

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF RUSHFORD, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2013

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
List of Elected and Appointed Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - EDA Revolving Loan Fund	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Business Flood Recovery Loan Program Fund	32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Improvements Fund	33
Statement of Net Position - Proprietary Funds	34
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	35
Statement of Cash Flows - Proprietary Funds	36
Notes to the Financial Statements	38
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fire Department Fund	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -Library Fund	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Ambulance Fund	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Center Fund	68
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Airport Fund	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Economic Development Fund	70

CITY OF RUSHFORD, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2013

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	<u>PAGE</u>
Enterprise Funds	
Liquor Fund:	
Statement of Net Position	71
Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual	72
Electric Fund:	
Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual	73
Water Fund:	
Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual	74
Sewer Fund:	
Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual	75
PFA Water Loan of 1999, 2008, and 2010 Retirement Debt Service Fund	76
Supplementary Information	
Summary of Cash and Investments - All Fund Types	77
Bond Retirement Schedules - Business-Type Activities	79
Bond Retirement Schedules - Governmental Activities	84
Report on Internal Control over Financial Reporting on Compliance and Other Matters based on an audit of Financial Statements in accordance with <i>Government Auditing Standards</i>	88
Schedule of Prior Year Audit Findings	90
Schedule of Findings and Questioned Costs	91
Auditor's Report on Legal Compliance	92

CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2013

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2013

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

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2013

(This Page Left Blank Intentionally)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 policies 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, 2013, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, EDA Revolving Loan Fund, Business Flood Recovery Loan Program Fund, and Capital Improvements Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States 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 the 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 inquires 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 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.

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 statements for the year ended December 31, 2012, from which such partial information was derived.

We have previously audited the City's 2012 financial statements and our report dated June 24, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supplementary information 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. Such 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 combining and individual nonmajor fund financial statements and the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, on our consideration of the City of Rushford, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rushford, Minnesota's internal control over financial reporting and compliance.

Smith, Schafn 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, 2013.

New Accounting Pronouncement. As described in Note 14 to the financial statements, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. This Statement established accounting and financial reporting standards that retroactively reclassify, as deferred inflows of resources, certain items previously reported as liabilities. In addition, debt issuance costs are no longer reported in the Statement of Net Position under the new Standard.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$29,489,674 (*net position*). Of this amount, \$4,802,199 (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 decreased by \$3,236,657 primarily as the result of the forgiveness of business flood loans.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$183,190 or 28 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 \$4,002,742. Approximately 58 percent of this total amount, or \$2,335,820 is nonspendable, restricted or otherwise committed.
- The City of Rushford decreased total outstanding debt by \$526,181 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-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, EDA revolving loan fund, business flood recovery loan program fund, capital improvements fund, and the 2009 improvement project fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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), 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 34-37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-59 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 \$29,489,674 at the end of the most recent year.

A portion of the City of Rushford's net position (37 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 17,407,175	\$ 21,257,427	\$ 1,048,353	\$ 773,503	\$ 18,455,528	\$ 22,030,930
Capital assets	11,702,763	11,616,347	9,658,913	9,883,742	21,361,676	21,500,089
Total assets	<u>29,109,938</u>	<u>32,873,774</u>	<u>10,707,266</u>	<u>10,657,245</u>	<u>39,817,204</u>	<u>43,531,019</u>
Long-term liabilities						
outstanding	5,058,286	5,290,286	4,520,873	4,812,812	9,579,159	10,103,098
Other liabilities	313,121	292,407	435,250	409,183	748,371	701,590
Total liabilities	<u>5,371,407</u>	<u>5,582,693</u>	<u>4,956,123</u>	<u>5,221,995</u>	<u>10,327,530</u>	<u>10,804,688</u>
Net position:						
Net investment in						
capital assets	6,644,477	6,318,200	4,151,300	4,109,549	10,795,777	10,427,749
Restricted	12,788,561	16,874,559	1,103,137	1,090,520	13,891,698	17,965,079
Unrestricted	<u>4,305,493</u>	<u>4,098,322</u>	<u>496,706</u>	<u>235,181</u>	<u>4,802,199</u>	<u>4,333,503</u>
Total net position	<u>\$23,738,531</u>	<u>\$ 27,291,081</u>	<u>\$ 5,751,143</u>	<u>\$ 5,435,250</u>	<u>\$29,489,674</u>	<u>\$ 32,726,331</u>

