	<b>282,746</b>	<b>70,206</b>	<b>197,324</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Capital outlay	241,500	173,500	202,852	(29,352)	175,982
<b>TOTAL EXPENDITURES</b>	<b>241,500</b>	<b>173,500</b>	<b>202,852</b>	<b>(29,352)</b>	<b>175,982</b>
Excess (deficiency) of revenues over (under) expenditures	(4,931)	39,040	79,894	40,854	21,342
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		10,000	10,000		
Transfers out	(20,000)	(20,000)	(20,000)		(420,000)
Total other financing sources (uses)	(20,000)	(10,000)	(10,000)		(420,000)
Net change in fund balances	(24,931)	29,040	69,894	40,854	(398,658)
<b>FUND BALANCES, Beginning</b>	<b>216,068</b>	<b>216,068</b>	<b>216,068</b>		<b>614,726</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 191,137</b>	<b>\$ 245,108</b>	<b>\$ 285,962</b>	<b>\$ 40,854</b>	<b>\$ 216,068</b>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA  
 LEVEE IMPROVEMENT PROJECT FUND (470)  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balance - Budget and Actual  
 For the Year Ended December 31, 2011  
 With Comparative Totals for December 31, 2010

	2011			Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenues					
Other state aid	\$	\$	\$ 606,511	\$ 606,511	\$
Miscellaneous			40	40	
<b>TOTAL REVENUES</b>			606,551	606,551	
<b>EXPENDITURES</b>					
<b>Current</b>					
Capital outlay			750,589	(750,589)	
<b>TOTAL EXPENDITURES</b>			750,589	(750,589)	
Excess (deficiency) of revenues over (under) expenditures			(144,038)	(144,038)	
<b>FUND BALANCES, Beginning</b>					
<b>FUND BALANCES, Ending</b>	\$	\$	\$ (144,038)	\$ (144,038)	\$

See Notes to the Financial Statements

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**CITY OF RUSHFORD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Assets**  
**December 31, 2011**  
*With Comparative Totals for December 31, 2010*

	Enterprise Funds				Totals	
	609	604	601	602		
	Liquor Fund	Electric Department	Water Department	Sewer Department	2011	2010
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$	\$	\$	\$	\$	10,518
Accrued interest receivable	110	1,102			1,212	705
Accounts receivable		49,979	12,317	16,980	79,276	77,403
Accrued utility revenue		169,283	26,592	31,535	227,410	206,249
Due from other funds		37,565	30,429		67,994	26,797
Due from other governmental units	91,344	160,882	248,877	190,669	691,772	568,982
Advance to other funds		300,000			300,000	300,000
Merchandise inventory	210				210	38,238
Prepaid items		664	1,234	1,396	3,294	4,828
Total Current Assets	91,664	719,475	319,449	240,580	1,371,168	1,233,720
<b>Property and Equipment</b>						
Property, plant and equipment	842,783	3,085,635	5,528,170	3,579,350	13,035,938	11,367,107
Less: Accumulated depreciation	86,438	1,632,959	1,396,448	1,553,047	4,668,892	4,319,557
Property and Equipment, Net	756,345	1,452,676	4,131,722	2,026,303	8,367,046	7,047,550
Construction work in process		340,857	8,152	1,175,569	1,524,578	1,851,699
Total Property and Equipment	756,345	1,793,533	4,139,874	3,201,872	9,891,624	8,899,249
<b>Other Assets</b>						
Restricted cash and cash equivalents		193,063	272,140	286,213	751,416	699,747
Total Assets	848,009	2,706,071	4,731,463	3,728,665	12,014,208	10,832,716
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	10,615	120,055	4,448	162,203	297,321	184,009
Due to other funds	80,729		182,020	254,007	516,756	625,349
Current maturities of bonds payable		60,000	213,000	68,368	341,368	313,862
Accrued interest		11,256	19,986	6,991	38,233	34,086
Accrued sales tax		15,089			15,089	17,618
Deferred revenue						4,133
Customer deposits		16,093			16,093	16,570
Total Current Liabilities	91,344	222,493	419,454	491,569	1,224,860	1,195,627
<b>Long-Term Liabilities</b>						
Notes payable, net of current maturities, and bond issuance costs		456,312	2,631,976	1,219,162	4,307,450	3,468,132
Advance from other funds	166,042			807,762	973,804	807,762
Accrued compensated absences		23,840	12,996	18,153	54,989	69,525
Total Liabilities	257,386	702,645	3,064,426	2,536,646	6,561,103	5,541,046
<b>Net Assets</b>						
Invested in capital assets, net of related debt	509,574	1,614,786	1,143,307	852,573	4,120,240	4,010,941
Restricted	91,344	353,945	521,017	476,882	1,443,188	1,268,729
Unrestricted	(10,295)	34,695	2,713	(137,436)	(110,323)	12,000
Total Net Assets	\$ 590,623	\$ 2,003,426	\$ 1,667,037	\$ 1,192,019	\$ 5,453,105	\$ 5,291,670

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, 2011**  
*With Comparative Totals for December 31, 2010*

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2011	2010
<b>Operating Revenues</b>						
Sales	\$ 149,863	\$ 1,650,208	\$ 418,143	\$ 357,808	\$ 2,576,022	\$ 2,677,978
<b>Operating Expenses</b>						
Cost of sales and production	122,929	1,092,963			1,215,892	1,382,310
Distribution expense		189,241	300,254	328,491	817,986	787,561
General administration		221,740	60,007	42,067	323,814	332,025
Liquor store operating expenses	112,516				112,516	210,154
Total Operating Expenses	235,445	1,503,944	360,261	370,558	2,470,208	2,712,050
Operating Income (Loss)	(85,582)	146,264	57,882	(12,750)	105,814	(34,072)
<b>Nonoperating Revenue and (Expense)</b>						
Loss on disposal of capital assets				(63,389)	(63,389)	
Other Income (Expense)	(15,294)	193,244	(6,749)	(11,007)	160,194	(45,429)
<b>Income (Loss) Before Extraordinary Items and Transfers</b>	(100,876)	339,508	51,133	(87,146)	202,619	(79,501)
Extraordinary loss						(1,504,368)
Transfers out		(10,000)	(18,304)	(12,880)	(41,184)	
<b>Change in Net Assets</b>	(100,876)	329,508	32,829	(100,026)	161,435	(1,583,869)
<b>Net Assets, Beginning of Year</b>	691,499	1,673,918	1,634,208	1,292,045	5,291,670	6,875,539
<b>Net Assets, End of Year</b>	\$ 590,623	\$ 2,003,426	\$ 1,667,037	\$ 1,192,019	\$ 5,453,105	\$ 5,291,670

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended December 31, 2011**  
**With Comparative Totals for December 31, 2010**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2011	2010
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 149,863	\$ 1,639,092	\$ 412,570	\$ 346,853	\$ 2,548,378	\$ 2,664,211
Cash paid to employees for services	(77,024)	(181,779)	(96,468)	(131,740)	(487,011)	(496,730)
Cash paid to suppliers	(104,037)	(1,206,147)	(133,198)	23,401	(1,419,981)	(1,840,126)
Net Cash Provided By (Used In) Operating Activities	(31,198)	251,166	182,904	238,514	641,386	327,355
<b>Cash Flows From Noncapital Financing Activities</b>						
Decrease (Increase) in due from other funds	(119,512)	(10,768)	(82,848)	63,338	(149,790)	(494,682)
Grant aid received		57,248			57,248	196,511
Other income (expense)	(14,793)	32,079	46,279	5,108	68,673	37,411
Transfers in (out)		(10,000)	(18,304)		(28,304)	
Net Cash Provided By (Used In) Noncapital Financing Activities	(134,305)	68,559	(54,873)	55,566	(65,053)	(260,760)
<b>Cash Flows From Capital and Related Financing Activities</b>						
Proceeds from issuance of debt			300,928	875,615	1,176,543	828,977
Principal payment on long-term debt		(60,000)	(193,000)	(60,862)	(313,862)	(200,827)
Purchase of capital assets		(246,621)	(154,098)	(1,078,308)	(1,479,027)	(1,187,849)
Advances (to) from other funds	166,042				166,042	507,762
Repayment of advances						16,115
Interest paid on debt		(22,513)	(49,431)	(15,699)	(87,643)	(92,387)
Net Cash Provided By (Used In) Capital and Related Financing Activities	166,042	(329,134)	(95,601)	(279,254)	(537,947)	(128,209)
<b>Cash Flows From Investing Activities</b>						
Interest earnings on investments	(539)	2,510	112	682	2,765	5,624
Net Cash Provided By (Used In) Investing Activities	(539)	2,510	112	682	2,765	5,624
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>						
		(6,899)	32,542	15,508	41,151	(55,990)
<b>Cash and Cash Equivalents - January 1</b>						
		199,962	239,598	270,705	710,265	766,255
<b>Cash and Cash Equivalents - December 31</b>						
	\$	\$ 193,063	\$ 272,140	\$ 286,213	\$ 751,416	\$ 710,265
<b>Shown on the Balance Sheet as:</b>						
Cash and investments	\$	\$	\$	\$	\$	\$ 10,518
Restricted cash and investments		193,063	272,140	286,213	751,416	699,747
Total	\$	\$ 193,063	\$ 272,140	\$ 286,213	\$ 751,416	\$ 710,265

