

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2012

CITY OF RUSHFORD, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2012

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2012

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2012

Elected

Chris Hallum	Mayor
Robert Dahl	Council Member & <i>Mayor Pro-tem</i>
Vern Bunke	Council Member
Mark Honsey	Council Member
Roger Colbenson	Council Member

Appointed

Stephen Sarvi	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rushford, Minnesota, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rushford, Minnesota as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rushford, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor governmental fund financial statements and schedules, and the supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended December 31, 2011, from which such partial information was derived.

We have previously audited the City's 2011 financial statements and on our report dated May 16, 2012, expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafu and Associates, Ltd.

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, 2012.

New Accounting Pronouncement. The City implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2012. This standard provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will notice a change in terminology from "net assets" to "net position."

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$32,855,515 (*net position*). Of this amount, \$4,333,503 (unrestricted net position) 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 position increased by \$1,952,005 .
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$95,415 or 15 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 \$4,233,224. Approximately 64 percent of this total amount, or \$2,706,744 is nonspendable, restricted or otherwise committed.
- The City of Rushford increased total outstanding debt by \$488,289 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.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 16-18 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-two 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, EDA revolving loan fund, business flood recovery loan program fund, capital improvements fund, and the levee improvement project fund, all of which are considered to be major funds. Data from the other seventeen 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.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 25-30), EDA revolving loan fund (page 31), business flood recovery loan program fund (page 32), capital improvements fund (page 33), levee improvement project fund (page 34) and the special revenue funds (pages 65-69) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 19-24 of this report.

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 35-38 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 39-59 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 61-64 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 position 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 \$32,855,515 at the end of the most recent year.

A portion of the City of Rushford's net position (32 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 Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$21,257,427	\$ 21,219,246	\$ 773,503	\$ 632,024	\$22,030,930	\$ 21,851,270
Capital assets	11,616,347	9,570,568	9,883,742	9,891,624	21,500,089	19,462,192
Total assets	<u>32,873,774</u>	<u>30,789,814</u>	<u>10,657,245</u>	<u>10,523,648</u>	<u>43,531,019</u>	<u>41,313,462</u>
Long-term liabilities						
outstanding	5,217,673	4,858,989	4,756,241	4,648,818	9,973,914	9,507,807
Other liabilities	292,407	480,420	409,183	421,725	701,590	902,145
Total liabilities	<u>5,510,080</u>	<u>5,339,409</u>	<u>5,165,424</u>	<u>5,070,543</u>	<u>10,675,504</u>	<u>10,409,952</u>
Net position:						
Net investment in						
capital assets	6,390,813	4,703,718	4,166,120	4,120,240	10,556,933	8,823,958
Restricted	16,874,559	17,507,751	1,090,520	1,443,188	17,965,079	18,950,939
Unrestricted	<u>4,098,322</u>	<u>3,238,936</u>	<u>235,181</u>	<u>(110,323)</u>	<u>4,333,503</u>	<u>3,128,613</u>
Total net position	<u>\$27,363,694</u>	<u>\$ 25,450,405</u>	<u>\$ 5,491,821</u>	<u>\$ 5,453,105</u>	<u>\$32,855,515</u>	<u>\$ 30,903,510</u>

An additional portion of the City of Rushford's net position, \$17,965,079 (55%) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$15,293,257 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$4,333,503 (13%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rushford is able to report positive balances in all three categories of net position, 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.

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

Governmental activities. Governmental activities increased the City of Rushford's net position by \$1,913,289. The most significant change in governmental net position is due to accounting for net position 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 position by \$38,716.

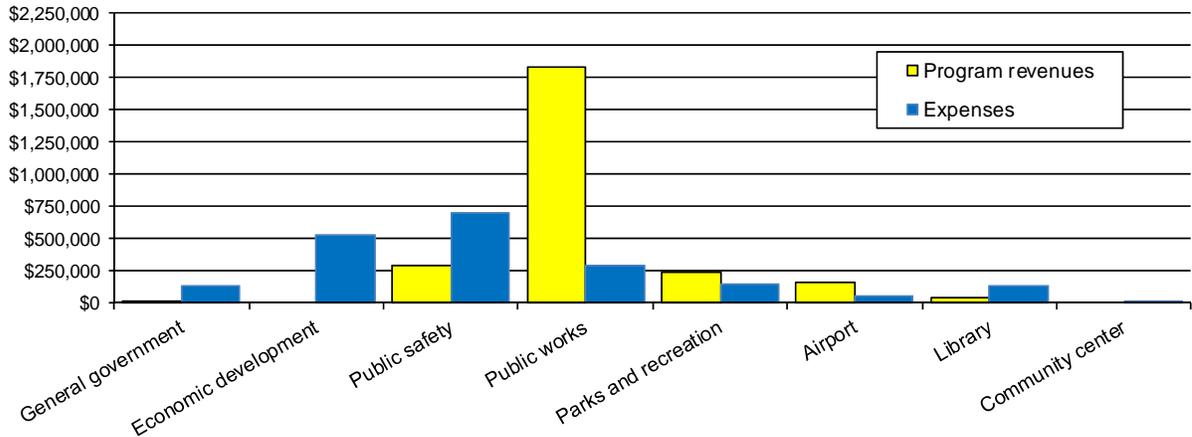
A condensed version of the Statement of Activities follows:

City of Rushford, Minnesota's Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 274,045	\$ 310,994	\$ 2,624,749	\$ 2,576,022	\$ 2,898,794	\$ 2,887,016
Operating grants and contributions	107,287	103,378			107,287	103,378
Capital grants and contributions	2,187,058	1,632,457	138,416	180,039	2,325,474	1,812,496
General revenues:						
Property taxes	740,156	651,757			740,156	651,757
Tax increment revenues	12,649	10,026			12,649	10,026
Grants and contributions not restricted to specific programs	559,052	597,599			559,052	597,599
Other	143,637	139,434	29,968	4,750	173,605	144,184
Total revenues	4,023,884	3,445,645	2,793,133	2,760,811	6,817,017	6,206,456
Expenses:						
General government	127,929	143,360			127,929	143,360
Economic development	524,932	223,199			524,932	223,199
Public safety	691,129	700,291			691,129	700,291
Public works	284,754	234,021			284,754	234,021
Parks and recreation	141,340	151,353			141,340	151,353
Airport	56,582	38,485			56,582	38,485
Library	133,255	128,852			133,255	128,852
Community center	4,212	2,953			4,212	2,953
Interest on long-term debt	203,388	208,644			203,388	208,644
Liquor			52,147	235,445	52,147	235,445
Utilities			2,379,341	2,322,747	2,379,341	2,322,747
Extraordinary items	59,890	23,100	206,113		266,003	23,100
Total expenses	2,227,411	1,854,258	2,637,601	2,558,192	4,865,012	4,412,450
Increase in net position before transfers	1,796,473	1,591,387	155,532	202,619	1,952,005	1,794,006
Transfers	116,816	41,184	(116,816)	(41,184)		
Increase in net position	1,913,289	1,632,571	38,716	161,435	1,952,005	1,794,006
Net position, beginning of year	25,450,405	23,817,834	5,453,105	5,291,670	30,903,510	29,109,504
Net position, end of year	\$27,363,694	\$ 25,450,405	\$ 5,491,821	\$ 5,453,105	\$ 32,855,515	\$ 30,903,510

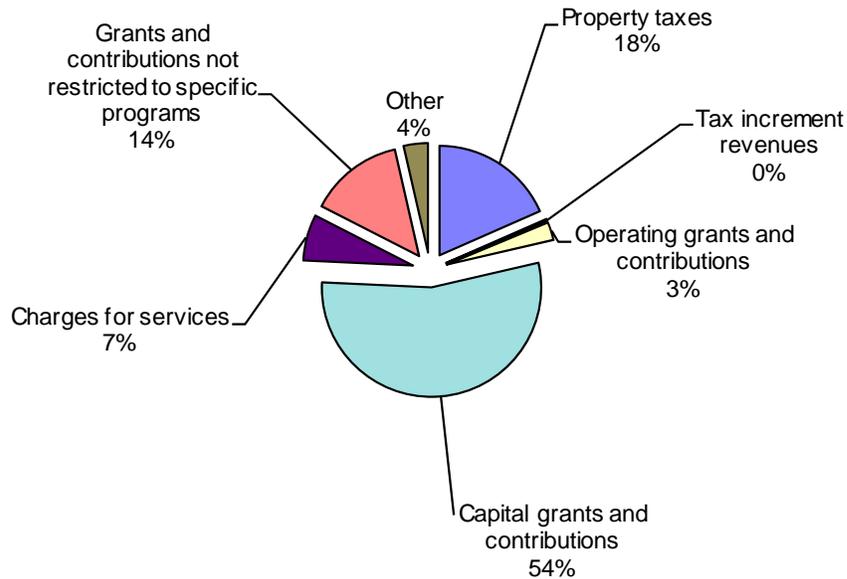
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



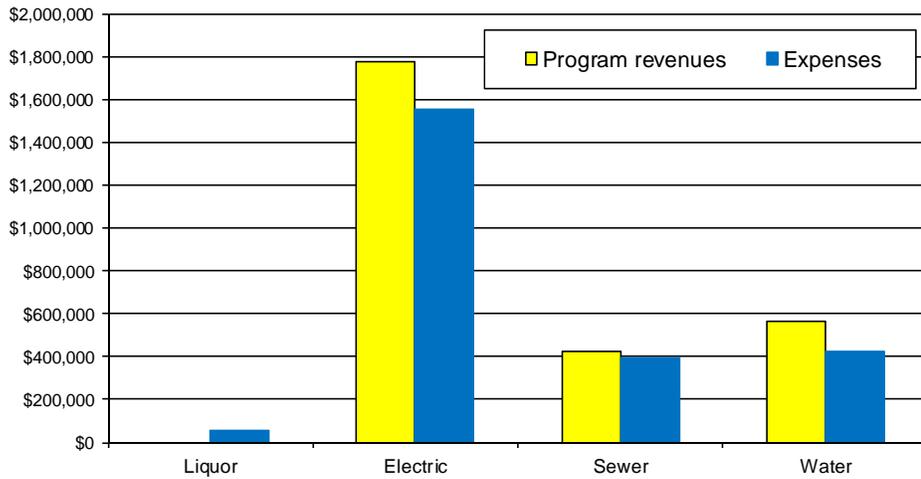
Revenues by Source - Governmental Activities



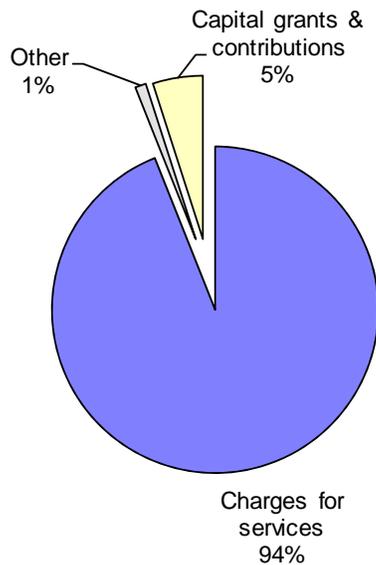
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

Fund balance is 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 – 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 \$4,233,224, an increase of \$1,138,095. The City of Rushford ended the year with a deficit of \$69,013 in *unassigned fund balance* and \$2,263,512 of this governmental fund balance is *restricted* or *nonspendable*, \$443,232 has been *committed* by council action and \$1,457,467 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 \$95,415. 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 15 percent of total general fund expenditures.

The general fund's total fund balance increased by \$68,843 during the current fiscal year in part due to an increased allocation of Local Government Aid (LGA) to the general fund along with a decrease in expenses, particularly professional fees.

The EDA revolving loan fund's fund balance had a net increase of \$289,092 for the year after expending funds for new loans and transferring funds in from the business flood loan fund.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The business flood recovery loan program received loan payments and interest in the amount of \$481,943 and transferred the fund balance to the EDA Revolving Loan Fund.

The capital improvements fund increased its fund balance by \$157,270 for the year, in part due to an upward adjustment to the amount expected to be received from FEMA.

The levee improvement project fund increased its fund balance by \$140,097, due to work being performed on the levee improvement project. In 2011 a Tax Abatement Bond for \$695,000 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 \$1,744,000 in grant funds for the majority of the cost of the improvement project.

The fire department fund increased its total fund balance by \$71,300 in part due to the annual fire contract fees building a balance for the designated purpose of fire truck replacement needs. The library fund decreased its fund balance by \$45,267, due in most part to the return of donated funds which had been designated for a new library building. The ambulance fund increased its fund balance by \$16,687, due to increased collection of user fees. Ambulance fund balance is designated for equipment replacement needs. The community center fund balance added \$15,715 during the year to offset previous construction costs on the building. The airport fund increased its fund balance by \$2,182, with one federal grant project yet to be finalized.

The debt service funds have a total fund balance of \$732,409 all of which is reserved for debt service. This fund balance increase from the prior year is due to special assessments related to the 2009 and 2011 improvement projects being paid.

The economic development fund increased its fund balance by \$53,789 for the year due in part to the receipt of funds to cover some of the administrative costs of the business flood loan fund. Fund balances are needed to prepare for future land development and business opportunities. The Tax Increment Capital Project fund increased its fund balance by \$1,363. The 2009/2011 improvement project fund decreased \$15,589 as work continued to complete the projects. The Flood Restoration capital project fund deficit of \$360,355 was eliminated with grants received from FEMA.