An additional portion of the City of Rushford's net position, \$13,891,698 (47 percent) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$11,226,071 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$4,802,199 (16 percent) 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 decreased the City of Rushford's net position by \$3,552,550. 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 and the forgiveness of business flood loans which totaled \$3,731,845 in 2013.

Business-type activities. Business-type activities increased the City of Rushford's net position by \$315,893.

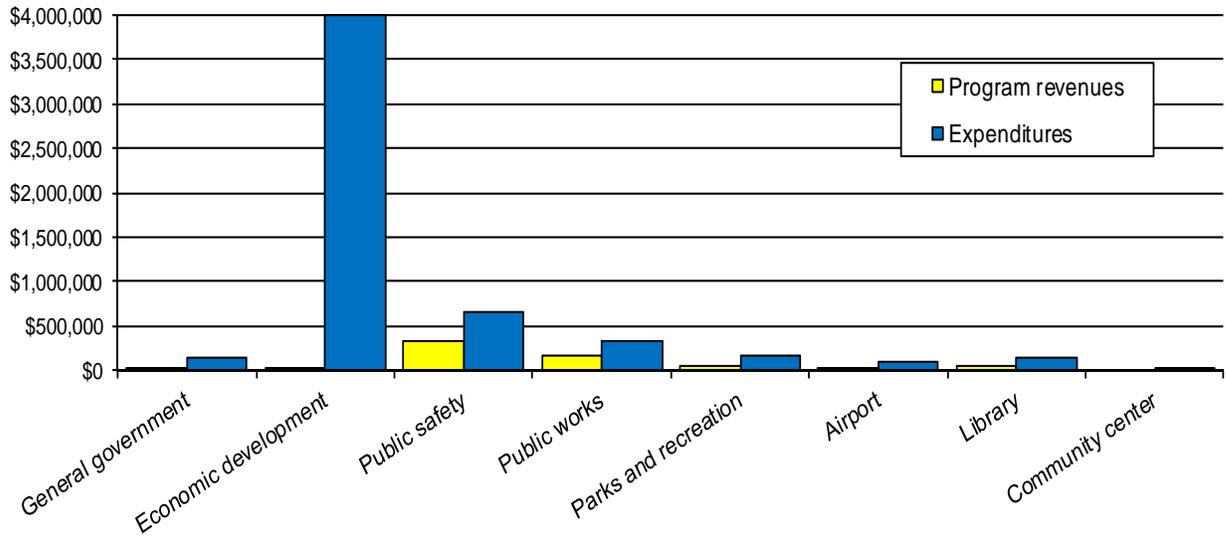
A condensed version of the Statement of Activities follows:

	City of Rushford, Minnesota's Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 349,690	\$ 274,045	\$ 2,834,691	\$ 2,624,749	\$ 3,184,381	\$ 2,898,794
Operating grants and contributions	114,349	107,287			114,349	107,287
Capital grants and contributions	189,419	2,187,058		138,416	189,419	2,325,474
General revenues:						
Property taxes	740,636	740,156			740,636	740,156
Tax increment revenues	12,264	12,649			12,264	12,649
Grants and contributions not restricted to specific programs	559,056	559,052			559,056	559,052
Other	118,095	143,637	103,965	29,968	222,060	173,605
Total revenues	<u>2,083,509</u>	<u>4,023,884</u>	<u>2,938,656</u>	<u>2,793,133</u>	<u>5,022,165</u>	<u>6,817,017</u>
Expenses:						
General government	147,157	127,929			147,157	127,929
Economic development	3,995,240	524,932			3,995,240	524,932
Public safety	643,564	691,129			643,564	691,129
Public works	326,920	284,754			326,920	284,754
Parks and recreation	153,282	141,340			153,282	141,340
Airport	102,694	56,582			102,694	56,582
Library	141,913	133,255			141,913	133,255
Community center	14,135	4,212			14,135	4,212
Interest on long-term debt	210,154	203,388			210,154	203,388
Liquor			27,219	52,147	27,219	52,147
Utilities			2,496,544	2,379,341	2,496,544	2,379,341
Extraordinary items		59,890		206,113		266,003
Total expenses	<u>5,735,059</u>	<u>2,227,411</u>	<u>2,523,763</u>	<u>2,637,601</u>	<u>8,258,822</u>	<u>4,865,012</u>
Increase (Decrease) in net position before transfers	(3,651,550)	1,796,473	414,893	155,532	(3,236,657)	1,952,005
Transfers	99,000	116,816	(99,000)	(116,816)		
Increase (Decrease) in net position	(3,552,550)	1,913,289	315,893	38,716	(3,236,657)	1,952,005
Net position as restated, beginning	27,291,081	25,450,405	5,435,250	5,453,105	32,726,331	30,903,510
Net position, end of year	<u>\$23,738,531</u>	<u>\$ 27,363,694</u>	<u>\$ 5,751,143</u>	<u>\$ 5,491,821</u>	<u>\$ 29,489,674</u>	<u>\$ 32,855,515</u>

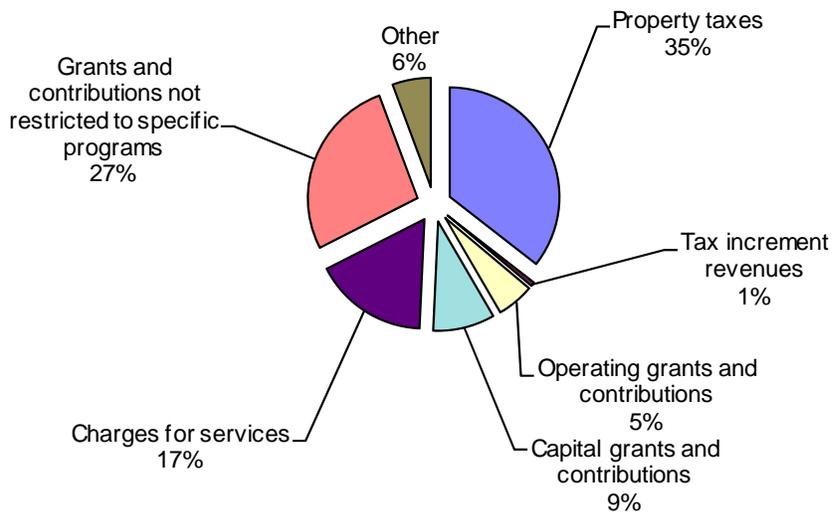
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenditures and Program Revenues - Governmental Activities



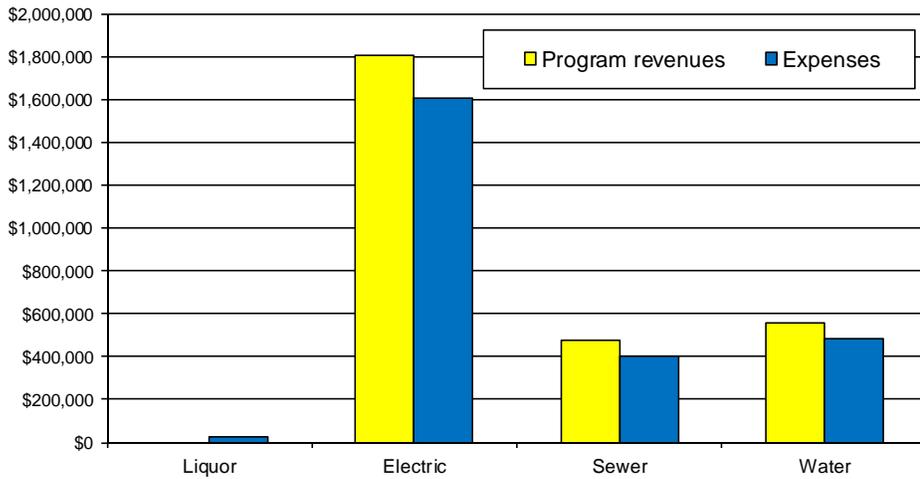
Revenues by Source - Governmental Activities