**See Notes to the Financial Statements**

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

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2011	2010
<b>Operating Income (Loss)</b>	\$ (85,582)	\$ 146,264	\$ 57,882	\$ (12,750)	\$ 105,814	\$ (34,072)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	28,308	115,607	175,703	107,790	427,408	430,896
(Increase) Decrease In:						
Accounts receivable		5,098	(449)	(6,522)	(1,873)	(16,676)
Other accounts receivable		(11,604)	(5,124)	(4,433)	(21,161)	(1,720)
Merchandise inventory	38,028				38,028	7,824
Prepaid insurance	1,325	44	(27)	192	1,534	(603)
Increase (Decrease) In:						
Accounts payable	669	(1,968)	(43,273)	155,354	110,782	(55,054)
Accrued wages	(13,946)	2,335	(1,808)	(1,117)	(14,536)	(7,869)
Deferred revenue		(4,133)			(4,133)	3,974
Customer deposits		(477)			(477)	655
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (31,198)</b>	<b>\$ 251,166</b>	<b>\$ 182,904</b>	<b>\$ 238,514</b>	<b>\$ 641,386</b>	<b>\$ 327,355</b>
<b>Non Cash Transactions</b>						
Purchase of capital assets included in accounts payable at year end	\$	\$	\$	\$	\$	\$ 29,759

See Notes to the Financial Statements

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**CITY OF RUSHFORD, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

# 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 2011.

Specific organizations and the related accounting are as follows:

#### Rushford Volunteer Fire Department

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

#### Rushford Volunteer Fire Department Relief Association

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

#### B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The *Business Flood Recovery Loan Program fund* accounts for all activity of the City's business flood recovery loan program.

The *Airport Operations Fund* accounts for all activity of the City's airport.

The *2009 / 2011 Improvement Project Fund* accounts for the capital improvements related to the 2009 and 2011 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 *Levee Improvement Project Fund* accounts for the acquisition and construction of the Levee.

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 proprietary-enterprise funds:

- The *electric fund* accounts for the operations of the City owned electric utility system.
- The *liquor fund* accounts for the operations of the City owned liquor store.
- The *water fund* accounts for the operation of the City owned water utility system.
- The *sewer fund* accounts for the operation of the City owned sewer utility system.

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

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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)

Interfund Transactions

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

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

Property Taxes

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

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

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

Special Assessments

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

Tax Increment Districts

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

Inventory

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

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

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

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

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.

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)

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.

Net Assets / Fund Balance

In the government-wide and proprietary financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

In accordance with Governmental Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are committed for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assigned fund balances to be used for specific purposes when appropriate. The council has delegated the power to assign fund balances to the city administrator.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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*Net Assets / Fund Balance (Continued)*

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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.

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, 2011, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$806,044.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. Cash and Investments

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Summary of Cash and Investments

As of December 31, 2011, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on Hand	
Change funds	\$ 18
Deposits	1,914,906
Deposits with SELCO	128,511
Certificates of deposit	667,213
	<hr/>
Total	\$ 2,710,648

Recorded on the Statement of Net Assets as follows:

Cash and investments	\$ 1,119,924
Restricted cash and investments	1,590,724
	<hr/>
Total	\$ 2,710,648

Investments Authorized by Minnesota Statutes

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

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

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)*

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, 2011, there were no individual investments greater than 5 percent of the City's total investments.

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**3. Deferred Special Assessments Receivable**

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Year of Assessment:	Debt Service Funds
2011	\$ 436,037

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	\$ 2,840	\$	\$	\$ 2,840
Special Revenue	1,490	142,067	53,922	197,479
Capital Project	740	388,199	582,367	971,306
Debt Service	4,329			4,329
Enterprise		172,943	518,830	691,773
Totals	\$ 9,399	\$ 703,210	\$ 1,155,119	\$ 1,867,727

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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 the following types of loans totaling \$17,250,000:

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 1% 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 with no interest.

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>2011</u>	<u>2010</u>
Business Flood Recovery Loans:		
Category 1 Loans:		
Forgivable portion	\$ 10,152,109	\$ 10,152,109
Non-Forgivable portion	2,645,594	2,994,422
Category 1-A Loans	1,697,798	1,750,797
Category 2 Loans	<u>1,627,146</u>	<u>1,750,921</u>
Total	<u>\$ 16,122,647</u>	<u>\$ 16,648,249</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,358,823	\$ 54,640	\$ 18,282	\$ 1,395,181
Construction in progress	3,294,712	2,289,599	2,005,381	3,578,930
Total capital assets, not being depreciated	<u>4,653,535</u>	<u>2,344,239</u>	<u>2,023,663</u>	<u>4,974,111</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,443,052	33,896	232,347	2,244,601
Infrastructure	845,705	2,317,517		3,163,222
Machinery and equipment	<u>2,094,906</u>	<u>82,315</u>	<u>162,899</u>	<u>2,014,322</u>
Total capital assets, being depreciated	<u>5,383,663</u>	<u>2,433,728</u>	<u>395,246</u>	<u>7,422,145</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,362,099	70,518	90,035	1,342,582
Infrastructure	162,187	69,046		231,233
Machinery and equipment	<u>1,173,404</u>	<u>230,308</u>	<u>151,839</u>	<u>1,251,873</u>
Total accumulated depreciation	<u>2,697,690</u>	<u>369,872</u>	<u>241,874</u>	<u>2,825,688</u>
Total capital assets, being depreciated, net	<u>2,685,973</u>	<u>2,063,856</u>	<u>153,372</u>	<u>4,596,457</u>
Governmental activities capital assets, net	<u>\$ 7,339,508</u>	<u>\$ 4,408,095</u>	<u>\$ 2,177,035</u>	<u>\$ 9,570,568</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress	1,851,699	1,459,890	1,787,011	1,524,578
Total capital assets, not being depreciated	<u>1,957,159</u>	<u>1,459,890</u>	<u>1,787,011</u>	<u>1,630,038</u>
Capital assets, being depreciated:				
Buildings and improvements	10,459,971	1,799,104	82,468	12,176,607
Machinery and equipment	801,676	7,048	54,853	753,871
Total capital assets, being depreciated	<u>11,261,647</u>	<u>1,806,152</u>	<u>137,321</u>	<u>12,930,478</u>
Less accumulated depreciation for:				
Buildings and improvements	4,010,756	376,653	45,312	4,342,097
Machinery and equipment	308,801	46,612	28,618	326,795
Total accumulated depreciation	<u>4,319,557</u>	<u>423,265</u>	<u>73,930</u>	<u>4,668,892</u>
Total capital assets, being depreciated, net	<u>6,942,090</u>	<u>1,382,887</u>	<u>63,391</u>	<u>8,261,586</u>
Business-type activities capital assets, net	<u>\$ 8,899,249</u>	<u>\$ 2,842,777</u>	<u>\$ 1,850,402</u>	<u>\$ 9,891,624</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 8,585
Public safety	147,360
Public works	102,889
Airport	29,587
Library	23,592
Park and recreation	57,859
Total depreciation expense - governmental activities	<u>\$369,872</u>
<b>Business-Type Activities:</b>	
Electric	\$114,705
Water	172,462
Sewer	107,790
Liquor	28,308
Total depreciation expense - business-type activities	<u>\$423,265</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2011 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%	\$ 35,000	\$	\$ 35,000	\$		
2001 Improvement Bonds	4.70% - 5.15%	150,000		70,000	80,000	80,000	1,711
2002 Improvement Bonds	4.50%	30,000		30,000			
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	305,000		55,000	250,000	60,000	3,629
2009B Improvement Bonds (1)	3.00% - 4.50%	2,730,000			2,730,000	95,000	43,440
2011A Improvement Bonds	1.55% - 4.60%		1,185,000		1,185,000		20,646
Less: Unamortized Issuance Costs		(23,930)	(42,458)	(2,175)	(64,213)		
Notes payable:							
2001 USDA Loan	4.88%	33,304		9,216	24,088	9,216	563
2008 Fire Rescue Rig Capital Lease	4.65%	76,184		24,250	51,934	25,377	1,700
2008 Ambulance Capital Lease	4.65%	62,704		19,959	42,745	20,887	1,704
Contract for deed - land	5.00%	573,271		13,836	559,435	14,259	27,972
Governmental Activities							
Long-term Liabilities		3,971,533	1,142,542	255,086	4,858,989	304,739	101,365
<b>BUSINESS-TYPE ACTIVITIES (1)</b>							
Bonds and Notes Payable:							
General Obligation Revenue Note:							
1999 Water Department	3.04%	411,000		40,000	371,000	42,000	4,098
1996A Sewer Department	3.43%	472,777		60,862	411,915	62,968	5,134
2008 Water Department	1.35%	1,189,000		45,000	1,144,000	64,000	5,620
2010 Water Department	1.00%	828,977	300,928	72,000	1,057,905	70,000	5,008
2011 Sewer Department	1.077%		875,615		875,615	5,400	1,857
Revenue Bonds:							
2007A Water Revenue Bonds	4.25%	334,000		36,000	298,000	37,000	5,260
2009A Electric Revenue Refunding	2.40 - 4.10%	625,000		60,000	565,000	60,000	11,256
Less: Unamortized Discount		(78,760)		(4,143)	(74,617)		
Business-type Activities							
Long-term Liabilities		3,781,994	1,176,543	309,719	4,648,818	341,368	38,233
Total		\$ 7,753,527	\$ 2,319,085	\$ 564,805	\$ 9,507,807	\$ 646,107	\$ 139,598