Proprietary funds. The City of Rushford's proprietary funds statements found on pages 35-38 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 – \$(228), Electric – \$352,965, Water – \$14,004 , and Sewer – \$(131,560). The increase/(decrease) in net position in the respective proprietary funds are Liquor - \$(64,733), Electric - \$210,180, Water - \$125,503 and Sewer - \$(232,234). The changes in net position are due to Liquor – a loss reduced by receipt of FEMA funds and selling of fixtures/equipment from the store, Electric – reduced by larger transfer in lieu of taxes to the general fund, Water – rebuilding funds for future projects, Sewer – wastewater treatment plant improvement project still being completed.

Water Utility rates were increased in 2012, 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. The 2009 Improvement Project also identified revenues from the water fund to help offset debt service payments.

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

Sewer Utility rates were increased in October 2012. 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 2013. 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. The 2009 Improvement Project also identified revenues from the sewer fund to help offset debt service payments.

The liquor store was not in operation for 2012. Some fixtures and equipment were sold at auction. The City retained an architectural firm to plan to re-purpose the building into a city hall/council chamber, securing a pledge of low interest funding available through the RD/USDA.

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. 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 was conducted in 2012 in anticipation of increased wholesale costs and to prepare for necessary work plan improvements. The new rate structure anticipated the wholesale power increase over the peak months of summer usage and provided for summer and non-summer rates for all classes of customers. This rate increase affected different rate classes by different percentages, with an overall percentage increase of approximately 7.2%, while still remaining similar to the rates of neighboring utilities.

General Fund Budgetary Highlights

The City's general fund reserve has been spent down consistently in the past years. A larger transfer in from the electric fund in lieu of taxes was budgeted in 2012 as well as a larger share of LGA funding was appropriated to the general fund. Lower than anticipated expenses, particularly in contracted services, also helped to rebuild the fund balance.

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

- Decrease in professional/contracted services
- Decrease in contracted maintenance/repair

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, 2012, amounts to \$21,500,089 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Rushford's reported investment in capital assets for the current fiscal year was \$2,037,897, after depreciation of \$937,400. 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
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS (CONTINUED)

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 1,376,342	\$ 1,395,181	\$ 105,460	\$ 105,460	\$ 1,481,802	\$ 1,500,641
Buildings	904,241	902,019	7,577,317	7,834,510	8,481,558	8,736,529
Machinery and equipment	812,407	762,449	392,172	427,076	1,204,579	1,189,525
Infrastructure	3,940,081	2,931,989			3,940,081	2,931,989
Construction in progress	4,583,276	3,578,930	1,808,793	1,524,578	6,392,069	5,103,508
Total	<u>\$ 11,616,347</u>	<u>\$ 9,570,568</u>	<u>\$ 9,883,742</u>	<u>\$ 9,891,624</u>	<u>\$ 21,500,089</u>	<u>\$ 19,462,192</u>

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 49-50).

Long-term debt. At the end of the current fiscal year, the City of Rushford had \$10,134,926 in bonds and notes outstanding. Of this amount, \$9,306,113 comprises debt backed by the full faith and credit of the government and \$828,813 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			
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 4,705,000	\$ 4,245,000	\$	\$	\$ 4,705,000	\$ 4,245,000
GO Revenue bonds			4,056,208	3,860,435	4,056,208	3,860,435
Revenue bonds			766,000	863,000	766,000	863,000
Notes payable	62,813	118,767			62,813	118,767
Contract for deed	544,905	559,435			544,905	559,435
Total	<u>\$ 5,312,718</u>	<u>\$ 4,923,202</u>	<u>\$ 4,822,208</u>	<u>\$ 4,723,435</u>	<u>\$ 10,134,926</u>	<u>\$ 9,646,637</u>

The City's total bonds and notes payable increased by \$488,289 during the current fiscal year. During 2012, the City issued additional PFA General Obligation Sewer and Water Revenue Notes for \$440,141 and General Obligation Bonds for \$695,000. A more detailed breakdown of these obligations can be found in Note 7 (page 51).

Standard & Poor's conducted a bond rating study in July 2011, lowering the rating to an A/Stable reflecting their view of the City's weakened liquidity position over the previous two years.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Rushford/Fillmore County started the first quarter of 2012 at 6.9%, and ended the month of May of 2012 at 5.3%. For this same period of time, the State unemployment rate was 6.5% and 5.4%, respectively.

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

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

- Legislative changes to the new homestead exclusion, rather than the State paying a market value homestead credit to the City, shrank the value of the City's tax base by 13.48%, causing tax rates and taxes on most properties to increase in 2012 even though the City did not raise the levy. Taxes also generally shifted away from homestead to other properties. In subsequent years the new homestead exclusion format will allow for more valid comparisons of tax capacity and tax rates.
- Rushford has a limited supply of affordable residential building space due in part to the difficulty in the orderly annexation of land from Rushford Village. Shifting demographics will play an important role in the overall housing needs in the City and will need to be considered carefully when reviewing potential housing developments or subdivisions.
- The City completed a Housing Market Study which revealed 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 City and EDA have been aggressive in their efforts to find viable businesses, assist existing businesses and expand the area marketplace. 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. In 2012 planning began to help facilitate the construction of additional workforce housing.
- 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. In 2012 the City began the planning process with Minnesota Department of Transportation for a joint effort of the replacement of Trunk Highway 43 from bridge-to-bridge within the City. The City will take this opportunity to replace some of the oldest water and sewer infrastructure in the City to eliminate leaks, I&I and provide quality services to the residents and businesses along that corridor.

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

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

- At the end of 2008, the City received an unallotment of \$47,909 in local government aid revenue without adequate notice to budget or plan for this shortfall in the 2009 budget cycle. In 2009, LGA was further reduced by \$39,094 and was further cut in 2010 by \$97,112. 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 unknown if funding will be brought back to the pre-2008 level and/or there will be any inflationary adjustments factored in. This uncertainty makes it difficult to budget for current needs and to plan for the future. 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.

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CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2012
With Comparative Totals for December 31, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 2,970,799	\$ 323,723	\$ 3,294,522	\$ 1,822,860
Receivables (net of allowance for uncollectibles)	675,582	99,875	775,457	581,792
Loans receivable	15,689,120		15,689,120	16,452,156
Accrued utility revenue		217,490	217,490	227,410
Internal balances	961,381	(961,381)		
Due from other governmental units	859,013	392,177	1,251,190	1,867,727
Restricted cash and investments	93,126	698,343	791,469	887,788
Prepaid items	8,406	3,276	11,682	11,537
Capital assets:				
Nondepreciable	5,959,618	1,914,253	7,873,871	6,604,150
Depreciable, net	5,656,729	7,969,489	13,626,218	12,858,042
Total Assets	<u>32,873,774</u>	<u>10,657,245</u>	<u>43,531,019</u>	<u>41,313,462</u>
LIABILITIES				
Accounts payable	105,871	137,618	243,489	615,078
Accrued interest payable	107,445	38,290	145,735	139,597
Accrued compensation and payroll taxes payable		14,368	14,368	15,089
Deposits payable		15,983	15,983	16,093
Accrued compensated absences	44,295	60,504	104,799	111,663
Due to other governmental units		142,420	142,420	
Unearned revenue	34,796		34,796	4,625
Noncurrent liabilities:				
Due within one year	225,814	397,643	623,457	646,107
Due in more than one year	4,991,859	4,358,598	9,350,457	8,861,700
Total Liabilities	<u>5,510,080</u>	<u>5,165,424</u>	<u>10,675,504</u>	<u>10,409,952</u>
NET POSITION				
Net investment in capital assets	6,390,813	4,166,120	10,556,933	8,823,958
Restricted	16,874,559	1,090,520	17,965,079	18,950,939
Unrestricted	4,098,322	235,181	4,333,503	3,128,613
Total Net Position	<u>\$ 27,363,694</u>	<u>\$ 5,491,821</u>	<u>\$ 32,855,515</u>	<u>\$ 30,903,510</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 127,929	\$ 17,487	\$	\$
Economic development	524,932			
Public safety	691,129	219,572	74,968	
Public works	284,754			1,823,434
Parks and recreation	141,340	29,370	155	201,829
Airport	56,582	1,323		161,795
Library	133,255	6,293	32,164	
Community center	4,212			
Interest and other charges	203,388			
Total governmental activities	<u>2,167,521</u>	<u>274,045</u>	<u>107,287</u>	<u>2,187,058</u>
Business-Type activities:				
Liquor	52,147			
Electric	1,556,459	1,701,223		75,350
Sewer	398,419	424,301		
Water	424,463	499,225		63,066
Total business-type activities	<u>2,431,488</u>	<u>2,624,749</u>		<u>138,416</u>
Total	<u>\$ 4,599,009</u>	<u>\$ 2,898,794</u>	<u>\$ 107,287</u>	<u>\$ 2,325,474</u>

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

Change in net position
 Net position - beginning
 Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2012	2011
\$ (110,442)		\$ (110,442)	\$ (128,951)
(524,932)		(524,932)	(220,831)
(396,589)		(396,589)	(389,617)
1,538,680		1,538,680	957,496
90,014		90,014	(68,860)
106,536		106,536	310,933
(94,798)		(94,798)	(32,902)
(4,212)		(4,212)	(2,953)
(203,388)		(203,388)	(208,644)
<u>400,869</u>		<u>400,869</u>	<u>215,671</u>
	(52,147)	(52,147)	(85,582)
	220,114	220,114	308,256
	25,882	25,882	(29,547)
	<u>137,828</u>	<u>137,828</u>	<u>4,742</u>
	<u>331,677</u>	<u>331,677</u>	<u>197,869</u>
<u>400,869</u>	<u>331,677</u>	<u>732,546</u>	<u>413,540</u>
740,156		740,156	651,757
12,649		12,649	10,026
2,434		2,434	2,246
559,052		559,052	597,599
71,576	1,589	73,165	67,986
112,873	28,379	141,252	30,812
(43,246)		(43,246)	
(59,890)	(206,113)	(266,003)	43,140
116,816	(116,816)		(23,100)
<u>1,512,420</u>	<u>(292,961)</u>	<u>1,219,459</u>	<u>1,380,466</u>
1,913,289	38,716	1,952,005	1,794,006
<u>25,450,405</u>	<u>5,453,105</u>	<u>30,903,510</u>	<u>29,109,504</u>
<u>\$ 27,363,694</u>	<u>\$ 5,491,821</u>	<u>\$ 32,855,515</u>	<u>\$ 30,903,510</u>

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CITY OF RUSHFORD, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2012

**CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals for December 31, 2011**

	Special Revenue Fund			Capital Projects Funds	
	101	203	204	406	470
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Capital Improvements	Levee Improvement Project
ASSETS					
Cash and investments	\$ 120,888	\$ 1,038,306	\$ 67,084	\$ 361,630	\$
Restricted cash				508	
Accrued interest receivable				5,576	
Accounts receivable	787				
Loans receivable		395,863	15,293,257		
Taxes receivable - delinquent	8,305			535	
Special assessments receivable:					
Deferred					
Delinquent				604	
Due from other funds	22,027			83,149	
Advances to other funds	366,042				
Due from other governmental units	6,812			570,191	50,998
Prepaid items	6,840				
TOTAL ASSETS	\$ 531,701	\$ 1,434,169	\$ 15,360,341	\$ 1,022,193	\$ 50,998
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 11,226	\$ 475	\$ 67,084	\$ 20,758	\$ 1,236
Due to other funds					53,703
Deferred revenue	8,305	395,863	15,293,257	552,627	
Unearned revenue				5,576	
Total Liabilities	19,531	396,338	15,360,341	578,961	54,939
Fund Balance:					
Nonspendable:					
Prepaid items	6,840				
Advances to other funds	366,042				
Restricted:					
Externally imposed by:					
Grantors:					
EDA revolving loans		1,037,831			
Business flood loans					
Creditors					
Contributors					
Committed				443,232	
Assigned	43,873				
Unassigned	95,415				(3,941)
Total Fund Balance	512,170	1,037,831		443,232	(3,941)
TOTAL LIABILITIES AND FUND BALANCE	\$ 531,701	\$ 1,434,169	\$ 15,360,341	\$ 1,022,193	\$ 50,998

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2012	2011
\$ 1,382,891	\$ 2,970,799	\$ 1,822,860
93,126	93,126	136,372
1,244	1,752	2,163
35,844	42,207	35,554
	15,689,120	16,452,156
14,003	22,843	26,811
607,476	607,476	436,037
700	1,304	603
388,434	493,610	1,188,824
307,762	673,804	673,804
231,012	859,013	1,175,955
1,566	8,406	8,033
<u>\$ 3,064,058</u>	<u>\$21,463,460</u>	<u>\$21,959,172</u>

\$ 5,092	\$ 105,871	\$ 317,621
152,330	206,033	740,062
633,484	16,883,536	17,801,735
29,220	34,796	4,625
<u>820,126</u>	<u>17,230,236</u>	<u>18,864,043</u>