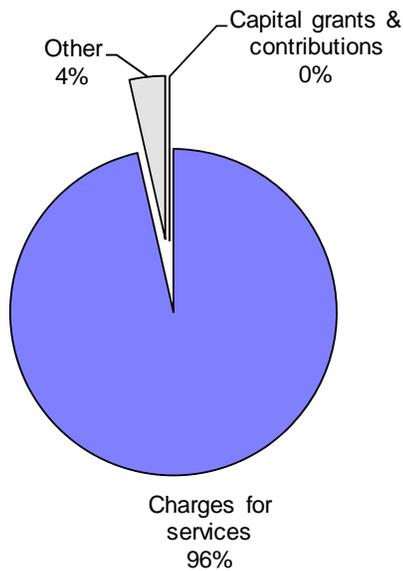
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$4,002,742, a decrease of \$230,482. The City of Rushford ended the year with \$146,600 in *unassigned fund balance* and \$2,246,848 of this governmental fund balance is *restricted* or *nonspendable*, \$88,972 has been *committed* by council action and \$1,520,322 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 \$183,190. 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 28 percent of total general fund expenditures.

The general fund's total fund balance increased by \$87,049 during the current fiscal year in part due to an increase in tax revenue collected along with a decrease in expenditures, particularly professional fees.

The EDA revolving loan fund's fund balance had a net decrease of \$123,521 for the year after expending funds for six revolving fund 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 \$402,240 and transferred the fund balance to the EDA Revolving Loan Fund.

The capital improvements fund decreased its fund balance by \$351,695 for the year, in part due to continued planning expenditures for the Highway 43/Mill Street Improvement Project and a storm sewer project completed on Highway 16.

The levee improvement project fund increased its fund balance by \$6,374, 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 \$2,250,210 in grant funds for the majority of the cost of the improvement project and corrective actions needed.

The fire department fund increased its total fund balance by \$93,898 in part due to the annual fire contract fees building a balance for the designated purpose of fire truck replacement needs. The library fund increased its fund balance by \$16,117, due to lower than expected expenditures. The ambulance fund increased its fund balance by \$28,549, due to increased collection of user fees and reduced operating expenses. Ambulance fund balance is designated for equipment replacement needs. The community center fund balance decreased \$14,129 during the year to pay for contractual and utility expenses at the building. The airport fund increased its fund balance by \$6,264, with the new hangar building bringing in increased rental income. There is one federal grant project yet to be finalized.

The debt service funds have a total fund balance of \$838,202 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 decreased its fund balance by \$86,457 for the year due primarily to contracted service costs for loan projects and grants. Fund balances are needed to prepare for future land development and business opportunities. The Tax Increment Capital Project fund increased its fund balance by \$1,276.

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 excluding amounts invested in capital in the respective proprietary funds are Electric – \$570,621 and Water – \$58,812. The Sewer Fund reported a deficit of \$132,477 and the Liquor Fund reported a deficit of \$250. The increase/(decrease) in net position in the respective proprietary funds are Liquor - \$(27,291), Electric - \$184,571, Water - \$119,278 and Sewer - \$39,335 . The changes in net position are due to Liquor – depreciation and expenses for the unused building, Electric – increased due to fewer funds expended on capital projects, Water – rebuilding funds for future projects, Sewer – wastewater treatment plant improvement project still being completed.

Water Utility rates were increased in 2013, 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. A rate study will be conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which will include water and sewer infrastructure rebuilds to be funded by PFA loans, assessments and user fees.