(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 annually 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, 2011, 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>								
2012	\$ 175,000	\$ 150,072	\$ 60,000	\$ 7,778			\$ 66,391	\$ 33,552
2013	95,000	141,713	60,000	5,798			69,542	30,399
2014	145,000	138,451	65,000	3,608			22,177	27,098
2015	145,000	134,776	65,000	1,214			23,277	25,998
2016	150,000	130,913					17,660	24,841
2017-2021	850,000	509,063					102,463	110,041
2022-2026	1,025,000	442,546					130,769	81,733
2027-2031	1,270,000	221,217					166,898	45,604
3032-3033	140,000	5,980					79,025	5,975
Totals	<u>\$ 3,995,000</u>	<u>\$ 1,874,731</u>	<u>\$ 250,000</u>	<u>\$ 18,398</u>	<u>\$</u>	<u>\$</u>	<u>\$ 678,202</u>	<u>\$ 385,241</u>
<u>Business-Type Activities</u>								
2012					\$ 322,169	\$ 82,176		
2013					370,233	92,519		
2014					384,018	76,938		
2015					397,396	67,153		
2016					367,444	58,599		
2017-2021					1,473,733	167,326		
2022-2026					937,973	64,100		
2027-2030					470,469	12,535		
Totals	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,723,435</u>	<u>\$ 621,346</u>	<u>\$</u>	<u>\$</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	\$ 366,042	\$
Capital Projects Fund:		
2009 Improvement Project Fund	205,041	
Debt Service Fund:		
2009 Improvement Project Fund	102,721	
Enterprise Funds:		
Liquor Fund		166,042
Electric Fund	300,000	
Sewer Fund		807,762
Total	<u>\$ 973,804</u>	<u>\$ 973,804</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Funds:		
Ambulance	\$ 20,000	\$ 22,875
Fire Fund	20,000	
Business Flood Recovery Loan Program		516,700
EDA Revolving Loan	516,700	
Capital Project Funds:		
Capital improvements	10,000	20,000
Debt Service		
2008 Ambulance Capital Lease	22,875	
2009 Improvement Project	31,184	
Enterprise Funds:		
Electric Fund		10,000
Water Fund		18,304
Sewer Fund		12,880
Total Transfers	<u>\$ 600,759</u>	<u>\$ 600,759</u>
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 79,284	\$
Airport Operations Fund		45,835
Capital Improvements Fund	280,559	
Levee Improvement Project Fund		144,038
Economic Development Fund	300,000	
Flood Restoration Fund		360,355
EDA Revolving Loan Fund	100,000	
Community Center Fund		37,729
2009 & 2011 Improvement Project Fund		152,105
2009 Improvement Project Debt Service Fund	200,000	
Library Fund	45,835	
Ambulance Fund	152,472	
Fire Fund	30,674	
Subtotal Governmental Funds	<u>1,188,824</u>	<u>740,062</u>
Enterprise Funds	<u>67,994</u>	<u>516,756</u>
Totals	<u>\$ 1,256,818</u>	<u>\$ 1,256,818</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

	Restricted Net Assets Imposed By			Total
	Grantors	Contributors	Creditors	
<b>Major Governmental Funds:</b>				
Business Flood Recovery Loan Program Fund:				
Restricted for refunding of principal on flood loans	\$ 722	\$	\$	\$ 722
<b>Nonmajor Governmental Funds:</b>				
EDA Revolving Loan Fund:				
Restricted for future EDA Loans	649,884			649,884
Library Fund:				
Restricted for new building		128,511		128,511
2004 G.O. TIF Refunding Debt Service Fund:				
Restricted for future debt service			99,923	99,923
2009 Improvement Project Debt Service Fund:				
Restricted for future debt service			290,034	290,034
2011 Improvement Project Debt Service Fund:				
Restricted for future debt service			94,061	94,061
G.O. Bonds Debt Service Fund:				
Restricted for future debt service			76,133	76,133
Fire and Police Garage Debt Service Fund:				
Restricted for future debt service			8,961	8,961
Equipment Capital Leases Debt Service Fund:				
Restricted for future debt service			33,196	33,196
EDA Land Purchase Debt Service Fund:				
Restricted for future debt service			4,400	4,400
<b>Total Governmental Activities</b>	<b>649,884</b>	<b>128,511</b>	<b>606,708</b>	<b>1,385,103</b>
<b>Major Proprietary Funds:</b>				
Liquor Fund:				
Due from FEMA	91,344			91,344
Electric Utility Fund:				
Due from FEMA	160,882			160,882
Restricted for future debt service and capital expenditures			193,063	193,063
Water Utility Fund:				
Due from FEMA	248,877			248,877
Restricted for future debt service and capital expenditures			272,140	272,140
Sewer Utility Fund:				
Due from FEMA	190,669			190,669
Restricted for future debt service and capital expenditures			286,213	286,213
<b>Total Business-Type Activities</b>	<b>691,772</b>		<b>751,416</b>	<b>1,443,188</b>
<b>Total Restricted Net Assets</b>	<b>\$ 1,341,656</b>	<b>\$ 128,511</b>	<b>\$ 1,358,124</b>	<b>\$ 2,828,291</b>
		406 Capital Improvements Fund		
<b>Committed Fund Balance:</b>				
Future and ongoing capital improvement construction projects and equipment	\$ 285,962			

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**10. 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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10. 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 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members, 7.25% for Coordinated Plan GERS members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$42,707, \$42,557, and \$38,524, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$29,903, \$27,424, and \$26,121, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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11. 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 2011, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2011 and as of December 31, 2011 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 2011 totaling \$21,730 together with an additional contribution of \$2,250 from the City General Fund.

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

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 12. 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 2011.

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 2011. 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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#### 13. 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.