1,566	8,406	8,033
307,762	673,804	673,804
	1,037,831	649,884
		722
458,206	458,206	606,708
85,265	85,265	128,511
	443,232	285,962
1,413,594	1,457,467	1,369,223
(22,461)	69,013	(627,718)
<u>2,243,932</u>	<u>4,233,224</u>	<u>3,095,129</u>
<u>\$ 3,064,058</u>	<u>\$21,463,460</u>	<u>\$21,959,172</u>

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	Special Revenue Funds			Capital Projects Funds	
	101	203	204	406	470
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Capital Improvements	Levee Improvement Project
REVENUES					
Property taxes	\$ 272,177	\$	\$	\$ 21,915	\$
Tax increment revenues					
Lodging taxes	2,434				
Special assessments					
Licenses and permits	15,722				
Fines and forfeits	8,924				
Intergovernmental revenues	316,926			661,844	1,200,315
Charges for services	34,308				
Interest income	133	1,492	44,932	1,424	276
Miscellaneous revenues	7,930		437,011	79,131	3,751
TOTAL REVENUES	658,554	1,492	481,943	764,314	1,204,342
EXPENDITURES					
Current					
General government	125,780				
Economic development		54,982	67,083		
Public safety	331,223				
Public works	98,330				
Parks and recreation	83,931				
Airport					
Library					
Community center					
Capital outlay	447			587,044	1,721,380
Debt service					
TOTAL EXPENDITURES	639,711	54,982	67,083	587,044	1,721,380
Excess (deficiency) of revenues over (under) expenditures	18,843	(53,490)	414,860	177,270	(517,038)
OTHER FINANCING SOURCES (USES)					
Issuance of debt					657,135
Transfers in	50,000	415,582			
Transfers out		(73,000)	(415,582)	(20,000)	
Total other financing sources (uses)	50,000	342,582	(415,582)	(20,000)	657,135
Net change in fund balances	68,843	289,092	(722)	157,270	140,097
FUND BALANCES, Beginning	443,327	748,739	722	285,962	(144,038)
FUND BALANCES, Ending	\$ 512,170	\$ 1,037,831	\$	\$ 443,232	\$ (3,941)

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2012	2011
\$ 449,466	\$ 743,558	\$ 652,248
12,649	12,649	10,026
	2,434	2,246
73,235	73,235	144,335
	15,722	12,644
	8,924	10,228
631,192	2,810,277	1,688,242
244,032	278,340	270,579
8,007	56,264	64,752
30,544	558,367	673,803
<u>1,449,125</u>	<u>4,559,770</u>	<u>3,529,103</u>
	125,780	137,660
49,940	172,005	213,129
228,937	560,160	576,720
	98,330	112,207
	83,931	93,515
195,510	195,510	365,406
125,978	125,978	113,637
4,212	4,212	64,694
51,866	2,360,737	2,338,946
498,161	498,161	417,873
<u>1,154,604</u>	<u>4,224,804</u>	<u>4,433,787</u>
<u>294,521</u>	<u>334,966</u>	<u>(904,684)</u>
29,178	686,313	1,170,188
190,057	655,639	600,759
<u>(30,241)</u>	<u>(538,823)</u>	<u>(559,575)</u>
<u>188,994</u>	<u>803,129</u>	<u>1,211,372</u>
483,515	1,138,095	306,688
<u>1,760,417</u>	<u>3,095,129</u>	<u>2,788,441</u>
<u>\$ 2,243,932</u>	<u>\$ 4,233,224</u>	<u>\$ 3,095,129</u>

**CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2012**

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

Total governmental fund balances (page 20)		\$	4,233,224
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental funds - capital assets		\$	14,854,486
Less: Accumulated depreciation			<u>(3,238,139)</u>
			11,616,347
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		\$	24,147
Deferred special assessments			607,476
EDA loans receivable			395,863
FEMA receivable			562,793
Business flood loan receivable			<u>15,293,257</u>
			16,883,536
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		\$	(5,312,718)
Compensated absences			(44,295)
Accrued interest			(107,445)
Unamortized bond issuance costs			<u>95,045</u>
			<u>(5,369,413)</u>
Net position of governmental activities (page 16)		\$	<u><u>27,363,694</u></u>

**CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012**

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

Net change in fund balances - total governmental funds (page 22)	\$	1,138,095
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay-capital improvements	\$	2,523,650
Depreciation expense		(458,255)
Net book value of disposed/sold property		<u>(19,616)</u>
		2,045,779
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue December 31, 2012	\$	16,883,536
Deferred revenue December 31, 2011		<u>(17,801,735)</u>
		(918,199)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences December 31, 2012	\$	(44,295)
Compensated absences December 31, 2011		<u>56,674</u>
		12,379
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal retirement on long-term debt	\$	305,484
Issuance of debt		(695,000)
Issuance costs		35,462
Amortization of issuance costs		(4,630)
Change in accrued interest		<u>(6,081)</u>
		<u>(364,765)</u>
Change in net position of governmental activities (pages 17 and 18)	\$	<u><u>1,913,289</u></u>

**CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011**

	2012		Actual	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
General Tax Levy	\$ 270,959	\$ 270,959	\$ 272,177	\$ 1,218	\$ 225,425
Licenses and Permits					
Business	4,750	6,000	5,812	(188)	4,775
Nonbusiness	11,160	11,175	9,910	(1,265)	7,869
Total Licenses and Permits	15,910	17,175	15,722	(1,453)	12,644
Lodging Taxes	2,000	2,000	2,434	434	2,246
Intergovernmental Revenues					
Local government aid	294,695	294,695	294,695		250,000
Market value credit			34	34	13,457
Police aid	20,000	20,000	20,082	82	21,092
Snowmobile aids	21,000	25,000	23,124	(1,876)	20,332
Snowmobile trail assistance	(21,000)	(25,000)	(23,124)	1,876	(20,332)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	316,810	316,810	316,926	116	286,664
Fines and Forfeits	9,500	9,500	8,924	(576)	10,228
Charges For Services					
Swimming pool	34,100	32,800	32,484	(316)	33,855
Park usage fees	2,000	2,000	1,824	(176)	2,461
Total Charges For Services	36,100	34,800	34,308	(492)	36,316
Interest Income	1,000	500	133	(367)	645
Miscellaneous Revenues					
Other	5,955	7,250	7,930	680	4,789
TOTAL REVENUES	\$ 658,234	\$ 658,994	\$ 658,554	\$ (440)	\$ 578,957

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, 2012
With Comparative Totals for December 31, 2011

	2012		Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 8,600	\$ 400	\$ 8,700
Meetings and conferences	1,650	1,500	1,379	121	1,253
General supplies	1,300	3,000	2,137	863	500
Printing and publishing	8,500	8,500	5,773	2,727	5,801
Professional services	9,000	6,400	1,888	4,512	6,513
Insurance	450	550	455	95	489
Dues, subscriptions and fees	4,000	4,000	3,959	41	3,948
Miscellaneous	1,100	1,100	658	442	1,251
Total Mayor and Council	35,000	34,050	24,849	9,201	28,455
Election Judges					
Salaries	1,200	1,200	1,389	(189)	370
Employee benefits and retirement	10	10	14	(4)	6
General supplies	810	110	51	59	1,578
Printing and publishing	350	350		350	442
Miscellaneous	200	200		200	350
Total Election Judges	2,570	1,870	1,454	416	2,746
City Hall Administration					
Salaries	42,000	42,000	42,118	(118)	42,658
Employee benefits and retirement	9,300	9,000	8,412	588	8,685
Office supplies and expense	1,900	1,700	1,349	351	1,100
Meetings and conferences	50	50	23	27	
General supplies	100	100	100		123
Telephone	3,000	3,000	2,641	359	2,916
Printing and publishing	1,400	1,400	1,203	197	1,183
Insurance	950	850	778	72	747
Repairs and maintenance	500	500	98	402	
Radio maintenance	500	500		500	105
Dues, subscriptions and fees	6,000	5,500	4,624	876	5,348
Miscellaneous			52	(52)	42
Total City Hall Administration	\$ 65,700	\$ 64,600	\$ 61,398	\$ 3,202	\$ 62,907

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, 2012
With Comparative Totals for December 31, 2011

	2012		Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 32,100	\$ 29,100	\$ 25,173	\$ 3,927	\$ 28,451
Assessor	4,000	3,900	3,869	31	3,769
Total Professional Services	<u>36,100</u>	<u>33,000</u>	<u>29,042</u>	<u>3,958</u>	<u>32,220</u>
Building and Planning					
General supplies	520	520	139	381	72
Professional services	2,200	2,200		2,200	1,589
Consultant	1,000	1,000		1,000	
Telephone	50	50	26	24	43
Printing and publishing	450	450	32	418	
Total Building and Planning	<u>4,220</u>	<u>4,220</u>	<u>197</u>	<u>4,023</u>	<u>1,704</u>
Municipal Building					
General supplies	600	900	819	81	568
Insurance	700	700	573	127	581
Utilities	8,500	8,500	7,238	1,262	7,304
Repairs and maintenance	1,300	800	210	590	1,175
Total Municipal Building	<u>11,100</u>	<u>10,900</u>	<u>8,840</u>	<u>2,060</u>	<u>9,628</u>
Total General Government	<u>154,690</u>	<u>148,640</u>	<u>125,780</u>	<u>22,860</u>	<u>137,660</u>
Public Safety					
Police Protection					
Salaries	216,500	216,500	220,822	(4,322)	217,083
Employee benefits and retirement	35,200	35,200	33,965	1,235	34,721
Office supplies and expense	1,225	1,225	794	431	334
Meetings and conferences	2,000	2,000	2,576	(576)	1,540
Gas, oil and supplies	11,000	11,000	13,300	(2,300)	11,111
General supplies	3,000	3,000	4,189	(1,189)	2,032
Professional services	12,300	12,300	10,473	1,827	14,141
Telephone	2,300	2,800	2,976	(176)	2,416
Insurance	10,750	9,500	8,353	1,147	9,675
Utilities	2,700	2,300	2,040	260	1,929
Repairs and maintenance	2,600	3,900	4,445	(545)	4,828
Dues, subscriptions and fees	500	500	527	(27)	460
Miscellaneous	500	500	624	(124)	1,464
Total Police Protection	<u>\$ 300,575</u>	<u>\$ 300,725</u>	<u>\$ 305,084</u>	<u>\$ (4,359)</u>	<u>\$ 301,734</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, 2012
With Comparative Totals for December 31, 2011**

	2012				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 6,924	\$ 6,924	\$ 6,924	\$	\$ 6,924
Building and Safety					
Professional services	20,700	20,700	12,346	8,354	13,355
Printing and publishing	200	200	102	98	
Miscellaneous	300	300	120	180	114
Total Building and Safety	21,200	21,200	12,568	8,632	13,469
Civil Defense	950	2,050	1,519	531	670
Animal Control					
Salaries and wages	3,500	3,500	3,065	435	2,905
General supplies		80	77	3	
Insurance	50	80	64	16	58
Total Animal Control	3,550	3,660	3,206	454	2,963
Health and Welfare					
Weed and insect control	3,970	2,670	1,922	748	2,643
Total Public Safety	\$ 337,169	\$ 337,229	\$ 331,223	\$ 6,006	\$ 328,403

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, 2012
With Comparative Totals for December 31, 2011

	2012					2011 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)		
	Original	Final				
Public Works						
Highways, Streets and Alleys						
Salaries	\$ 28,900	\$ 26,900	\$ 16,602	\$ 10,298	\$ 31,049	
Employee benefits and retirement	4,555	4,155	2,764	1,391	4,332	
Gas, oil and supplies	12,500	11,500	9,813	1,687	10,992	
General supplies	7,000	9,000	8,163	837	8,003	
Blacktop and surface materials	1,500	1,000	1,982	(982)	885	
Professional services	500					
Insurance	7,370	7,820	6,150	1,670	6,689	
Repairs and maintenance	12,000	11,500	9,490	2,010	7,894	
Miscellaneous	650	700	906	(206)	500	
City garage expense	4,900	5,500	5,246	254	4,474	
Street lighting	24,500	24,500	23,412	1,088	23,977	
Total Highways, Streets and Alleys	104,375	102,575	84,528	18,047	98,795	
Dikes						
Salaries	8,800	8,800	8,678	122	8,311	
Employee benefits and retirement	1,605	1,605	1,551	54	1,533	
Gas, oil and supplies	1,500	1,500	1,501	(1)	1,396	
General supplies	800	325	302	23	165	
Insurance	850	850	607	243	663	
Utilities	1,100	1,000	821	179	1,072	
Repairs and maintenance	500	500	132	368	272	
Miscellaneous			210	(210)		
Total Dikes	15,155	14,580	13,802	778	13,412	
Total Public Works	119,530	117,155	98,330	18,825	112,207	
Parks and Recreation						
Park Department						
Salaries	8,800	8,800	8,955	(155)	8,311	
Employee benefits and retirement	1,550	1,605	1,586	19	1,393	
Professional services	100				95	
Gas and oil	1,500	1,500	1,653	(153)	1,388	
General supplies	2,000	2,000	2,100	(100)	1,101	
Telephone	10	10		10	9	
Insurance	5,100	4,400	3,314	1,086	3,810	
Utilities	3,100	3,800	4,168	(368)	4,214	
Repairs and maintenance	4,200	4,700	4,809	(109)	6,338	
Legal printing	200	100		100	21	
Miscellaneous	100	800	849	(49)	1,006	
Total Park Department	\$ 26,660	\$ 27,715	\$ 27,434	\$ 281	\$ 27,686	