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. A rate study will be conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which will include water and sewer infrastructure rebuilds to be funded by PFA loans, assessments and user fees.

The liquor store was not in operation for 2012 or 2013. 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. This project was not completed in 2013 and the City continues efforts to find a tenant or a use for the building.

Electric Utility rates have been studied due to the change in the City's power supply contract, with the entire rate structure being re-evaluated in May of 2006 to create a more equitable classification for all customers, to offer energy saving incentives and to prepare for the expected increase in wholesale power costs. 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. In 2013, the increased wholesale power cost to the City was charged to the customer in the form of a monthly power cost adjustment rather than an overall rate increase.

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 and 2013 as well as a larger share of LGA funding in 2012 being 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 budgeted utility and building operations costs

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, 2013, amounts to \$21,361,676 (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 decrease in the City of Rushford's reported investment in capital assets for the current fiscal year was \$138,413, after depreciation of \$974,536. 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			
	2013	2012	2013	2012	2013	2012
Land	\$ 4,082,380	\$ 1,376,342	\$ 105,460	\$ 105,460	\$ 4,187,840	\$ 1,481,802
Buildings	1,762,416	904,241	7,221,845	7,577,317	8,984,261	8,481,558
Machinery and equipment	658,121	812,407	358,983	392,172	1,017,104	1,204,579
Infrastructure	3,907,991	3,940,081			3,907,991	3,940,081
Construction in progress	1,291,855	4,583,276	1,972,625	1,808,793	3,264,480	6,392,069
Total	<u>\$11,702,763</u>	<u>\$11,616,347</u>	<u>\$9,658,913</u>	<u>\$9,883,742</u>	<u>\$21,361,676</u>	<u>\$21,500,089</u>

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

Long-term debt. At the end of the current fiscal year, the City of Rushford had \$9,608,745 in bonds and notes outstanding. Of this amount, \$8,946,745 comprises debt backed by the full faith and credit of the government and \$662,000 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			
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,550,000	\$ 4,705,000	\$	\$	\$ 4,550,000	\$ 4,705,000
GO Revenue bonds			3,867,095	4,056,208	3,867,095	4,056,208
Revenue bonds			662,000	766,000	662,000	766,000
Notes payable		62,813				62,813
Contract for deed	529,650	544,905			529,650	544,905
Total	<u>\$ 5,079,650</u>	<u>\$ 5,312,718</u>	<u>\$ 4,529,095</u>	<u>\$ 4,822,208</u>	<u>\$ 9,608,745</u>	<u>\$10,134,926</u>

The City's total bonds and notes payable decreased by \$526,181 during the current fiscal year. During 2013, the City issued additional PFA General Obligation Sewer and Water Revenue Notes for \$110,888. A more detailed breakdown of these obligations can be found in Note 7 (pages 50-51).

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 2013 year at 6.7%, and ended the 2013 year at 4.6%. For this same period of time, the State unemployment rate was 5.3% and 4.7%, 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. 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. LGA funding for 2012 and 2013 remained consistent. Legislation changes in the LGA formula have provided a slight increase for the 2014 fiscal year. The uncertainty of the State's formula and potential for taking back revenues 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.

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2013

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2013
With Comparative Totals for December 31, 2012