**CITY OF RUSHFORD, MINNESOTA**

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS**

**DECEMBER 31, 2011**

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2011

**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, 2011**

	Special Revenue					Debt Service		
	<u>614/615</u>	<u>203</u>	<u>211</u>	<u>607</u>	<u>213</u>	Total	<u>378</u>	<u>350</u>
	Fire Department	EDA Revolving Loan					Library	Ambulance
<b>ASSETS</b>								
Cash and investments	\$ 455,004	\$	\$ 71,477	\$ 19,099	\$	\$ 545,580	\$ 99,121	\$ 88,206
Accrued interest receivable	1,343			300		1,643		
Accounts receivable	1,065			21,792		22,857		
Loans receivable		329,508				329,508		
Special assessments receivable:								
Deferred								436,037
Prepaid items			233	1,154		1,387		
Taxes receivable - delinquent	960		2,716		52	3,728	2,533	1,941
Due from other funds	30,674	100,000	45,835	152,472		328,981		200,000
Advances to other funds								102,721
Due from other governmental units	16,700		1,575	54,789		73,064	802	1,828
Restricted cash		649,884	128,511			778,395		
<b>TOTAL ASSETS</b>	<b>\$ 505,746</b>	<b>\$ 1,079,392</b>	<b>\$ 250,347</b>	<b>\$ 249,606</b>	<b>\$ 52</b>	<b>\$ 2,085,143</b>	<b>\$ 102,456</b>	<b>\$ 830,733</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts payable	\$ 3,105	\$ 1,145	\$ 310	\$ 2,214	\$ 447	\$ 7,221	\$	\$
Due to other funds					37,729	37,729		
Deferred revenue	17,327	329,508	3,457	71,112	52	421,456	2,533	437,978
Total Liabilities	20,432	330,653	3,767	73,326	38,228	466,406	2,533	437,978
<b>Fund Balance</b>								
<b>Nonspendable:</b>								
Prepaid items			233	1,154		1,387		
Advances to other funds								102,721
<b>Restricted:</b>								
<b>Externally imposed by:</b>								
<b>Grantors:</b>								
Flood loans		649,884				649,884		
Creditors (debt covenants)							99,923	290,034
Contributors			128,511			128,511		
Assigned	485,314	98,855	117,836	175,126		877,131		
Unassigned					(38,176)	(38,176)		
Total Fund Balance	485,314	748,739	246,580	176,280	(38,176)	1,618,737	99,923	392,755
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 505,746</b>	<b>\$ 1,079,392</b>	<b>\$ 250,347</b>	<b>\$ 249,606</b>	<b>\$ 52</b>	<b>\$ 2,085,143</b>	<b>\$ 102,456</b>	<b>\$ 830,733</b>

Capital Project

<u>351</u> 2011 Improvement Project	<u>353,</u> <u>354,355</u> G.O. Bonds	<u>381</u> Fire & Police Garage	<u>382 / 383</u> Equipment Capital Leases	<u>360</u> EDA Land Purchase	Total	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>700</u> Flood Restoration	Total
\$ 94,061	\$ 75,351	\$ 971	\$ 32,887	\$ 3,922	\$ 394,519	\$ 83,619	\$ 48,558	\$	\$ 1,072,276
									1,643
									22,857
									329,508
					436,037				436,037
						41			1,428
10	3,247	445	973	1,408	10,557	1,887			16,172
					200,000	300,000			828,981
					102,721				102,721
	782	129	309	478	4,328	556		380,878	458,826
		7,861			7,861				786,256
<u>\$ 94,071</u>	<u>\$ 79,380</u>	<u>\$ 9,406</u>	<u>\$ 34,169</u>	<u>\$ 5,808</u>	<u>\$ 1,156,023</u>	<u>\$ 386,103</u>	<u>\$ 48,558</u>	<u>\$ 380,878</u>	<u>\$ 4,056,705</u>
\$	\$	\$	\$	\$	\$	\$ 4,083	\$	\$	\$ 11,304
								360,355	398,084
10	3,247	445	973	1,408	446,594	1,887		380,878	1,250,815
10	3,247	445	973	1,408	446,594	5,970		741,233	1,660,203
							41		1,428
					102,721				102,721
94,061	76,133	8,961	33,196	4,400	606,708				649,884
									606,708
									128,511
						380,092	48,558		1,305,781
								(360,355)	(398,531)
<u>94,061</u>	<u>76,133</u>	<u>8,961</u>	<u>33,196</u>	<u>4,400</u>	<u>709,429</u>	<u>380,133</u>	<u>48,558</u>	<u>(360,355)</u>	<u>2,396,502</u>
<u>\$ 94,071</u>	<u>\$ 79,380</u>	<u>\$ 9,406</u>	<u>\$ 34,169</u>	<u>\$ 5,808</u>	<u>\$ 1,156,023</u>	<u>\$ 386,103</u>	<u>\$ 48,558</u>	<u>\$ 380,878</u>	<u>\$ 4,056,705</u>

**CITY OF RUSHFORD, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2011**

	Special Revenue					Debt Service		
	<u>614</u>	<u>203</u>	<u>211</u>	<u>607</u>	<u>213</u>	<u>378</u>	<u>350</u>	
	Fire Department	EDA Revolving Loan	Library	Ambulance	Community Center	2004 G.O. TIF Refunding Bonds	2009 Improvement Project	
<b>REVENUES</b>								
Property tax	\$ 26,404	\$	\$ 65,978	\$	\$	\$ 92,382	\$ 63,534	\$ 59,317
Tax increments								
Intergovernmental	40,111		45,717	6,500	20,000	112,328	3,744	3,514
Charges for services	56,467		15,420	151,205		223,092		
Special assessments								67,892
Interest income	7,831	3,279	229	2,074		13,413	140	597
Miscellaneous	17,433	6,042	48,703	9,094		81,272		
<b>TOTAL REVENUES</b>	<b>148,246</b>	<b>9,321</b>	<b>176,047</b>	<b>168,873</b>	<b>20,000</b>	<b>522,487</b>	<b>67,418</b>	<b>131,320</b>
<b>EXPENDITURES</b>								
Public safety	100,243			148,074		248,317		
Library			113,637			113,637		
Community center					64,694	64,694		
Debt service							64,994	105,024
Capital outlay								
Economic development		109,165				109,165		
<b>TOTAL EXPENDITURES</b>	<b>100,243</b>	<b>109,165</b>	<b>113,637</b>	<b>148,074</b>	<b>64,694</b>	<b>535,813</b>	<b>64,994</b>	<b>105,024</b>
Excess (deficiency) of revenues over (under) expenditures	48,003	(99,844)	62,410	20,799	(44,694)	(13,326)	2,424	26,296
<b>OTHER FINANCING SOURCES (USES)</b>								
Issuance of debt								
Transfers in	20,000	516,700				536,700		31,184
Transfer out				(22,875)		(22,875)		
Total other financing sources (uses)	20,000	516,700		(22,875)		513,825		31,184
<b>EXTRAORDINARY ITEMS</b>								
Flood recovery costs								
Extraordinary items, net								
Net change in fund balances	68,003	416,856	62,410	(2,076)	(44,694)	500,499	2,424	57,480
<b>FUND BALANCES, Beginning</b>	<b>417,311</b>	<b>331,883</b>	<b>184,170</b>	<b>178,356</b>	<b>6,518</b>	<b>1,118,238</b>	<b>97,499</b>	<b>335,275</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 485,314</b>	<b>\$ 748,739</b>	<b>\$ 246,580</b>	<b>\$ 176,280</b>	<b>\$ (38,176)</b>	<b>\$ 1,618,737</b>	<b>\$ 99,923</b>	<b>\$ 392,755</b>

						Capital Project			
<u>351</u>	<u>353,</u>	<u>381</u>	<u>382 / 383</u>	<u>360</u>		<u>202</u>	<u>405</u>	<u>700</u>	
2011	<u>354, 355</u>	Fire &	Equipment	EDA		Economic	Tax	Flood	
Improvement	G.O.	Police	Capital	Land	Total	Development	Increment	Restoration	Total
Project	Bonds	Garage	Leases	Purchase					
\$	\$ 62,997	\$10,270	\$ 24,487	\$ 37,916	\$ 258,521	\$ 44,086	\$	\$	\$ 394,989
	3,652	604	1,442	2,230	15,186	102,593	10,026		10,026
									230,107
									223,092
66,745	8,417				143,054				143,054
3,030	74	17	739		4,597	764	105	(2,491)	16,388
						5,500		7,456	94,228
<u>69,775</u>	<u>75,140</u>	<u>10,891</u>	<u>26,668</u>	<u>40,146</u>	<u>421,358</u>	<u>152,943</u>	<u>10,131</u>	<u>4,965</u>	<u>1,111,884</u>
									248,317
									113,637
									64,694
750	143,026	10,861	50,667	42,551	417,873				417,873
						35,919	9,024		44,943
						51,634			160,799
<u>750</u>	<u>143,026</u>	<u>10,861</u>	<u>50,667</u>	<u>42,551</u>	<u>417,873</u>	<u>87,553</u>	<u>9,024</u>		<u>1,050,263</u>
69,025	(67,886)	30	(23,999)	(2,405)	3,485	65,390	1,107	4,965	61,621
25,036					25,036				25,036
			22,875		54,059				590,759
									(22,875)
<u>25,036</u>			<u>22,875</u>		<u>79,095</u>				<u>592,920</u>
								(800)	(800)
								(800)	(800)
94,061	(67,886)	30	(1,124)	(2,405)	82,580	65,390	1,107	4,165	653,741
	144,019	8,931	34,320	6,805	626,849	314,743	47,451	(364,520)	1,742,761
<u>\$ 94,061</u>	<u>\$ 76,133</u>	<u>\$ 8,961</u>	<u>\$ 33,196</u>	<u>\$ 4,400</u>	<u>\$ 709,429</u>	<u>\$ 380,133</u>	<u>\$ 48,558</u>	<u>\$ (360,355)</u>	<u>\$ 2,396,502</u>