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, 2012
With Comparative Totals for December 31, 2011

	2012		Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 31,000	\$ 26,000	\$ 25,405	\$ 595	\$ 30,686
Employee benefits and retirement	2,400	2,000	1,965	35	2,355
Meetings and conferences	1,900	500	400	100	1,565
General supplies	6,000	5,000	3,957	1,043	8,466
Telephone	400	350	185	165	379
Printing and publishing	150	150	152	(2)	139
Insurance	3,100	3,250	2,781	469	2,683
Utilities	8,000	8,000	7,942	58	9,169
Repairs and maintenance	2,000	2,200	1,402	798	2,424
Miscellaneous	600	650	1,307	(657)	555
Total Swimming Pool	55,550	48,100	45,496	2,604	58,421
Tourism	4,500	4,500	3,844	656	3,306
Tree Board					
Salaries	1,400	1,400	1,400		1,400
General supplies	1,060	2,260	3,511	(1,251)	947
Contractual services	1,600	2,100	2,062	38	1,600
Insurance	100	100	153	(53)	140
Miscellaneous	15	15	31	(16)	15
Total Tree Board	4,175	5,875	7,157	(1,282)	4,102
Total Parks and Recreation	90,885	86,190	83,931	2,259	93,515
Capital Outlay			447	(447)	
TOTAL EXPENDITURES	702,274	689,214	639,711	49,503	671,785
Excess (deficiency) of revenues over (under) expenditures	(44,040)	(30,220)	18,843	49,063	(92,828)
OTHER FINANCING USES					
Transfers in	50,000	50,000	50,000		
Net change in fund balances	5,960	19,780	68,843	49,063	(92,828)
FUND BALANCE, January 1	443,327	443,327	443,327		536,155
FUND BALANCE, December 31	\$ 449,287	\$ 463,107	\$ 512,170	\$ 49,063	\$ 443,327

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
EDA REVOLVING LOAN FUND (203)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$	\$	\$ 1,492	\$ 1,492	\$ 3,279
Miscellaneous Revenues					
Loan principal					6,042
TOTAL REVENUES			1,492	1,492	9,321
EXPENDITURES					
Economic Development					
Professional services		5,400	3,893	1,507	10,612
Dues, subscriptions and fees			46	(46)	1,610
Loans		15,000	51,043	(36,043)	96,943
TOTAL EXPENDITURES		20,400	54,982	(34,582)	109,165
Excess (deficit) of revenues over (under) expenditures		(20,400)	(53,490)	(33,090)	(99,844)
OTHER FINANCING USES					
Transfers in			415,582	415,582	516,700
Transfers out		(73,000)	(73,000)		
Total other financing		(73,000)	342,582	415,582	516,700
Net change in fund balances		(93,400)	289,092	382,492	416,856
FUND BALANCES, BEGINNING	748,739	748,739	748,739		331,883
FUND BALANCES, ENDING	\$748,739	\$655,339	\$1,037,831	\$ 382,492	\$748,739

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, 2012
With Comparative Totals for December 31, 2011

	2012		Actual	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
Loan repayments	\$	\$	\$ 437,011	\$ 437,011	\$ 525,601
Interest income			44,932	44,932	44,151
TOTAL REVENUES			481,943	481,943	569,752
EXPENDITURES					
Current					
Loan principal refund			67,083	(67,083)	52,330
TOTAL EXPENDITURES			67,083	(67,083)	52,330
Excess (deficiency) of revenues over (under) expenditures			414,860	414,860	517,422
OTHER FINANCING USES					
Transfers out			(415,582)	(415,582)	(516,700)
Net change in fund balances			(722)	(722)	722
FUND BALANCES, Beginning	722	722	722		
FUND BALANCES, Ending	\$ 722	\$ 722	\$	\$ (722)	\$ 722

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, 2012
With Comparative Totals for December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 22,000	\$ 22,000	\$ 21,915	\$ (85)	\$ 14,257
Special assessments					1,281
Intergovernmental revenues					
Local government aid	219,018	219,018	219,018		169,880
Grants		12,100	442,826	430,726	45,796
Interest income	2,000	2,000	1,424	(576)	2,873
Miscellaneous	1,800	1,900	79,131	77,231	48,659
TOTAL REVENUES	244,818	257,018	764,314	507,296	282,746
EXPENDITURES					
Current					
Capital outlay	249,500	249,500	587,044	(337,544)	202,852
TOTAL EXPENDITURES	249,500	249,500	587,044	(337,544)	202,852
Excess (deficiency) of revenues over (under) expenditures	(4,682)	7,518	177,270	169,752	79,894
OTHER FINANCING SOURCES (USES)					
Transfers in					10,000
Transfers out	(20,000)	(20,000)	(20,000)		(20,000)
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)		(10,000)
Net change in fund balances	(24,682)	(12,482)	157,270	169,752	69,894
FUND BALANCES, Beginning	285,962	285,962	285,962		216,068
FUND BALANCES, Ending	\$ 261,280	\$ 273,480	\$ 443,232	\$ 169,752	\$ 285,962

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, 2012
With Comparative Totals for December 31, 2011

	2012		Actual	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
Intergovernmental revenues					
State aid	\$	\$ 870,000	\$ 1,200,315	\$ 330,315	\$ 606,511
Interest income			276	276	
Miscellaneous			3,751	3,751	40
TOTAL REVENUES		870,000	1,204,342	334,342	606,551
EXPENDITURES					
Current					
Capital outlay		1,900,000	1,721,380	178,620	750,589
TOTAL EXPENDITURES		1,900,000	1,721,380	178,620	750,589
Excess (deficiency) of revenues over (under) expenditures		(1,030,000)	(517,038)	512,962	(144,038)
OTHER FINANCING SOURCES (USES)					
Issuance of debt		657,135	657,135		
Net change in fund balances		(372,865)	140,097	(512,962)	(144,038)
FUND BALANCES, Beginning		(144,038)	(144,038)	(144,038)	
FUND BALANCES, Ending	\$	(144,038)	\$ (3,941)	\$ (512,962)	\$ (144,038)

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Statement of Net Position
 December 31, 2012
 With Comparative Totals for December 31, 2011**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2012	2011
ASSETS						
Current Assets						
Cash and cash equivalents	\$	\$ 321,419	\$ 2,304	\$	\$ 323,723	\$
Accrued interest receivable	105	84			189	1,212
Accounts receivable		68,011	15,852	13,892	97,755	79,276
Accrued utility revenue		151,827	29,821	35,842	217,490	227,410
Special assessments-delinquent		1,330	374	227	1,931	
Due from other funds						67,994
Due from other governmental units	75,428	70,870	245,879		392,177	691,772
Advance to other funds		300,000			300,000	300,000
Merchandise inventory						210
Prepaid items		723	1,147	1,406	3,276	3,294
Total Current Assets	75,533	914,264	295,377	51,367	1,336,541	1,371,168
Property and Equipment						
Property, plant and equipment	777,644	3,280,205	5,559,809	3,579,674	13,197,332	13,035,938
Less: Accumulated depreciation	85,422	1,749,742	1,604,349	1,682,870	5,122,383	4,668,892
Property and Equipment, Net	692,222	1,530,463	3,955,460	1,896,804	8,074,949	8,367,046
Construction work in process		340,857	8,152	1,459,784	1,808,793	1,524,578
Total Property and Equipment	692,222	1,871,320	3,963,612	3,356,588	9,883,742	9,891,624
Other Assets						
Restricted cash and cash equivalents		80,172	350,902	267,269	698,343	751,416
Total Assets	767,755	2,865,756	4,609,891	3,675,224	11,918,626	12,014,208
LIABILITIES						
Current Liabilities						
Accounts payable	333	123,851	3,721	9,713	137,618	297,321
Due to other funds	75,490		104,690	107,397	287,577	516,756
Due to other governmental units				142,420	142,420	
Current maturities of bonds payable		65,000	202,855	129,788	397,643	341,368
Accrued interest		10,536	17,288	10,466	38,290	38,233
Accrued sales tax		14,368			14,368	15,089
Customer deposits		15,983			15,983	16,093
Total Current Liabilities	75,823	229,738	328,554	399,784	1,033,899	1,224,860
Long-Term Liabilities						
Notes payable, net of current maturities, and bond issuance costs		396,721	2,474,312	1,487,565	4,358,598	4,307,450
Advance from other funds	166,042			807,762	973,804	973,804
Accrued compensated absences		25,691	14,485	20,328	60,504	54,989
Total Liabilities	241,865	652,150	2,817,351	2,715,439	6,426,805	6,561,103
Net Position						
Net investment in capital assets	450,690	1,709,599	1,181,755	824,076	4,166,120	4,120,240
Restricted	75,428	151,042	596,781	267,269	1,090,520	1,443,188
Unrestricted	(228)	352,965	14,004	(131,560)	235,181	(110,323)
Total Net Position	\$ 525,890	\$ 2,213,606	\$ 1,792,540	\$ 959,785	\$ 5,491,821	\$ 5,453,105

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, 2012
 With Comparative Totals for December 31, 2011**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2012	2011
Operating Revenues						
Sales	\$	\$ 1,701,223	\$ 499,225	\$ 424,301	\$ 2,624,749	\$ 2,576,022
Operating Expenses						
Cost of sales and production		1,131,114			1,131,114	1,215,892
Distribution expense		172,853	312,436	320,407	805,696	817,986
General administration		234,928	65,409	51,123	351,460	323,814
Liquor store operating expenses	34,012				34,012	112,516
Total Operating Expenses	34,012	1,538,895	377,845	371,530	2,322,282	2,470,208
Operating Income (Loss)	(34,012)	162,328	121,380	52,771	302,467	105,814
Nonoperating Revenue and (Expense)						
Loss on disposal of capital assets	(18,135)				(18,135)	(63,389)
Other income (expense)	(12,586)	97,852	17,819	(25,772)	77,313	160,194
Income (Loss) Before Extraordinary Item and Transfers	(64,733)	260,180	139,199	26,999	361,645	202,619
Extraordinary item				(206,113)	(206,113)	
Transfers out		(50,000)	(13,696)	(53,120)	(116,816)	(41,184)
Change in Net Position	(64,733)	210,180	125,503	(232,234)	38,716	161,435
Net Position, Beginning of Year	590,623	2,003,426	1,667,037	1,192,019	5,453,105	5,291,670
Net Position, End of Year	\$ 525,890	\$ 2,213,606	\$ 1,792,540	\$ 959,785	\$ 5,491,821	\$ 5,453,105

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2012	2011
Cash Flows From Operating Activities						
Cash received from customers	\$	\$ 1,699,207	\$ 492,087	\$ 422,855	\$ 2,614,149	\$ 2,548,378
Cash paid to employees for services		(188,633)	(97,493)	(136,953)	(423,079)	(487,011)
Cash paid to suppliers	(19,446)	(1,223,202)	(68,361)	(99,725)	(1,410,734)	(1,575,335)
Net Cash Provided By (Used In) Operating Activities	(19,446)	287,372	326,233	186,177	780,336	486,032
Cash Flows From Noncapital Financing Activities						
Decrease (Increase) in due from other funds	(5,239)	37,565	(46,901)	(146,610)	(161,185)	(149,790)
Grant aid received	15,916	165,362	66,064	126,976	374,318	57,248
Flood recovery insurance reimbursement						(12,880)
Other income (expense)	(12,267)	42,177	842	421	31,173	68,673
Transfers out		(50,000)	(13,696)	(53,120)	(116,816)	(28,304)
Net Cash Provided By (Used In) Noncapital Financing Activities	(1,590)	195,104	6,309	(72,333)	127,490	(65,053)
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of debt			41,950	398,191	440,141	1,176,543
Principal payment on long-term debt		(60,000)	(213,000)	(68,368)	(341,368)	(313,862)
Purchase of capital assets		(194,571)	(31,639)	(439,893)	(666,103)	(1,323,673)
Proceeds from sale of capital assets	21,350				21,350	
Advances from other funds						166,042
Interest paid on debt		(21,073)	(49,316)	(23,414)	(93,803)	(87,643)
Net Cash Provided By (Used In) Capital and Related Financing Activities	21,350	(275,644)	(252,005)	(133,484)	(639,783)	(382,593)
Cash Flows From Investing Activities						
Interest earnings on investments	(314)	1,696	529	696	2,607	2,765
Net Cash Provided By (Used In) Investing Activities	(314)	1,696	529	696	2,607	2,765
Net Increase In Cash and Cash Equivalents		208,528	81,066	(18,944)	270,650	41,151
Cash and Cash Equivalents - January 1		193,063	272,140	286,213	751,416	710,265
Cash and Cash Equivalents - December 31	\$	\$ 401,591	\$ 353,206	\$ 267,269	\$ 1,022,066	\$ 751,416
Shown on the Balance Sheet as:						
Cash and investments	\$	\$ 321,419	\$ 2,304	\$	\$ 323,723	\$
Restricted cash and investments		80,172	350,902	267,269	698,343	751,416
Total	\$	\$ 401,591	\$ 353,206	\$ 267,269	\$ 1,022,066	\$ 751,416

See Notes to the Financial Statements

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

	Enterprise Funds				Totals	
	<u>609</u>	<u>604</u>	<u>601</u>	<u>602</u>	2012	2011
	Liquor Fund	Electric Department	Water Department	Sewer Department		
Operating Income (Loss)	\$ (34,012)	\$ 162,328	\$ 121,380	\$ 52,771	\$ 302,467	\$ 105,814
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	24,638	122,193	211,142	129,823	487,796	427,408
(Increase) Decrease In:						
Accounts receivable		(19,362)	(3,909)	2,861	(20,410)	(1,873)
Other accounts receivable		17,456	(3,229)	(4,307)	9,920	(21,161)
Merchandise inventory	210				210	38,028
Prepaid insurance		(59)	87	(10)	18	1,534
Increase (Decrease) In:						
Accounts payable	(10,282)	3,075	(727)	2,864	(5,070)	(44,572)
Accrued wages		1,851	1,489	2,175	5,515	(14,536)
Deferred revenue						(4,133)
Customer deposits		(110)			(110)	(477)
Net Cash Provided By (Used In) Operating Activities	\$ (19,446)	\$ 287,372	\$ 326,233	\$ 186,177	\$ 780,336	\$ 486,032

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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 2012.