**CITY OF RUSHFORD, MINNESOTA**  
**FIRE DEPARTMENT FUND (614)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2011**  
**With Comparative Totals for December 31, 2010**

	Budgeted Amounts		2011 Actual Amounts			Variance with Final Budget	2010 Actual Amounts
	Original	Final	General	Mill Rate	Total	Positive (Negative)	
<b>REVENUES</b>							
<b>Property Tax Levy</b>							
Property taxes collected	\$ 27,500	\$ 30,000	\$ 26,404		\$ 26,404	\$ (3,596)	\$ 24,683
<b>Intergovernmental Revenues</b>							
Fire relief aid	18,000	21,100	21,730		21,730	630	18,614
Market value, county & grant aid	2,500	2,500	18,381		18,381	15,881	1,767
Total Intergovernmental revenues	20,500	23,600	40,111		40,111	16,511	20,381
<b>Charges For Services</b>							
Township contributions	46,000	46,414		46,414	46,414		41,486
Fire calls, contracts and water hauling	7,000	7,000	10,053		10,053	3,053	9,018
Total Charges For Services	53,000	53,414	10,053	46,414	56,467	3,053	50,504
<b>Interest Income</b>							
	4,000	4,500	3,672	4,159	7,831	3,331	7,312
<b>Miscellaneous Revenues</b>							
Donations	14,000	14,000	17,433		17,433	3,433	17,152
<b>TOTAL REVENUES</b>	<b>119,000</b>	<b>125,514</b>	<b>97,673</b>	<b>50,573</b>	<b>148,246</b>	<b>22,732</b>	<b>120,032</b>
<b>EXPENDITURES</b>							
<b>Public Safety</b>							
Salaries	12,000	12,000	10,110		10,110	1,890	9,917
Fire relief aid	21,050	24,142	24,505		24,505	(363)	21,374
Office supplies	450	450	312		312	138	179
Meeting and conferences	9,000	9,000	7,099		7,099	1,901	8,447
General supplies	8,250	9,050	7,966	142	8,108	942	7,909
Professional services	1,100	950	920		920	30	1,000
Telephone	550	600	609		609	(9)	578
Insurance	11,300	9,800	8,560		8,560	1,240	9,827
Utilities	4,450	4,250	4,259		4,259	(9)	3,551
Benefit dances	900	900	581		581	319	641
Repairs and maintenance	2,800	3,000	1,072	1,131	2,203	797	2,808
Dues, subscriptions and fees	1,400	1,400	1,243		1,243	157	912
Miscellaneous	13,800	11,700	11,259	1,350	12,609	(909)	15,040
Capital outlay	6,000	8,000	19,125		19,125	(11,125)	27,232
<b>TOTAL EXPENDITURES</b>	<b>93,050</b>	<b>95,242</b>	<b>97,620</b>	<b>2,623</b>	<b>100,243</b>	<b>(5,001)</b>	<b>109,415</b>
Excess revenues over expenditures	25,950	30,272	53	47,950	48,003	17,731	10,617
<b>OTHER FINANCING SOURCES</b>							
Transfers in	20,000	20,000	20,000		20,000		20,000
Net change in fund balance	45,950	50,272	20,053	47,950	68,003	17,731	30,617
<b>FUND BALANCES, BEGINNING</b>	<b>417,311</b>	<b>417,311</b>	<b>199,493</b>	<b>217,818</b>	<b>417,311</b>		<b>386,694</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 463,261</b>	<b>\$ 467,583</b>	<b>\$ 219,546</b>	<b>\$ 265,768</b>	<b>\$ 485,314</b>	<b>\$ 17,731</b>	<b>\$ 417,311</b>

CITY OF RUSHFORD, MINNESOTA  
 EDA REVOLVING LOAN FUND (203)  
 Statement of Revenues and Expenditures - Budget and Actual  
 For the Year Ended December 31, 2011  
 With Comparative Totals for December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Interest Income	\$	\$	\$ 3,279	\$ 3,279	\$ 2,571
<b>Miscellaneous Revenues</b>					
Loan principal			6,042	6,042	3,883
<b>TOTAL REVENUES</b>			9,321	9,321	6,454
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Professional services		10,900	10,612	288	
Telephone					19
Dues, subscriptions and fees		1,700	1,610	90	46
Loans		100,000	96,943	3,057	379,896
Interest expense					325
<b>TOTAL EXPENDITURES</b>		112,600	109,165	3,435	380,286
Excess (deficit) of revenues over (under) expenditures		(112,600)	(99,844)	12,756	(373,832)
<b>OTHER FINANCING USES</b>					
Transfers in			516,700	516,700	457,781
Net change in fund balance		(112,600)	416,856	529,456	83,949
FUND BALANCES, BEGINNING	331,883	331,883	331,883		247,934
FUND BALANCES, ENDING	\$331,883	\$219,283	\$ 748,739	\$ 529,456	\$331,883

**CITY OF RUSHFORD, MINNESOTA**  
**LIBRARY FUND (211)**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2011**  
**With Comparative Totals for December 31, 2010**

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$ 75,000	\$ 75,000	\$ 65,978	\$ (9,022)	\$ 60,696
<b>Intergovernmental Revenues</b>					
County apportionment and other revenue	30,660	30,660	31,827	1,167	33,018
Local government aid	10,000	10,000	10,000		11,180
Market value			3,890	3,890	3,601
Total Intergovernmental Revenues	40,660	40,660	45,717	5,057	47,799
<b>Interest Income</b>	200	200	229	29	316
<b>Miscellaneous Revenues</b>					
Capital campaign donations			48,703	48,703	79,808
Fines, books and other	7,500	7,500	15,420	7,920	8,410
Total Miscellaneous Revenues	7,500	7,500	64,123	56,623	88,218
<b>TOTAL REVENUES</b>	123,360	123,360	176,047	52,687	197,029
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	74,444	74,444	75,703	(1,259)	69,233
Employee benefits and retirement	9,600	9,600	10,751	(1,151)	9,609
Office supplies	1,350	1,350	580	770	890
General supplies	2,000	2,000	1,498	502	1,549
Professional services	850	850	710	140	850
Telephone	750	750	653	97	674
Insurance	2,100	2,100	1,418	682	1,752
Utilities	2,250	2,250	1,782	468	1,603
Repairs and maintenance	521	2,600	581	2,019	2,348
Dues, subscriptions and fees	1,600	1,600	1,072	528	1,541
SELCO contract	2,079	2,079	2,079		2,079
Computer line fee	6,000	6,000	5,963	37	5,909
Miscellaneous	3,100	3,100	2,470	630	3,310
Capital outlay	17,121	15,042	8,377	6,665	16,012
<b>TOTAL EXPENDITURES</b>	123,765	123,765	113,637	10,128	117,359
Excess (deficit) of revenues over (under) expenditures	(405)	(405)	62,410	62,815	79,670
<b>FUND BALANCES, BEGINNING</b>	184,170	184,170	184,170		104,500
<b>FUND BALANCES, ENDING</b>	\$ 183,765	\$ 183,765	\$ 246,580	\$ 62,815	\$ 184,170

**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, 2011**  
**With Comparative Totals for December 31, 2010**

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Intergovernmental Revenues</b>					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
SE Minnesota EMS Grant			2,000	2,000	
Total Intergovernmental revenues	4,500	4,500	6,500	2,000	4,500
<b>Charges For Services</b>					
Fees from runs	165,000	165,000	134,881	(30,119)	151,108
City and township contracts	15,868	16,324	16,324		15,868
Total Charges For Services	180,868	181,324	151,205	(30,119)	166,976
<b>Interest Income</b>	3,000	3,000	2,074	(926)	1,730
<b>Miscellaneous Revenues</b>					
Other	3,500	3,500	9,094	5,594	2,953
Total Miscellaneous revenues	3,500	3,500	9,094	5,594	2,953
<b>TOTAL REVENUES</b>	191,868	192,324	168,873	(23,451)	176,159
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	61,746	63,000	63,452	(452)	63,863
Employee benefits and retirement	7,350	7,350	7,163	187	6,967
Office supplies and expense	1,000	1,000	854	146	821
Meeting and conferences	14,000	14,000	11,514	2,486	13,685
Gas, oil and supplies	4,500	4,500	5,256	(756)	4,169
General supplies	10,400	10,400	12,340	(1,940)	8,918
Professional services	1,200	1,200	920	280	1,690
Telephone	1,400	1,400	1,403	(3)	1,386
Insurance	6,900	6,900	4,894	2,006	6,277
Utilities	3,600	3,600	2,757	843	2,520
Repairs and maintenance	3,200	3,200	1,797	1,403	4,657
Dues, subscriptions and fees	1,000	8,500	8,292	208	8,673
Miscellaneous	2,000	2,000	4,088	(2,088)	1,791
Bad debt expense			18,680	(18,680)	81,258
Capital outlay	3,000	3,000	4,664	(1,664)	(922)
<b>TOTAL EXPENDITURES</b>	121,296	130,050	148,074	(18,024)	205,753
Excess (deficiency) of revenues over (under) expenditures	70,572	62,274	20,799	(41,475)	(29,594)
<b>OTHER FINANCING USES</b>					
Transfer out	(22,874)	(22,874)	(22,875)	1	(22,875)
Net change in fund balance	47,698	39,400	(2,076)	(41,474)	(52,469)
<b>FUND BALANCES, BEGINNING</b>	178,356	178,356	178,356		230,825
<b>FUND BALANCES, ENDING</b>	\$ 226,054	\$ 217,756	\$ 176,280	\$ (41,474)	\$ 178,356

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, 2011  
With Comparative Totals for December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$	\$	\$	\$	\$ 35
<b>Intergovernmental Revenues</b>					
Local government aid	20,000	20,000	20,000		16,770
<b>TOTAL REVENUES</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>		<b>16,805</b>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Contractual services	20,000	20,000	705	19,295	
General supplies			148	(148)	1,194
Professional services			300	(300)	400
Insurance			81	(81)	244
Capital outlay			61,741	(61,741)	317,307
<b>TOTAL EXPENDITURES</b>	<b>20,000</b>	<b>20,000</b>	<b>64,694</b>	<b>(44,694)</b>	<b>319,145</b>
Excess (deficit) of revenues over (under) expenditures			(44,694)	(44,694)	(302,340)
<b>OTHER FINANCING SOURCES</b>					
Transfers in					400,000
Net change in fund balance			(44,694)	(44,694)	97,660
<b>FUND BALANCES, BEGINNING</b>	<b>6,518</b>	<b>6,518</b>	<b>6,518</b>		<b>(91,142)</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 6,518</b>	<b>\$ 6,518</b>	<b>\$ (38,176)</b>	<b>\$ (44,694)</b>	<b>\$ 6,518</b>

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, 2011  
 With Comparative Totals for December 31, 2010

	2011				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 50,000	\$ 50,000	\$ 44,086	\$ (5,914)	\$ 44,213
Intergovernmental revenues					
State EDA grant aid	228,675	228,675		(228,675)	175,226
Local government aid	100,000	100,000	100,000		100,624
Market value credit			2,593	2,593	2,620
Interest income			764	764	822
Miscellaneous			5,500	5,500	9,017
<b>TOTAL REVENUES</b>	<b>378,675</b>	<b>378,675</b>	<b>152,943</b>	<b>(225,732)</b>	<b>332,522</b>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Salaries	13,000	13,000	13,000		11,000
Employee benefits and retirement	100	100	82	18	696
General supplies	700	700	524	176	740
Professional service	8,800	8,800	5,911	2,889	8,021
Telephone	1,100	1,100	1,019	81	867
Utilities	1,000	1,000	577	423	
Insurance	800	800	432	368	584
License, dues and subscriptions	3,100	3,100	1,200	1,900	1,313
Miscellaneous	1,700	1,700	331	1,369	834
Capital outlay	60,000	60,000	35,919	24,081	5,238
Economic development	52,400	52,400	28,558	23,842	185,494
<b>TOTAL EXPENDITURES</b>	<b>142,700</b>	<b>142,700</b>	<b>87,553</b>	<b>55,147</b>	<b>214,787</b>
Excess (deficiency) of revenues over (under) expenditures	235,975	235,975	65,390	(170,585)	117,735
<b>FUND BALANCES, Beginning</b>	<b>314,743</b>	<b>314,743</b>	<b>314,743</b>		<b>197,008</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 550,718</b>	<b>\$ 550,718</b>	<b>\$ 380,133</b>	<b>\$ (170,585)</b>	<b>\$ 314,743</b>

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**CITY OF RUSHFORD, MINNESOTA**

**ENTERPRISE FUNDS**

**December 31, 2011**

**CITY OF RUSHFORD, MINNESOTA**  
**LIQUOR FUND (609)**  
**Comparative Balance Sheets**  
**December 31, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 110	\$ 72
Accounts receivable	91,344	91,344
Due from other governmental units	210	38,238
Merchandise inventory		1,325
Prepaid insurance		1,325
Total Current Assets	91,664	130,979
<b>Property and Equipment</b>		
Building	766,148	766,148
Furniture and equipment	76,635	76,635
Total	842,783	842,783
Less: Accumulated depreciation	86,438	58,130
Net Property, Plant and Equipment	756,345	784,653
<b>TOTAL ASSETS</b>	<b>\$ 848,009</b>	<b>\$ 915,632</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 10,615	\$ 6,033
Due to other funds	80,729	200,241
Advances from other funds	166,042	
Accrued wages		13,946
Accrued sales tax		3,913
Total Liabilities	257,386	224,133
<b>Net Assets</b>	590,623	691,499
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 848,009</b>	<b>\$ 915,632</b>

CITY OF RUSHFORD, MINNESOTA  
LIQUOR FUND (609)  
Statement of Revenues, Expenses  
and Changes in Net Assets  
For the Year Ended December 31, 2011  
*With Comparative Totals for December 31, 2010*

	2011	2010
<b>Operating Revenues</b>		
Total sales	\$ 149,863	\$ 458,793
Cost of sales	122,929	325,474
Gross Profit	<u>26,934</u>	<u>133,319</u>
<b>Operating Expenses</b>		
Salaries and wages	54,593	112,463
Employee benefits and retirement	8,485	15,416
Office supplies	388	546
General supplies	1,338	5,368
Contracted services	2,305	9,868
Advertising	1,106	3,812
Telephone	614	792
Utilities	8,008	15,919
Insurance	3,578	8,555
Repairs and maintenance	1,289	2,033
Depreciation	28,308	28,236
Licenses, dues and subscriptions	2,504	6,171
Miscellaneous expense		975
Total Operating Expenses	<u>112,516</u>	<u>210,154</u>
Operating Income (Loss)	<u>(85,582)</u>	<u>(76,835)</u>
<b>Nonoperating Revenue and (Expense)</b>		
Interest expense	(539)	(705)
Unemployment expense	(18,134)	
Miscellaneous revenues	2,962	
Rental income	417	2,394
Total Nonoperating Revenue and (Expense)	<u>(15,294)</u>	<u>1,689</u>
<b>Net Loss Before Extraordinary Items</b>	(100,876)	(75,146)
Extraordinary items		<u>(32,615)</u>
<b>Change in Net Assets</b>	(100,876)	(107,761)
<b>Net Assets, Beginning of Year</b>	<u>691,499</u>	<u>799,260</u>
<b>Net Assets, End of Year</b>	<u>\$ 590,623</u>	<u>\$ 691,499</u>

**CITY OF RUSHFORD, MINNESOTA**  
**LIQUOR FUND**  
**Gross Profit Schedule**  
**December 31, 2011**  
*With Comparative Totals for December 31, 2010*