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The *EDA Revolving Loan fund's* goal is to provide below market interest loans as a "gap financing" tool for business expansions, retentions or startups that include the creation or retention of jobs. The RLF also exists to provide for improvements to upgrade the appearance and energy efficiency of commercial and industrial properties and the commercial area as a whole. Generally, the purpose of the RLF is to provide for the improvement of Rushford's economic climate, diversifying the economic base and provide for increased community growth.

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

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 Position or Equity

Cash and Investments

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Interfund Transactions

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

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

Property Taxes

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

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

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

Special Assessments

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

Tax Increment Districts

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Long-term Obligations

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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 Position / Fund Balance

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

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

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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.

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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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, 2012, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$774,399.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2012, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash on Hand</u>	
Change funds	\$ 18
Deposits	3,379,708
Deposits with SELCO	85,265
Certificates of deposit	<u>621,000</u>
Total	<u>\$ 4,085,991</u>

Recorded on the Statement of Net Position as follows:

Cash and investments	\$ 3,294,522
Restricted cash and investments	<u>791,469</u>
Total	<u>\$ 4,085,991</u>

Investments Authorized by Minnesota Statutes

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

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

2. Cash and Investments (Continued)

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, 2012, there were no individual investments greater than 5 percent of the City's total investments.

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service Funds
2011	\$ 392,268
2012	215,208
Total	<u>\$ 607,476</u>

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

4. Due From Other Governmental Units

<u>Fund Type</u>	Fillmore County	State of Minnesota	Federal Government	Total
General	\$ 6,812	\$	\$	\$ 6,812
Special Revenue	2,654	54,988	164,963	222,604
Capital Project	10,335	152,768	458,303	621,405
Debt Service	8,192			8,192
Enterprise		98,044	294,133	392,177
Totals	<u>\$ 27,993</u>	<u>\$ 305,799</u>	<u>\$ 917,398</u>	<u>\$ 1,251,190</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans and Leases Receivable

Business Flood Recovery Program

In 2007, the City established the Business Flood Recovery Loan Program with the proceeds of a \$17,500,000 grant from the Minnesota Department of Employment and Economic Development. Under this program, the City issued 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>2012</u>	<u>2011</u>
Business Flood Recovery Loans:		
Category 1 Loans:		
Forgivable portion	\$ 9,775,118	\$ 10,152,109
Non-Forgivable portion	2,375,328	2,645,594
Category 1-A Loans	1,641,865	1,697,798
Category 2 Loans	1,500,946	1,627,146
Total	<u>\$ 15,293,257</u>	<u>\$ 16,122,647</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,395,181	\$	\$ 18,839	\$ 1,376,342
Construction in progress	3,578,931	2,046,004	1,041,659	4,583,276
Total capital assets, not being depreciated	<u>4,974,112</u>	<u>2,046,004</u>	<u>1,060,498</u>	<u>5,959,618</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,244,600	73,658		2,318,258
Infrastructure	3,163,220	1,166,796		4,330,016
Machinery and equipment	2,014,323	278,851	46,580	2,246,594
Total capital assets, being depreciated	<u>7,422,143</u>	<u>1,519,305</u>	<u>46,580</u>	<u>8,894,868</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,342,582	71,435		1,414,017
Infrastructure	231,233	158,702		389,935
Machinery and equipment	1,251,872	228,118	45,803	1,434,187
Total accumulated depreciation	<u>2,825,687</u>	<u>458,255</u>	<u>45,803</u>	<u>3,238,139</u>
Total capital assets, being depreciated, net	<u>4,596,456</u>	<u>1,061,050</u>	<u>777</u>	<u>5,656,729</u>
Governmental activities capital assets, net	<u><u>\$ 9,570,568</u></u>	<u><u>\$ 3,107,054</u></u>	<u><u>\$ 1,061,275</u></u>	<u><u>\$ 11,616,347</u></u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress	<u>1,524,578</u>	<u>284,215</u>		<u>1,808,793</u>
Total capital assets, not being depreciated	<u>1,630,038</u>	<u>284,215</u>		<u>1,914,253</u>
Capital assets, being depreciated:				
Buildings and improvements	12,176,607	180,007		12,356,614
Machinery and equipment	<u>753,871</u>	<u>46,526</u>	<u>65,139</u>	<u>735,258</u>
Total capital assets, being depreciated	<u>12,930,478</u>	<u>226,533</u>	<u>65,139</u>	<u>13,091,872</u>
Less accumulated depreciation for:				
Buildings and improvements	4,342,097	437,200		4,779,297
Machinery and equipment	<u>326,795</u>	<u>41,945</u>	<u>25,654</u>	<u>343,086</u>
Total accumulated depreciation	<u>4,668,892</u>	<u>479,145</u>	<u>25,654</u>	<u>5,122,383</u>
Total capital assets, being depreciated, net	<u>8,261,586</u>	<u>(252,612)</u>	<u>39,485</u>	<u>7,969,489</u>
Business-type activities capital assets, net	<u>\$ 9,891,624</u>	<u>\$ 31,603</u>	<u>\$ 39,485</u>	<u>\$ 9,883,742</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 6,365
Public safety	150,166
Public works	188,741
Airport	30,895
Library	24,679
Park and recreation	<u>57,409</u>
Total depreciation expense - governmental activities	<u>\$458,255</u>
Business-Type Activities:	
Electric	\$ 116,783
Water	207,901
Sewer	129,823
Liquor	<u>24,638</u>
Total depreciation expense - business-type activities	<u>\$479,145</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2012 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Accrued Interest
GOVERNMENTAL ACTIVITIES							
Bonds and Notes Payable:							
General obligation bonds:							
2001 Improvement Bonds	4.70% - 5.15%	\$ 80,000		\$ 80,000	\$	\$	\$
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	250,000		60,000	190,000	60,000	2,831
2009B Improvement Bonds (1)	3.00% - 4.50%	2,730,000		95,000	2,635,000	95,000	42,257
2011A Improvement Bonds	1.55% - 4.60%	1,185,000			1,185,000		17,189
2012A Tax Abatement Bonds	1.10% - 4.00%		695,000		695,000		15,695
Less: Unamortized Issuance Costs		(64,213)	(35,462)	(4,630)	(95,045)		
Notes payable:							
2001 USDA Loan	4.88%	24,088		9,691	14,397	7,143	484
2008 Fire Rescue Rig Capital Lease	4.65%	51,935		25,377	26,558	26,558	872
2008 Ambulance Capital Lease	4.65%	42,745		20,887	21,858	21,858	872
Contract for deed - land	5.00%	559,434		14,529	544,905	15,255	27,245
Governmental Activities Long-term Liabilities		<u>4,858,989</u>	<u>659,538</u>	<u>300,854</u>	<u>5,217,673</u>	<u>225,814</u>	<u>107,445</u>
BUSINESS-TYPE ACTIVITIES (1)							
Bonds and Notes Payable:							
General Obligation Revenue Note:							
1999 Water Department	3.04%	371,000		42,000	329,000	43,000	3,634
1996A Sewer Department	3.43%	411,915		62,968	348,947	65,146	4,349
2008 Water Department	1.35%	1,144,000		64,000	1,080,000	65,000	5,306
2010 Water Department	1.00%	1,057,905	41,950	70,000	1,029,855	55,855	3,740
2011 Sewer Department	1.077%	875,615	398,191	5,400	1,268,406	64,642	6,117
Revenue Bonds:							
2007A Water Revenue Bonds	4.25%	298,000		37,000	261,000	39,000	4,607
2009A Electric Revenue Refunding	2.40 - 4.10%	565,000		60,000	505,000	65,000	10,537
Less: Unamortized Discount		(74,618)		(8,651)	(65,967)		
Business-type Activities Long-term Liabilities		<u>4,648,817</u>	<u>440,141</u>	<u>332,717</u>	<u>4,756,241</u>	<u>397,643</u>	<u>38,290</u>
Total		<u>\$ 9,507,806</u>	<u>\$ 1,099,679</u>	<u>\$ 633,571</u>	<u>\$ 9,973,914</u>	<u>\$ 623,457</u>	<u>\$ 145,735</u>

(1) The 2009B Improvement Project Bond proceeds were expended as follows: 27% Water Fund improvements, 19% Sewer Fund improvements, and 54% Capital Improvement Project Fund improvements. The Sewer and Water Funds will transfer amounts to the 2009 Improvement Project Debt Service Fund 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, 2012, excluding compensated absences, are summarized as below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds/Refunding Bonds		General Obligation Revenue Bonds/Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2013	\$ 95,000	\$ 141,713	\$ 60,000	\$ 32,520	\$	\$	\$ 70,814	\$ 30,215
2014	145,000	138,451	65,000	22,471			19,557	26,844
2015	145,000	134,776	65,000	20,077			20,534	25,867
2016	150,000	130,913	25,000	18,725			17,660	24,840
2017	160,000	126,601	25,000	18,450			18,543	23,958
2018-2022	880,000	552,438	135,000	85,619			107,584	104,918
2023-2027	1,065,000	373,059	165,000	68,851			137,307	75,196
2028-2032	1,120,000	125,327	200,000	44,406			175,243	37,259
2033-2035	60,000	1,380	145,000	8,900			40,476	2,025
Totals	\$ 3,820,000	\$ 1,724,657	\$ 885,000	\$ 320,018	\$	\$	\$ 607,718	\$ 351,122
Business-Type Activities								
2013	\$	\$	\$	\$	\$ 397,643	\$ 90,027	\$	\$
2014					404,692	80,172		
2015					418,679	70,217		
2016					425,725	59,843		
2017					437,806	49,228		
2018-2022					1,314,655	128,874		
2023-2027					1,064,436	54,320		
2028-2031					358,572	6,565		
Totals	\$	\$	\$	\$	\$ 4,822,208	\$ 539,246	\$	\$

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 22,027	\$
Airport Operations Fund		129,917
Capital Improvements Fund	83,149	
Levee Improvement Project Fund		53,703
Economic Development Fund	388,434	
Community Center Fund		22,413
Subtotal Governmental Funds	493,610	206,033
Liquor Fund		75,490
Water Fund		104,690
Sewer Fund		107,397
Subtotal Enterprise Funds		<u>287,577</u>
Totals	<u>\$ 493,610</u>	<u>\$ 493,610</u>
	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 366,042	\$
Capital Projects Fund:		
2009 & 2011 Improvement Project Fund	33,559	
Debt Service Fund:		
2009 Improvement Project Fund	274,203	
Enterprise Funds:		
Liquor Fund		166,042
Electric Fund	300,000	
Sewer Fund		807,762
Total	<u>\$ 973,804</u>	<u>\$ 973,804</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,000	\$
Economic Development Fund	73,000	
Special Revenue Funds:		
Ambulance		22,875
Fire Fund	20,000	
Business Flood Recovery Loan Program		415,582
EDA Revolving Loan	415,582	73,000
Capital Project Funds:		
Capital improvements		20,000
Debt Service		
2001 G.O. Improvement Fund	7,366	
1999 & 2000 G.O. Improvement Fund		2,086
2002 G.O. Improvement Fund		5,280
Equipment Capital Lease	22,875	
2009 Improvement Project Fund	66,816	
Enterprise Funds:		
Electric Fund		50,000
Water Fund		13,696
Sewer Fund		53,120
Total Transfers	<u>\$ 655,639</u>	<u>\$ 655,639</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 and Net Position

	<u>Restricted Net Position Imposed By</u>			
	<u>Grantors</u>	<u>Contributors</u>	<u>Creditors</u>	<u>Total</u>
<u>Major Governmental Funds:</u>				
Business Flood Recovery Loan Program Fund:				
Restricted for future EDA loans	\$ 15,293,257	\$	\$	\$ 15,293,257
EDA Revolving Loan Fund:				
Restricted for EDA loans	1,037,831			1,037,831
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		85,265		85,265
Restricted for future debt service:				
2004 G.O. TIF Refunding Debt Service Fund			102,312	102,312
2009 Improvement Project Debt Service Fund			155,963	155,963
2011 Improvement Project Debt Service Fund			78,963	78,963
2012 Tax Abatement Debt Service Fund			29,220	29,220
G.O. Bonds Debt Service Fund			42,935	42,935
Fire and Police Garage Debt Service Fund			9,813	9,813
Equipment Capital Leases Debt Service Fund			33,964	33,964
EDA Land Purchase Debt Service Fund			5,036	5,036
	<u>16,331,088</u>	<u>85,265</u>	<u>458,206</u>	<u>16,874,559</u>
<u>Major Proprietary Funds:</u>				
Liquor Fund:				
Due from FEMA	75,428			75,428
Electric Utility Fund:				
Due from FEMA	70,870			70,870
Restricted for future debt service			80,172	80,172
Water Utility Fund:				
Due from FEMA	245,879			245,879
Restricted for future debt service			350,902	350,902
Sewer Utility Fund:				
Restricted for future debt service			80,389	80,389
Wastewater system replacement			186,880	186,880
	<u>392,177</u>		<u>698,343</u>	<u>1,090,520</u>
Total Business-Type Activities				
	<u>\$ 16,723,265</u>	<u>\$ 85,265</u>	<u>\$ 1,156,549</u>	<u>\$ 17,965,079</u>
		<u>406</u>		
		Capital		
		Improvements		
		Fund		
Committed Fund Balance:				
Future and ongoing capital improvement construction projects and equipment	\$ 443,232			

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans - Statewide

Plan Description

All full-time and certain part-time employees of the City of Rushford are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the 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, 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)

10. Defined Benefit Pension Plans – Statewide (Continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. In 2012, 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, 2012, 2011, and 2010 were \$45,226, \$42,707, and \$42,557, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2012, 2011, and 2010 were \$28,249, \$29,903, and \$27,424, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

11. Defined Contribution Pension Plan - Volunteer Fire Relief Association

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

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

Volunteers of the fire department pay annual dues of \$1 each. During 2012, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2012 and as of December 31, 2012 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 2012 totaling \$22,479 together with an additional contribution of \$2,982 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)

12. Commitments and Contingencies

Risk Management - The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2012.

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 2012. 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.

13. Extraordinary Item

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

Insurance proceeds, federal grants, and contributions were used to replace 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. New Accounting Pronouncements

GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, implemented this year provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City has determined they have no deferred outflows or inflows as defined by this standard.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB 65, Items Previously Reported as Assets and Liabilities, will be effective for the City beginning with its year ending December 31, 2013. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows.

CITY OF RUSHFORD, MINNESOTA

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

DECEMBER 31, 2012

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2012

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, 2012**

	Special Revenue					Debt Service		
	<u>614/615</u>			<u>213</u>	<u>612</u>		<u>378</u>	<u>350</u>
	Fire Department	211 Library	607 Ambulance	Community Center	Airport Operations	Total	2004 G.O. TIF Refunding Bonds	2009 Improvement Project
ASSETS								
Cash and investments	\$ 554,696	\$ 114,358	\$ 175,282	\$	\$	\$ 844,336	\$ 100,732	\$ 153,173
Restricted cash		85,265				85,265		
Accrued interest receivable	944		300			1,244		
Accounts receivable	715		34,784		253	35,752		
Special assessments receivable:								
Deferred								392,268
Delinquent	700					700		
Prepaid items		240	1,213		68	1,521		
Taxes receivable - delinquent	813	2,318		44	420	3,595	2,121	2,662
Due from other funds								
Advances to other funds								274,203
Due from other governmental units	1,014	2,020	10,925		208,645	222,604	1,580	2,790
TOTAL ASSETS	\$ 558,882	\$ 204,201	\$ 222,504	\$ 44	\$ 209,386	\$ 1,195,017	\$ 104,433	\$ 825,096
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 414	\$ 530	\$ 2,289	\$ 48	\$ 465	\$ 3,746	\$	\$
Due to other funds				22,413	129,917	152,330		
Deferred revenue	1,854	2,358	10,924	44	420	15,600	2,121	394,930
Unearned revenue			16,324		12,896	29,220		
Total Liabilities	<u>2,268</u>	<u>2,888</u>	<u>29,537</u>	<u>22,505</u>	<u>143,698</u>	<u>200,896</u>	<u>2,121</u>	<u>394,930</u>
Fund Balance								
Nonspendable:								
Prepaid items		240	1,213		68	1,521		
Advances to other funds								274,203
Restricted:								
Externally imposed by:								
Creditors							102,312	155,963
Contributors		85,265				85,265		
Assigned	556,614	115,808	191,754		65,620	929,796		
Unassigned				(22,461)		(22,461)		
Total Fund Balance	<u>556,614</u>	<u>201,313</u>	<u>192,967</u>	<u>(22,461)</u>	<u>65,688</u>	<u>994,121</u>	<u>102,312</u>	<u>430,166</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 558,882	\$ 204,201	\$ 222,504	\$ 44	\$ 209,386	\$ 1,195,017	\$ 104,433	\$ 825,096

Capital Project

<u>351</u> 2011 Improvement Project	<u>353,</u> <u>354,355</u> G.O. Bonds	<u>370</u> 2012 Abatement 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>501</u> 2009/2011 Improvement Project	<u>700</u> Flood Restoration	Total
\$ 78,177	\$ 41,756	29,220	\$ 1,689 7,861	\$ 33,246	\$ 4,068	\$ 442,061 7,861	\$ 46,573	\$ 49,921	\$	\$	\$ 1,382,891 93,126 1,244 35,844
215,208				92		607,476					607,476 700 1,566
6	2,401		378	821	1,185	9,574	45 834				14,003 388,434
						274,203	388,434		33,559		307,762
786	1,179		263	626	968	8,192	216				231,012
<u>\$ 294,177</u>	<u>\$ 45,336</u>	<u>\$ 29,220</u>	<u>\$ 10,191</u>	<u>\$ 34,785</u>	<u>\$ 6,221</u>	<u>\$ 1,349,459</u>	<u>\$ 436,102</u>	<u>\$ 49,921</u>	<u>\$ 33,559</u>	<u>\$</u>	<u>\$ 3,064,058</u>
\$	\$	\$	\$	\$	\$	\$	\$ 1,346	\$	\$	\$	\$ 5,092 152,330 633,484 29,220
215,214	2,401		378	821	1,185	617,050	834				820,126
<u>215,214</u>	<u>2,401</u>		<u>378</u>	<u>821</u>	<u>1,185</u>	<u>617,050</u>	<u>2,180</u>				<u>820,126</u>
						274,203	45		33,559		1,566 307,762
78,963	42,935	29,220	9,813	33,964	5,036	458,206					458,206 85,265 1,413,594 (22,461)
							433,877	49,921			
<u>78,963</u>	<u>42,935</u>	<u>29,220</u>	<u>9,813</u>	<u>33,964</u>	<u>5,036</u>	<u>732,409</u>	<u>433,922</u>	<u>49,921</u>	<u>33,559</u>		<u>2,243,932</u>
<u>\$ 294,177</u>	<u>\$ 45,336</u>	<u>\$ 29,220</u>	<u>\$ 10,191</u>	<u>\$ 34,785</u>	<u>\$ 6,221</u>	<u>\$ 1,349,459</u>	<u>\$ 436,102</u>	<u>\$ 49,921</u>	<u>\$ 33,559</u>	<u>\$</u>	<u>\$ 3,064,058</u>

**CITY OF RUSHFORD, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2012**

	Special Revenue					Debt Service		
	<u>614/615</u>	<u>211</u>		<u>213</u>	<u>612</u>		<u>378</u>	<u>350</u>
	Fire Department	Library	<u>607</u> Ambulance	Community Center	Airport Operations	Total	2004 G.O. TIF Refunding Bonds	2009 Improvement Project
REVENUES								
Property tax	\$ 30,122	\$ 75,302	\$	\$	\$ 10,253	\$ 115,677	\$ 70,489	\$ 125,668
Tax increments								
Intergovernmental	24,979	42,164	4,500	20,000	171,795	263,438		
Charges for services	60,413	6,293	161,934		15,392	244,032		
Special assessments								43,212
Interest income	6,357	198	903	(73)	(52)	7,333	109	314
Miscellaneous	21,588	(43,246)	9,003		304	(12,351)		
TOTAL REVENUES	143,459	80,711	176,340	19,927	197,692	618,129	70,598	169,194
EXPENDITURES								
Public safety	92,159		136,778			228,937		
Airport					195,510	195,510		
Library		125,978				125,978		
Community center				4,212		4,212		
Debt service							68,209	198,599
Capital outlay								
Economic development								
TOTAL EXPENDITURES	92,159	125,978	136,778	4,212	195,510	554,637	68,209	198,599
Excess (deficiency) of revenues over (under) expenditures	51,300	(45,267)	39,562	15,715	2,182	63,492	2,389	(29,405)
OTHER FINANCING SOURCES (USES)								
Issuance of debt								
Transfers in	20,000					20,000		66,816
Transfer out			(22,875)			(22,875)		
Total other financing sources (uses)	20,000		(22,875)			(2,875)		66,816
Net change in fund balances	71,300	(45,267)	16,687	15,715	2,182	60,617	2,389	37,411
FUND BALANCES, Beginning	485,314	246,580	176,280	(38,176)	63,506	933,504	99,923	392,755
FUND BALANCES, Ending	\$ 556,614	\$ 201,313	\$ 192,967	\$ (22,461)	\$ 65,688	\$ 994,121	\$ 102,312	\$ 430,166

Capital Project											
<u>351</u> 2011 Improvement Project	<u>353,</u> <u>354, 355</u> G.O. Bonds	<u>370</u> 2012 Abatement 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>501</u> 2009/2011 Improvement Project	<u>700</u> Flood Restoration	Total
\$	\$ 48,840	\$	\$ 11,697	\$ 27,911	\$ 43,187	\$ 327,792	\$ 5,997	\$	\$	\$	\$ 449,466
							5,305	12,649		362,449	12,649
											631,192
											244,032
30,023						73,235					73,235
143	22	42	16	649	(50)	1,245	793	98	(181)	(1,281)	8,007
							20,025		22,870		30,544
30,166	48,862	42	11,713	28,560	43,137	402,272	32,120	12,747	22,689	361,168	1,449,125
											228,937
											195,510
											125,978
											4,212
45,264	82,060		10,861	50,667	42,501	498,161					498,161
							1,391	11,384	38,278	813	51,866
							49,940				49,940
45,264	82,060		10,861	50,667	42,501	498,161	51,331	11,384	38,278	813	1,154,604
(15,098)	(33,198)	42	852	(22,107)	636	(95,889)	(19,211)	1,363	(15,589)	360,355	294,521
		29,178				29,178					29,178
	7,366			22,875		97,057	73,000				190,057
	(7,366)					(7,366)					(30,241)
		29,178		22,875		118,869	73,000				188,994
(15,098)	(33,198)	29,220	852	768	636	22,980	53,789	1,363	(15,589)	360,355	483,515
94,061	76,133		8,961	33,196	4,400	709,429	380,133	48,558	49,148	(360,355)	1,760,417
\$ 78,963	\$ 42,935	\$ 29,220	\$ 9,813	\$ 33,964	\$ 5,036	\$ 732,409	\$ 433,922	\$ 49,921	\$ 33,559	\$	\$ 2,243,932

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND (614)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	Budgeted Amounts		2012 Actual Amounts			Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final	General	Mill Rate	Total		
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 30,122	\$	\$ 30,122	\$ 122	\$ 26,404
Intergovernmental Revenues							
Fire relief aid	18,000	21,000	22,479		22,479	1,479	21,730
County & grant aid	2,500	2,500	2,500		2,500		18,381
Total Intergovernmental revenues	20,500	23,500	24,979		24,979	1,479	40,111
Charges For Services							
Township contributions	46,414	46,414		46,414	46,414		46,414
Fire calls, contracts and water hauling	7,000	7,000	13,999		13,999	6,999	10,053
Total Charges For Services	53,414	53,414	13,999	46,414	60,413	6,999	56,467
Interest Income	4,000	6,000	1,134	5,223	6,357	357	7,831
Miscellaneous Revenues							
Donations	12,000	15,000	21,588		21,588	6,588	17,433
TOTAL REVENUES	119,914	127,914	91,822	51,637	143,459	15,545	148,246
EXPENDITURES							
Public Safety							
Salaries	12,000	13,000	12,724		12,724	276	10,110
Fire relief aid	21,050	25,550	25,461		25,461	89	24,505
Office supplies	450	450	217		217	233	312
Meeting and conferences	9,000	9,000	4,732		4,732	4,268	7,099
General supplies	8,250	10,350	8,950		8,950	1,400	8,108
Professional services	1,000	1,000	1,000		1,000		920
Telephone	600	1,000	987		987	13	609
Insurance	10,850	10,200	8,363		8,363	1,837	8,560
Utilities	4,250	4,550	3,915		3,915	635	4,259
Benefit dances	900	900	1,362		1,362	(462)	581
Repairs and maintenance	3,000	3,900	2,747	1,196	3,943	(43)	2,203
Dues, subscriptions and fees	1,400	1,400	924		924	476	1,243
Miscellaneous	12,300	9,100	7,616	188	7,804	1,296	12,609
Capital outlay	6,000	13,000	4,000	7,777	11,777	1,223	19,125
TOTAL EXPENDITURES	91,050	103,400	82,998	9,161	92,159	11,241	100,243
Excess revenues over expenditures	28,864	24,514	8,824	42,476	51,300	26,786	48,003
OTHER FINANCING SOURCES							
Transfers in	20,000	53,000	20,000		20,000	(33,000)	20,000
Transfers out		(33,000)				33,000	
Total other financing sources (uses)	20,000	20,000	20,000		20,000		20,000
Net change in fund balance	48,864	44,514	28,824	42,476	71,300	26,786	68,003
FUND BALANCES, BEGINNING	485,314	485,314	219,546	265,768	485,314		417,311
FUND BALANCES, ENDING	\$ 534,178	\$ 529,828	\$ 248,370	\$ 308,244	\$ 556,614	\$ 26,786	\$ 485,314