	Liquor	Beer	Misc	Totals	
				2011	2010
<b>Sales</b>					
On sale	\$ 2,125	\$ 4,526	\$ 333	\$ 6,984	\$ 93,167
Off sale	49,072	91,688	2,119	142,879	365,626
<b>Total Sales</b>	<b>51,197</b>	<b>96,214</b>	<b>2,452</b>	<b>149,863</b>	<b>458,793</b>
<b>Cost of Sales</b>					
Inventory, January 1	22,019	14,946	1,273	38,238	46,062
Purchases	19,045	63,692	690	83,427	315,402
Freight	1,264			1,264	2,248
<b>Total</b>	<b>42,328</b>	<b>78,638</b>	<b>1,963</b>	<b>122,929</b>	<b>363,712</b>
Less: Inventory, December 31					38,238
<b>Total Cost of Sales</b>	<b>42,328</b>	<b>78,638</b>	<b>1,963</b>	<b>122,929</b>	<b>325,474</b>
<b>Gross Profit</b>	<b>\$ 8,869</b>	<b>\$ 17,576</b>	<b>\$ 489</b>	<b>\$ 26,934</b>	<b>\$ 133,319</b>
<b>Gross Profit Percentage</b>	<b>17%</b>	<b>18%</b>	<b>20%</b>	<b>18%</b>	<b>29%</b>
<b>Gross Profit Percentage:</b>					
2010	28%	29%	34%	29%	
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, 2011  
 With Comparative Totals for December 31, 2010

	2011		Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 1,675,000	\$ 1,650,208	\$ (24,792)	\$ 1,560,909
<b>Operating Expenses</b>				
<b>Cost of Production</b>				
Purchased power	1,100,000	1,092,963	7,037	1,056,836
<b>Distribution</b>				
Salaries	8,600	9,941	(1,341)	4,383
Gas, oil and supplies	2,000	1,727	273	2,038
General supplies	2,500	3,891	(1,391)	2,091
Professional services	12,000	7,717	4,283	7,839
Repairs and maintenance	11,993	50,358	(38,365)	55,698
Depreciation and amortization	115,607	115,607		121,263
Total Distribution	152,700	189,241	(36,541)	193,312
<b>General Administration</b>				
Salaries	179,000	174,173	4,827	160,417
Employee benefits and retirement	24,000	24,354	(354)	23,224
Office supplies and expense	1,000	659	341	936
Professional services	5,200	3,881	1,319	6,611
Postage	4,500	4,878	(378)	3,997
Printing and publishing	700	573	127	599
Insurance	6,200	5,276	924	6,063
Dues, subscriptions and fees	6,500	5,317	1,183	6,340
Miscellaneous	3,850	2,629	1,221	2,387
Total General Administration	230,950	221,740	9,210	210,574
<b>Total Operating Expenses</b>	1,483,650	1,503,944	(20,294)	1,460,722
<b>Operating Income (Loss)</b>	191,350	146,264	(45,086)	100,187
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(22,513)	(21,853)	660	(37,092)
Interest income	3,000	2,979	(21)	4,851
Penalty income	10,000	14,469	4,469	12,717
Service fee - refuse billings	3,800	3,667	(133)	3,375
Legal settlement	(500)	(50)	450	(2,313)
Compost site fees	2,900	3,806	906	2,394
Grants	180,150	180,039	(111)	
Miscellaneous income	8,000	10,187	2,187	12,714
Total Other Income (Expense)	184,837	193,244	8,407	(3,354)
<b>Net Income (Loss) Before   Extraordinary Items and Transfers</b>	376,187	339,508	(36,679)	96,833
Extraordinary items				(399,711)
Transfers out	(10,000)	(10,000)		
<b>Change in Net Assets</b>	366,187	329,508	(36,679)	(302,878)
<b>Net Assets, Beginning of Year</b>	1,673,918	1,673,918		1,976,796
<b>Net Assets, End of Year</b>	\$ 2,040,105	\$ 2,003,426	\$ (36,679)	\$ 1,673,918

CITY OF RUSHFORD, MINNESOTA  
 UTILITIES FUND (601)  
 WATER DEPARTMENT  
 Statement of Revenues and Expenses - Budget and Actual  
 For the Year Ended December 31, 2011  
 With Comparative Totals for December 31, 2010

	2011		Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 401,000	\$ 418,143	\$ 17,143	\$ 353,855
<b>Operating Expenses</b>				
<b>Distribution</b>				
Salaries	72,260	63,092	9,168	53,479
Utilities and fuel oil	23,500	21,542	1,958	19,835
Gas, oil and supplies	15,800	9,475	6,325	10,263
General supplies	1,500	667	833	659
Professional services	10,000	9,689	311	14,002
Repairs and maintenance	39,000	19,450	19,550	31,421
Depreciation and amortization	175,703	175,703		172,974
Sewage and water testing	1,500	636	864	1,226
Total Distribution	<u>339,263</u>	<u>300,254</u>	<u>39,009</u>	<u>303,859</u>
<b>General Administration</b>				
Salaries	35,000	31,568	3,432	33,574
Employee benefits and retirement	15,855	13,590	2,265	12,753
Office supplies and expense	500	465	35	309
Professional services	5,500	3,883	1,617	4,815
Postage	100	69	31	100
Printing and publishing	950	920	30	666
Insurance	8,300	6,368	1,932	6,892
Dues, subscriptions and fees	1,500	1,361	139	1,493
Miscellaneous	3,200	1,783	1,417	5,529
Total General Administration	<u>70,905</u>	<u>60,007</u>	<u>10,898</u>	<u>66,131</u>
<b>Total Operating Expenses</b>	<u>410,168</u>	<u>360,261</u>	<u>49,907</u>	<u>369,990</u>
<b>Operating Income (Loss)</b>	<u>(9,168)</u>	<u>57,882</u>	<u>67,050</u>	<u>(16,135)</u>
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(49,431)	(53,140)	(3,709)	(43,762)
Interest income		112	112	(732)
Grants				10,701
Miscellaneous income		46,279	46,279	1,057
Total Other Income (Expense)	<u>(49,431)</u>	<u>(6,749)</u>	<u>42,682</u>	<u>(32,736)</u>
<b>Income (Loss) Before Extraordinary Items and Transfers</b>	<u>(58,599)</u>	<u>51,133</u>	<u>109,732</u>	<u>(48,871)</u>
Extraordinary items				(133,879)
Transfers out		(18,304)	(18,304)	
<b>Change in Net Assets</b>	<u>(58,599)</u>	<u>32,829</u>	<u>91,428</u>	<u>(182,750)</u>
<b>Net Assets, Beginning of Year</b>	<u>1,634,208</u>	<u>1,634,208</u>		<u>1,816,958</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,575,609</u>	<u>\$ 1,667,037</u>	<u>\$ 91,428</u>	<u>\$ 1,634,208</u>

CITY OF RUSHFORD, MINNESOTA  
 UTILITIES FUND (602)  
 SEWER DEPARTMENT  
 Statement of Revenues and Expenses - Budget and Actual  
 For the Year Ended December 31, 2011  
 With Comparative Totals for December 31, 2010

	2011		Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 359,000	\$ 357,808	\$ (1,192)	\$ 304,421
<b>Operating Expenses</b>				
<b>Distribution</b>				
Salaries	106,800	112,626	(5,826)	90,068
Utilities and fuel oil	30,800	31,508	(708)	29,505
Gas, oil and supplies	2,100	1,617	483	2,053
General supplies	6,000	5,959	41	6,290
Professional services	40,000	58,603	(18,603)	65,701
Repairs and maintenance	9,000	5,812	3,188	(16,090)
Depreciation	107,790	107,790		108,423
Sewage and water testing	4,500	4,576	(76)	4,440
Total Distribution	306,990	328,491	(21,501)	290,390
<b>General Administration</b>				
Salaries	18,000	17,997	3	19,061
Employee benefits and retirement	7,450	6,377	1,073	15,847
Professional services	5,600	5,081	519	5,623
Printing and publishing	1,250	1,377	(127)	778
Insurance	6,150	5,428	722	5,512
Dues, subscriptions and fees	3,500	3,401	99	1,988
Miscellaneous	4,480	2,406	2,074	6,511
Total General Administration	46,430	42,067	4,363	55,320
<b>Total Operating Expenses</b>	353,420	370,558	(17,138)	345,710
<b>Operating Income (Loss)</b>	5,580	(12,750)	(18,330)	(41,289)
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(15,699)	(16,797)	(1,098)	(17,001)
Interest income	800	682	(118)	1,213
Loss on disposal of capital assets		(63,389)	(63,389)	
Miscellaneous income		5,108	5,108	4,760
Total Other Income (Expense)	(14,899)	(74,396)	(59,497)	(11,028)
<b>Income (Loss) Before Extraordinary Items and Transfers</b>	(9,319)	(87,146)	(77,827)	(52,317)
Extraordinary items				(938,163)
Transfers out		(12,880)	(12,880)	
<b>Change in Net Assets</b>	(9,319)	(100,026)	(90,707)	(990,480)
<b>Net Assets, Beginning of Year</b>	1,292,045	1,292,045		2,282,525
<b>Net Assets, End of Year</b>	\$ 1,282,726	\$ 1,192,019	\$ (90,707)	\$ 1,292,045