CITY OF RUSHFORD, MINNESOTA
LIBRARY FUND (211)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual Amounts	Final Budget Positive (Negative)	Actual Amounts
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 75,000	\$ 75,000	\$ 75,302	\$ 302	\$ 65,978
Intergovernmental Revenues					
County apportionment and other revenue	30,000	30,000	32,164	2,164	31,827
Local government aid	10,000	10,000	10,000		10,000
Market value credit					3,890
Total Intergovernmental Revenues	40,000	40,000	42,164	2,164	45,717
Interest Income	100	100	198	98	229
Miscellaneous Revenues					
Capital campaign donations			(43,246)	(43,246)	48,703
Fines, books and other	8,500	8,500	6,293	(2,207)	15,420
Total Miscellaneous Revenues	8,500	8,500	(36,953)	(45,453)	64,123
TOTAL REVENUES	123,600	123,600	80,711	(42,889)	176,047
EXPENDITURES					
Library					
Salaries	76,200	77,200	75,811	1,389	75,703
Employee benefits and retirement	10,841	10,900	10,714	186	10,751
Office supplies	1,250	1,100	616	484	580
General supplies	2,000	2,500	2,411	89	1,498
Professional services	800	800	800		710
Telephone	700	750	667	83	653
Insurance	1,850	1,750	1,471	279	1,418
Utilities	2,150	2,150	1,807	343	1,782
Repairs and maintenance	609	609	335	274	581
Dues, subscriptions and fees	1,600	1,600	1,041	559	1,072
SELCO contract	2,420	2,420	2,420		2,079
Computer line fee	6,000	7,400	7,358	42	5,963
Miscellaneous	3,100	3,100	2,424	676	2,470
Capital outlay	16,400	18,500	18,103	397	8,377
TOTAL EXPENDITURES	125,920	130,779	125,978	4,801	113,637
Excess (deficit) of revenues over (under) expenditures	(2,320)	(7,179)	(45,267)	(38,088)	62,410
FUND BALANCES, BEGINNING	246,580	246,580	246,580		184,170
FUND BALANCES, ENDING	\$ 244,260	\$ 239,401	\$ 201,313	\$ (38,088)	\$ 246,580

**CITY OF RUSHFORD, MINNESOTA
AMBULANCE FUND (607)
Statement of Revenue, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011**

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
SE Minnesota EMS Grant					2,000
Total Intergovernmental revenues	4,500	4,500	4,500		6,500
Charges For Services					
Fees from runs	200,000	150,000	145,610	(4,390)	134,881
City and township contracts	16,324	16,324	16,324		16,324
Total Charges For Services	216,324	166,324	161,934	(4,390)	151,205
Interest Income	2,000	1,600	903	(697)	2,074
Miscellaneous Revenues					
Other	3,500	10,200	9,003	(1,197)	9,094
Total Miscellaneous revenues	3,500	10,200	9,003	(1,197)	9,094
TOTAL REVENUES	226,324	182,624	176,340	(6,284)	168,873
EXPENDITURES					
Public Safety					
Salaries	65,000	65,000	62,808	2,192	63,452
Employee benefits and retirement	7,900	7,700	7,425	275	7,163
Office supplies	1,000	1,000	907	93	854
Meeting and conferences	15,500	15,000	14,747	253	11,514
Gas, oil and supplies	4,800	4,500	4,562	(62)	5,256
General supplies	10,300	10,500	12,111	(1,611)	12,340
Professional services	1,100	1,100	1,070	30	920
Telephone	1,400	1,100	1,137	(37)	1,403
Insurance	6,600	6,100	4,601	1,499	4,894
Utilities	3,700	3,300	2,689	611	2,757
Repairs and maintenance	3,000	3,000	3,813	(813)	1,797
Dues, subscriptions and fees	9,000	9,000	6,572	2,428	8,292
Miscellaneous	2,000	4,000	4,404	(404)	4,088
Bad debt			2,512	(2,512)	18,680
Grants		1,900	1,925	(25)	
Capital outlay	3,000	4,030	5,495	(1,465)	4,664
TOTAL EXPENDITURES	134,300	137,230	136,778	452	148,074
Excess (deficiency) of revenues over (under) expenditures	92,024	45,394	39,562	(5,832)	20,799
OTHER FINANCING USES					
Transfer out	(22,874)	(22,874)	(22,875)	(1)	(22,875)
Net change in fund balance	69,150	22,520	16,687	(5,833)	(2,076)
FUND BALANCES, BEGINNING	176,280	176,280	176,280		178,356
FUND BALANCES, ENDING	\$ 245,430	\$ 198,800	\$ 192,967	\$ (5,833)	\$ 176,280

**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, 2012
With Comparative Totals for December 31, 2011**

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
Local government aid	\$ 20,000	\$ 20,000	\$ 20,000	\$	\$ 20,000
Interest Income (Expense)			(73)	(73)	
TOTAL REVENUES	<u>20,000</u>	<u>20,000</u>	<u>19,927</u>	<u>(73)</u>	<u>20,000</u>
EXPENDITURES					
General Government					
Contractual services	20,000	16,000	1,364	14,636	705
General supplies		50	7	43	148
Professional services		100	100		300
Insurance		1,200	958	242	81
Utilities		2,650	1,783	867	1,719
Capital outlay					61,741
TOTAL EXPENDITURES	<u>20,000</u>	<u>20,000</u>	<u>4,212</u>	<u>15,788</u>	<u>64,694</u>
Excess (deficit) of revenues over (under) expenditures			<u>15,715</u>	<u>15,715</u>	<u>(44,694)</u>
OTHER FINANCING SOURCES					
Transfers in					
Net change in fund balance			15,715	15,715	(44,694)
FUND BALANCES, BEGINNING	<u>(38,176)</u>	<u>(38,176)</u>	<u>(38,176)</u>		<u>6,518</u>
FUND BALANCES, ENDING	<u>\$ (38,176)</u>	<u>\$ (38,176)</u>	<u>\$ (22,461)</u>	<u>\$ 15,715</u>	<u>\$ (38,176)</u>

CITY OF RUSHFORD, MINNESOTA
AIRPORT FUND (612)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 20,000	\$ 10,000	\$ 10,253	\$ 253	\$ 17,577
Intergovernmental Revenues					
State grants	150,800	144,750	161,795	17,045	338,247
Local government aid	10,000	10,000	10,000		10,000
Market value credit					1,037
Total Intergovernmental revenues	160,800	154,750	171,795	17,045	349,284
Charges for Services					
Land leases	4,800	7,500	8,708	1,208	5,896
Hangar rentals	4,320	5,800	5,625	(175)	4,095
Fuel and utilities	1,050	1,100	1,059	(41)	1,180
Total Charges For Services	10,170	14,400	15,392	992	11,171
Interest Income					
	30	30	(52)	(82)	52
Miscellaneous Revenues					
		40	304	264	486
TOTAL REVENUES	191,000	179,220	197,692	18,472	378,570
EXPENDITURES					
Airport					
Salaries	4,700	4,700	4,700		4,500
General supplies	1,000	1,000	1,280	(280)	1,794
Fuel	1,500	1,500	1,372	128	1,288
Professional services	900	800	700	100	637
Insurance	5,280	9,250	7,023	2,227	4,103
Utilities	4,240	4,040	3,556	484	3,638
Repairs and maintenance	2,730	5,230	4,825	405	2,495
Dues, subscriptions and fees	1,300	1,300	1,826	(526)	947
Taxes on property	350	400	405	(5)	348
Capital outlay	150,000	151,000	169,823	(18,823)	345,656
TOTAL EXPENDITURES	172,000	179,220	195,510	(16,290)	365,406
Excess (deficit) of revenues over (under) expenditures	19,000		2,182	2,182	13,164
FUND BALANCES, BEGINNING	63,506	63,506	63,506		50,342
FUND BALANCES, ENDING	\$ 82,506	\$ 63,506	\$ 65,688	\$ 2,182	\$ 63,506

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, 2012
With Comparative Totals for December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 5,000	\$ 5,000	\$ 5,997	\$ 997	\$ 44,086
Intergovernmental revenues					
Local government aid	5,305	5,305	5,305		100,000
Market value credit					2,593
Interest income		500	793	293	764
Miscellaneous		20,000	20,025	25	5,500
TOTAL REVENUES	10,305	30,805	32,120	1,315	152,943
EXPENDITURES					
Economic Development					
Salaries	14,000	14,000	14,000		13,000
Employee benefits and retirement	100	100	76	24	82
General supplies	700	700	738	(38)	524
Professional service	8,750	8,800	6,083	2,717	5,911
Telephone	1,000	1,000	999	1	1,019
Utilities			422	(422)	577
Insurance	1,300	800	539	261	432
License, dues and subscriptions	4,000	3,000	2,621	379	1,200
Miscellaneous	1,700	1,700	476	1,224	331
Capital outlay		6,000	1,391	4,609	35,919
Contracted services	28,450	28,450	23,986	4,464	28,558
TOTAL EXPENDITURES	60,000	64,550	51,331	13,219	87,553
Excess (deficiency) of revenues over (under) expenditures	(49,695)	(33,745)	(19,211)	14,534	65,390
OTHER FINANCING SOURCES (USES)					
Transfers in		73,000	73,000		
Net change in fund balances	(49,695)	39,255	53,789	14,534	65,390
FUND BALANCES, Beginning	380,133	380,133	380,133		314,743
FUND BALANCES, Ending	\$ 330,438	\$ 419,388	\$ 433,922	\$ 14,534	\$ 380,133

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CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

December 31, 2012

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Net Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Accounts receivable	\$ 105	\$ 110
Due from other governmental units	75,428	91,344
Merchandise inventory		210
Total Current Assets	75,533	91,664
Property and Equipment		
Building	766,148	766,148
Furniture and equipment	11,496	76,635
Total	777,644	842,783
Less: Accumulated depreciation	85,422	86,438
Net Property, Plant and Equipment	692,222	756,345
TOTAL POSITION	\$ 767,755	\$ 848,009
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 333	\$ 10,615
Due to other funds	75,490	80,729
Advances from other funds	166,042	166,042
Total Liabilities	241,865	257,386
Net Position	525,890	590,623
TOTAL LIABILITIES AND NET POSITION	\$ 767,755	\$ 848,009

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	2012	2011
Operating Revenues		
Total sales	\$	\$ 149,863
Cost of sales		122,929
		<hr/>
Gross Profit		26,934
		<hr/>
Operating Expenses		
Salaries and wages		54,593
Employee benefits and retirement		8,485
Office supplies	1,378	388
General supplies		1,338
Contracted services	2,643	2,305
Advertising		1,106
Telephone	430	614
Utilities	2,925	8,008
Insurance	1,998	3,578
Repairs and maintenance		1,289
Depreciation	24,638	28,308
Licenses, dues and subscriptions		2,504
Total Operating Expenses	<hr/>	112,516
	34,012	
Operating Income (Loss)	<hr/>	(85,582)
	(34,012)	
Nonoperating Revenue and (Expense)		
Interest expense	(314)	(539)
Unemployment expense	(7,870)	(18,134)
Loss on disposal of capital assets	(18,135)	
Miscellaneous	(4,402)	2,962
Rental income		417
Total Nonoperating Revenue and (Expense)	<hr/>	(15,294)
	(30,721)	
Change in Net Position	<hr/>	(100,876)
	(64,733)	
Net Position, Beginning of Year	<hr/>	691,499
	590,623	
Net Position, End of Year	<hr/> <hr/>	\$ 590,623
	\$ 525,890	\$

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (604)
ELECTRIC DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	2012		Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,707,000	\$ 1,701,223	\$ (5,777)	\$ 1,650,208
Operating Expenses				
Cost of Production				
Purchased power	1,200,000	1,131,114	68,886	1,092,963
Distribution				
Salaries	8,700	7,717	983	9,941
Gas, oil and supplies	2,000	1,348	652	1,727
General supplies	4,000	4,332	(332)	3,891
Professional services				7,717
Repairs and maintenance	37,200	37,263	(63)	50,358
Depreciation and amortization	122,193	122,193		115,607
Total Distribution	174,093	172,853	1,240	189,241
General Administration				
Salaries	187,000	182,767	4,233	174,173
Employee benefits and retirement	25,800	25,544	256	24,354
Office supplies and expense	1,000	1,089	(89)	659
Professional services	5,800	6,054	(254)	3,881
Postage	4,500	3,442	1,058	4,878
Printing and publishing	900	969	(69)	573
Insurance	7,500	6,303	1,197	5,276
Dues, subscriptions and fees	6,500	5,362	1,138	5,317
Miscellaneous	4,375	3,398	977	2,629
Total General Administration	243,375	234,928	8,447	221,740
Total Operating Expenses	1,617,468	1,538,895	78,573	1,503,944
Operating Income	89,532	162,328	72,796	146,264
Nonoperating Revenue and (Expense)				
Interest expense	(21,073)	(20,353)	720	(21,853)
Interest income	2,000	678	(1,322)	2,979
Penalty income	13,000	16,165	3,165	14,469
Service fee - refuse billings	3,800	4,205	405	3,667
Compost site fees	4,000	2,789	(1,211)	3,806
Grants		75,350	75,350	180,039
Miscellaneous income	12,000	19,018	7,018	10,137
Total Other Income (Expense)	13,727	97,852	84,125	193,244
Net Income Before Transfers	103,259	260,180	156,921	339,508
Transfers out	(50,000)	(50,000)		(10,000)
Change in Net Position	53,259	210,180	156,921	329,508
Net Position, Beginning of Year	2,003,426	2,003,426		1,673,918
Net Position, End of Year	\$ 2,056,685	\$ 2,213,606	\$ 156,921	\$ 2,003,426