**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, 2011 and 2010**

	2011	2010
<b>Revenues</b>	<b>\$ 269,768</b>	<b>\$ 249,085</b>
<b>Expenditures</b>		
Principal	193,000	87,000
Interest	44,225	44,862
Total expenditures	<u>237,225</u>	<u>131,862</u>
<b>Excess Revenues</b>	<u>32,543</u>	<u>117,223</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	32,543	117,223
<b>Fund Balance, January 1</b>	<u>239,597</u>	<u>122,374</u>
<b>Fund Balance, December 31</b>	<u><u>\$ 272,140</u></u>	<u><u>\$ 239,597</u></u>

**CITY OF RUSHFORD, MINNESOTA**  
**SUPPLEMENTAL SCHEDULES**

**CITY OF RUSHFORD, MINNESOTA**  
**Summary of Cash and Investments**  
**December 31, 2011**

<b>CHANGE FUNDS</b>	<u>\$ 18</u>
<b>CHECKING ACCOUNTS</b>	
<i>Associated Bank</i>	
General checking account	536,301
<i>Rushford State Bank:</i>	
General checking account	<u>32,025</u>
<b>TOTAL CHECKING ACCOUNTS</b>	<u>568,326</u>
<b>SAVINGS ACCOUNTS</b>	
<i>Associated Bank:</i>	
Money market funds account	<u>1,346,580</u>
<b>DEPOSITS HELD BY FISCAL AGENTS</b>	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	<u>128,511</u>
<b>TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS</b>	<u><u>\$ 2,043,435</u></u>

CITY OF RUSHFORD, MINNESOTA  
 Summary of Cash and Investments  
 December 31, 2011

**INVESTMENTS**

TYPE	RATE	AMOUNT
<i>Rushford State Bank</i>		
Certificate	3.65%	\$ 30,000
Certificate	1.30%	160,000
Certificate	1.30%	70,000
Certificate	1.30%	155,213
Certificate	3.25%	152,000
Certificate	1.00%	100,000
<b>TOTAL INVESTMENTS</b>		<u>667,213</u>
<b>TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS</b>		<u>2,043,435</u>
<b>TOTAL CASH AND INVESTMENTS, December 31, 2011</b>		<u><u>\$ 2,710,648</u></u>

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS-TYPE ACTIVITIES**  
**Debt Retirement Schedule**  
**December 31, 2011**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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>\$ 411,915</b>	<b>\$ 47,338</b>	<b>\$ 459,253</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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>\$ 371,000</b>	<b>\$ 52,438</b>	<b>\$ 423,438</b>

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS-TYPE ACTIVITIES**  
**Debt Retirement Schedule**  
**December 31, 2011**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 60,000	\$ 21,072	\$ 81,072
2013	65,000	19,872	84,872
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>\$ 565,000</b>	<b>\$ 104,888</b>	<b>\$ 669,888</b>

\$400,000 SERIES 2007A  
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
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>\$ 298,000</b>	<b>\$ 52,786</b>	<b>\$ 350,786</b>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2011**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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>\$ 1,144,000</b>	<b>\$ 136,058</b>	<b>\$ 1,280,058</b>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2011**

\$1,057,905 SERIES 2010  
G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 56,201	\$ 8,702	\$ 64,903
2013	54,836	10,067	64,903
2014	55,387	9,516	64,903
2015	55,943	8,960	64,903
2016	56,483	8,420	64,903
2017	57,073	7,830	64,903
2018	57,647	7,256	64,903
2019	58,226	6,677	64,903
2020	58,795	6,108	64,903
2021	59,402	5,501	64,903
2022	59,999	4,904	64,903
2023	60,602	4,301	64,903
2024	61,201	3,702	64,903
2025	61,827	3,076	64,903
2026	62,448	2,455	64,903
2027	63,076	1,827	64,903
2028	63,706	1,197	64,903
2029	55,053	560	55,613
<b>TOTAL</b>	<b>\$ 1,057,905</b>	<b>\$ 101,059</b>	<b>\$ 1,158,964</b>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2011**

\$875,615 SERIES 2011  
G.O. SEWER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$	\$	\$
2013	38,251	16,069	54,320
2014	45,232	9,088	54,320
2015	45,722	8,598	54,320
2016	46,195	8,125	54,320
2017	46,718	7,602	54,320
2018	47,223	7,097	54,320
2019	47,735	6,585	54,320
2020	48,235	6,085	54,320
2021	48,774	5,546	54,320
2022	49,302	5,018	54,320
2023	49,836	4,484	54,320
2024	50,365	3,955	54,320
2025	50,921	3,399	54,320
2026	51,472	2,848	54,320
2027	52,030	2,290	54,320
2028	52,588	1,732	54,320
2029	53,163	1,157	54,320
2030	51,853	582	52,435
<b>TOTAL</b>	<b>\$ 875,615</b>	<b>\$ 100,260</b>	<b>\$ 975,875</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2011**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
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>\$ 1,269,655</b>	<b>\$ 3,999,655</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2011**

\$680,000 GENERAL OBLIGATION  
IMPROVEMENT BONDS OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 80,000	\$ 2,060	\$ 82,060
<b>TOTAL</b>	<b>\$ 80,000</b>	<b>\$ 2,060</b>	<b>\$ 82,060</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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>\$ 250,000</b>	<b>\$ 18,398</b>	<b>\$ 268,398</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2011**

**\$1,185,000 GENERAL OBLIGATION  
IMPROVEMENT BONDS OF 2011A**

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$	\$ 44,839	\$ 44,839
2013		41,390	41,390
2014	45,000	41,053	86,053
2015	45,000	40,378	85,378
2016	45,000	39,590	84,590
2017	50,000	38,640	88,640
2018	50,000	37,490	87,490
2019	50,000	36,190	86,190
2020	50,000	34,790	84,790
2021	55,000	33,215	88,215
2022	55,000	31,455	86,455
2023	55,000	29,585	84,585
2024	60,000	27,540	87,540
2025	60,000	25,320	85,320
2026	65,000	22,943	87,943
2027	65,000	20,408	85,408
2028	70,000	17,670	87,670
2029	70,000	14,730	84,730
2030	75,000	11,610	86,610
2031	80,000	8,200	88,200
2032	80,000	4,600	84,600
2033	60,000	1,380	61,380
<b>TOTAL</b>	<b>\$ 1,185,000</b>	<b>\$ 603,014</b>	<b>\$ 1,788,014</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2011**

\$99,000 USDA LOAN OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 5,598	\$ 1,177	\$ 6,775
2013	5,872	903	6,775
2014	6,159	616	6,775
2015	6,459	316	6,775
<b>TOTAL</b>	<b>\$ 24,088</b>	<b>\$ 3,012</b>	<b>\$ 27,100</b>

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
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>\$ 559,434</b>	<b>\$ 375,577</b>	<b>\$ 935,011</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2011**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 25,377	\$ 2,415	\$ 27,792
2013	26,557	1,235	27,792
<b>TOTAL</b>	<b>\$ 51,934</b>	<b>\$ 3,650</b>	<b>\$ 55,584</b>

\$100,000 AMBULANCE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 20,887	\$ 1,988	\$ 22,875
2013	21,858	1,016	22,874
<b>TOTAL</b>	<b>\$ 42,745</b>	<b>\$ 3,004</b>	<b>\$ 45,749</b>

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## 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, 2011, and have issued our report thereon dated May 16, 2012.

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 16, 2012