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (601)
WATER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011**

	2012		Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 451,000	\$ 499,225	\$ 48,225	\$ 418,143
Operating Expenses				
Distribution				
Salaries	63,000	63,753	(753)	63,092
Utilities and fuel oil	24,500	19,838	4,662	21,542
Gas, oil and supplies	13,800	9,161	4,639	9,475
General supplies	1,500	1,180	320	667
Professional services				9,689
Repairs and maintenance	7,000	6,461	539	19,450
Depreciation and amortization	211,142	211,142		175,703
Sewage and water testing	1,500	901	599	636
Total Distribution	<u>322,442</u>	<u>312,436</u>	<u>10,006</u>	<u>300,254</u>
General Administration				
Salaries	34,000	35,229	(1,229)	31,568
Employee benefits and retirement	15,655	13,981	1,674	13,590
Office supplies and expense	500	599	(99)	465
Professional services	5,500	5,000	500	3,883
Postage	100	342	(242)	69
Printing and publishing	950	738	212	920
Insurance	8,300	6,211	2,089	6,368
Dues, subscriptions and fees	1,800	1,377	423	1,361
Miscellaneous	3,200	1,932	1,268	1,783
Total General Administration	<u>70,005</u>	<u>65,409</u>	<u>4,596</u>	<u>60,007</u>
Total Operating Expenses	<u>392,447</u>	<u>377,845</u>	<u>14,602</u>	<u>360,261</u>
Operating Income	<u>58,553</u>	<u>121,380</u>	<u>62,827</u>	<u>57,882</u>
Nonoperating Revenue and (Expense)				
Interest expense	(50,208)	(46,618)	3,590	(53,140)
Interest income		529	529	112
Grants		63,066	63,066	
Miscellaneous income	500	842	342	46,279
Total Other Income (Expense)	<u>(49,708)</u>	<u>17,819</u>	<u>67,527</u>	<u>(6,749)</u>
Net Income Before Transfers	<u>8,845</u>	<u>139,199</u>	<u>130,354</u>	<u>51,133</u>
Transfers out		(13,696)	(13,696)	(18,304)
Change in Net Position	<u>8,845</u>	<u>125,503</u>	<u>116,658</u>	<u>32,829</u>
Net Position, Beginning of Year	<u>1,667,037</u>	<u>1,667,037</u>		<u>1,634,208</u>
Net Position, End of Year	<u>\$ 1,675,882</u>	<u>\$ 1,792,540</u>	<u>\$ 116,658</u>	<u>\$ 1,667,037</u>

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (602)
SEWER DEPARTMENT**
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for December 31, 2011

	2012		Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 378,000	\$ 392,698	\$ 14,698	\$ 333,202
Revenues related to Rushford Village	31,000	31,603	603	24,606
Total Operating Revenues	<u>409,000</u>	<u>424,301</u>	<u>15,301</u>	<u>357,808</u>
Operating Expenses				
Distribution				
Salaries	113,900	111,872	2,028	112,626
Utilities and fuel oil	40,300	41,839	(1,539)	31,508
Gas, oil and supplies	2,100	1,547	553	1,617
General supplies	6,000	6,678	(678)	5,959
Professional services	14,000	13,535	465	58,603
Repairs and maintenance	8,000	8,823	(823)	5,812
Depreciation	129,823	129,823		107,790
Sewage and water testing	5,000	6,290	(1,290)	4,576
Total Distribution	<u>319,123</u>	<u>320,407</u>	<u>(1,284)</u>	<u>328,491</u>
General Administration				
Salaries	22,500	27,256	(4,756)	17,997
Employee benefits and retirement	3,855	3,813	42	6,377
Professional services	5,895	6,856	(961)	5,081
Printing and publishing	1,050	930	120	1,377
Insurance	6,450	5,252	1,198	5,428
Dues, subscriptions and fees	3,500	3,096	404	3,401
Miscellaneous	4,000	3,920	80	2,406
Total General Administration	<u>47,250</u>	<u>51,123</u>	<u>(3,873)</u>	<u>42,067</u>
Total Operating Expenses	<u>366,373</u>	<u>371,530</u>	<u>(5,157)</u>	<u>370,558</u>
Operating Income (Loss)	<u>42,627</u>	<u>52,771</u>	<u>10,144</u>	<u>(12,750)</u>
Nonoperating Revenue and (Expense)				
Interest expense	(24,482)	(26,889)	(2,407)	(16,797)
Interest income	800	696	(104)	682
Loss on disposal of capital assets				(63,389)
Miscellaneous income	500	421	(79)	5,108
Total Other Income (Expense)	<u>(23,182)</u>	<u>(25,772)</u>	<u>(2,590)</u>	<u>(74,396)</u>
Net Income (Loss) Before Extraordinary Item and Transfers	19,445	26,999	7,554	(87,146)
Extraordinary item		(206,113)	(206,113)	
Transfers out		(53,120)	(53,120)	(12,880)
Change in Net Position	19,445	(232,234)	(251,679)	(100,026)
Net Position, Beginning of Year	1,192,019	1,192,019		1,292,045
Net Position, End of Year	<u>\$ 1,211,464</u>	<u>\$ 959,785</u>	<u>\$ (251,679)</u>	<u>\$ 1,192,019</u>

**CITY OF RUSHFORD, MINNESOTA
PFA WATER LOAN OF 1999, 2008 AND 2010
LOAN RETIREMENT DEBT SERVICE FUND
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2011 and 2010**

	2012	2011
Revenues	\$ 288,773	\$ 209,055
Expenditures		
Principal	176,000	157,000
Interest	32,043	30,795
Total expenditures	208,043	187,795
Excess Revenues	80,730	21,260
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	80,730	21,260
Fund Balance, January 1	218,445	197,185
Fund Balance, December 31	\$ 299,175	\$ 218,445

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CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2012

CHANGE FUNDS \$ 18

CHECKING ACCOUNTS

Associated Bank
General checking account 2,036,503
Rushford State Bank:
General checking account 126,412

TOTAL CHECKING ACCOUNTS 2,162,915

SAVINGS ACCOUNTS

Associated Bank:
Money market funds account 1,216,793

DEPOSITS HELD BY FISCAL AGENTS

Donations for a new library:
Southeastern Library Cooperative (SELCO) Foundation 85,265

**TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND
DEPOSITS HELD BY FISCAL AGENTS** \$ 3,464,991

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2012

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Rushford State Bank</i>		
Certificate	3.65%	\$ 30,000
Certificate	1.30%	160,000
Certificate	1.30%	70,000
Certificate	1.20%	185,000
Certificate	1.31%	176,000
TOTAL INVESTMENTS		<u>621,000</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS		<u>3,464,991</u>
TOTAL CASH AND INVESTMENTS, December 31, 2012		<u><u>\$ 4,085,991</u></u>

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 65,146	\$ 11,415	\$ 76,561
2014	67,400	9,161	76,561
2015	69,731	6,830	76,561
2016	72,144	4,417	76,561
2017	74,526	1,922	76,448
TOTAL	\$ 348,947	\$ 33,745	\$ 382,692

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 43,000	\$ 10,002	\$ 53,002
2014	44,000	8,694	52,694
2015	46,000	7,356	53,356
2016	47,000	5,958	52,958
2017	48,000	4,530	52,530
2018	50,000	3,070	53,070
2019	51,000	1,550	52,550
TOTAL	\$ 329,000	\$ 41,160	\$ 370,160

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
TOTAL	\$ 505,000	\$ 83,816	\$ 588,816

\$400,000 SERIES 2007A
 WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 39,000	\$ 11,093	\$ 50,093
2014	41,000	9,435	50,435
2015	43,000	7,693	50,693
2016	44,000	5,865	49,865
2017	46,000	3,995	49,995
2018	48,000	2,040	50,040
TOTAL	\$ 261,000	\$ 40,121	\$ 301,121

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
TOTAL	\$ 1,080,000	\$ 120,592	\$ 1,200,592

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2012**

\$1,029,855 SERIES 2010
 G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 55,855	\$ 10,296	\$ 66,151
2014	56,000	9,740	65,740
2015	57,000	9,180	66,180
2016	58,000	8,610	66,610
2017	58,000	8,030	66,030
2018	59,000	7,450	66,450
2019	59,000	6,860	65,860
2020	60,000	6,270	66,270
2021	60,000	5,670	65,670
2022	61,000	5,070	66,070
2023	62,000	4,460	66,460
2024	62,000	3,840	65,840
2025	63,000	3,220	66,220
2026	64,000	2,590	66,590
2027	64,000	1,950	65,950
2028	65,000	1,310	66,310
2029	66,000	660	66,660
TOTAL	\$ 1,029,855	\$ 95,206	\$ 1,125,061

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2012**

\$1,268,406 SERIES 2011
 G.O. SEWER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 64,642	\$ 12,748	\$ 77,390
2014	65,292	12,098	77,390
2015	65,948	11,442	77,390
2016	66,581	10,809	77,390
2017	67,280	10,110	77,390
2018	67,956	9,434	77,390
2019	68,639	8,751	77,390
2020	69,306	8,083	77,389
2021	70,025	7,364	77,389
2022	70,729	6,661	77,390
2023	71,440	5,950	77,390
2024	72,143	5,246	77,389
2025	72,883	4,507	77,390
2026	73,615	3,774	77,389
2027	74,355	3,034	77,389
2028	75,096	2,293	77,389
2029	75,857	1,532	77,389
2030	76,619	770	77,389
TOTAL	\$ 1,268,406	\$ 124,606	\$ 1,393,012

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
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
TOTAL	\$2,635,000	\$ 1,166,482	\$ 3,801,482

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 60,000	\$ 5,798	\$ 65,798
2014	65,000	3,608	68,608
2015	65,000	1,214	66,214
TOTAL	\$ 190,000	\$ 10,620	\$ 200,620

\$695,000 GENERAL OBLIGATION
TAX ABATEMENT BONDS OF 2012A

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$	\$ 26,722	\$ 26,722
2014		18,863	18,863
2015		18,863	18,863
2016	25,000	18,725	43,725
2017	25,000	18,450	43,450
2018	25,000	18,094	43,094
2019	25,000	17,656	42,656
2020	25,000	17,219	42,219
2021	30,000	16,663	46,663
2022	30,000	15,988	45,988
2023	30,000	15,313	45,313
2024	30,000	14,615	44,615
2025	35,000	13,835	48,835
2026	35,000	12,995	47,995
2027	35,000	12,094	47,094
2028	35,000	11,131	46,131
2029	40,000	10,100	50,100
2030	40,000	8,950	48,950
2031	40,000	7,750	47,750
2032	45,000	6,475	51,475
2033	45,000	4,900	49,900
2034	50,000	3,000	53,000
2035	50,000	1,000	51,000
TOTAL	\$ 695,000	\$ 309,398	\$ 1,004,398

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
TOTAL	\$ 1,185,000	\$ 558,175	\$ 1,743,175

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2012**

\$99,000 USDA LOAN OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 7,143	\$ 718	\$ 7,861
2014	3,539	362	3,901
2015	3,715	185	3,900
TOTAL	\$ 14,397	\$ 1,265	\$ 15,662

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 15,255	\$ 27,246	\$ 42,501
2014	16,018	26,482	42,500
2015	16,819	25,682	42,501
2016	17,660	24,840	42,500
2017	18,543	23,958	42,501
2018	19,470	23,030	42,500
2019	20,443	22,058	42,501
2020	21,466	21,034	42,500
2021	22,539	19,962	42,501
2022	23,666	18,834	42,500
2023	24,849	17,652	42,501
2024	26,092	16,408	42,500
2025	27,396	15,105	42,501
2026	28,766	13,734	42,500
2027	30,204	12,297	42,501
2028	31,715	10,785	42,500
2029	33,300	9,201	42,501
2030	34,965	7,535	42,500
2031	36,714	5,787	42,501
2032	38,549	3,951	42,500
2033	40,476	2,025	42,501
TOTAL	\$ 544,905	\$ 347,606	\$ 892,511

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2012**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 26,558	\$ 1,235	\$ 27,793
TOTAL	\$ 26,558	\$ 1,235	\$ 27,793

\$100,000 AMBULANCE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 21,858	\$ 1,016	\$ 22,874
TOTAL	\$ 21,858	\$ 1,016	\$ 22,874

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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, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States the financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Rushford, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Rushford, Minnesota's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
June 24, 2013