	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 2,988,769	\$ 586,273	\$ 3,575,042	\$ 3,294,522
Receivables (net of allowance for uncollectibles)	629,110	85,696	714,806	775,457
Loans receivable	12,084,143		12,084,143	15,689,120
Accrued utility revenue		256,599	256,599	217,490
Internal balances	986,740	(986,740)		
Due from other governmental units	623,678	392,512	1,016,190	1,251,190
Restricted cash and investments	84,181	710,625	794,806	791,469
Prepaid items	10,554	3,388	13,942	11,682
Capital assets:				
Nondepreciable	5,374,235	2,078,085	7,452,320	7,873,871
Depreciable, net	6,328,528	7,580,828	13,909,356	13,626,218
Total Assets	<u>29,109,938</u>	<u>10,707,266</u>	<u>39,817,204</u>	<u>43,531,019</u>
LIABILITIES				
Accounts payable	130,934	151,267	282,201	243,489
Accrued interest payable	94,562	33,887	128,449	145,735
Accrued compensation and payroll taxes payable		15,017	15,017	14,368
Deposits payable		16,860	16,860	15,983
Accrued compensated absences	39,607	71,355	110,962	104,799
Due to other governmental units		142,420	142,420	142,420
Unearned revenue	48,018	4,444	52,462	34,796
Noncurrent liabilities:				
Due within one year	226,018	410,320	636,338	623,457
Due in more than one year	4,832,268	4,110,553	8,942,821	9,479,641
Total Liabilities	<u>5,371,407</u>	<u>4,956,123</u>	<u>10,327,530</u>	<u>10,804,688</u>
NET POSITION				
Net investment in capital assets	6,644,477	4,151,300	10,795,777	10,556,933
Restricted	12,788,561	1,103,137	13,891,698	17,965,079
Unrestricted	4,305,493	496,706	4,802,199	4,204,319
Total Net Position	<u>\$ 23,738,531</u>	<u>\$ 5,751,143</u>	<u>\$ 29,489,674</u>	<u>\$ 32,726,331</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 147,157	\$ 23,107	\$	\$
Economic development	3,995,240		3,629	16,000
Public safety	643,564	260,659	76,132	
Public works	326,920			158,634
Parks and recreation	153,282	35,124	2,153	3,908
Airport	102,694	20,262		11,961
Library	141,913	10,538	32,435	(1,084)
Community center	14,135			
Interest and other charges	210,154			
Total governmental activities	5,735,059	349,690	114,349	189,419
Business-Type activities:				
Liquor	27,219			
Electric	1,606,914	1,804,174		
Sewer	402,962	474,755		
Water	486,668	555,762		
Total business-type activities	2,523,763	2,834,691		
Total	\$ 8,258,822	\$ 3,184,381	\$ 114,349	\$ 189,419

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
 Extraordinary item (Note 13)
 Transfers in (out)
 Total general revenues and transfers

Change in net position
 Net position as restated - Beginning (Note 14)
 Net position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2013	2012
\$ (124,050)		\$ (124,050)	\$ (110,442)
(3,975,611)		(3,975,611)	(524,932)
(306,773)		(306,773)	(396,589)
(168,286)		(168,286)	1,538,680
(112,097)		(112,097)	90,014
(70,471)		(70,471)	106,536
(100,024)		(100,024)	(94,798)
(14,135)		(14,135)	(4,212)
(210,154)		(210,154)	(211,788)
<u>(5,081,601)</u>		<u>(5,081,601)</u>	<u>392,469</u>
	(27,219)	(27,219)	(52,147)
	197,260	197,260	224,349
	71,793	71,793	25,882
	<u>69,094</u>	<u>69,094</u>	<u>141,069</u>
	<u>310,928</u>	<u>310,928</u>	<u>339,153</u>
<u>(5,081,601)</u>	<u>310,928</u>	<u>(4,770,673)</u>	<u>731,622</u>
740,636		740,636	740,156
12,264		12,264	12,649
1,695		1,695	2,434
559,056		559,056	559,052
71,499	2,325	73,824	73,165
43,817	101,640	145,457	141,252
1,084		1,084	(43,246)
99,000	(99,000)		(266,003)
<u>1,529,051</u>	<u>4,965</u>	<u>1,534,016</u>	<u>1,219,459</u>
(3,552,550)	315,893	(3,236,657)	1,951,081
<u>27,291,081</u>	<u>5,435,250</u>	<u>32,726,331</u>	<u>30,775,250</u>
<u>\$ 23,738,531</u>	<u>\$ 5,751,143</u>	<u>\$ 29,489,674</u>	<u>\$ 32,726,331</u>

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
With Comparative Totals for December 31, 2012

	Special Revenue Fund			Debt Service Fund	Capital Projects Fund
	101 General	203 EDA Revolving Loan	204 Business Flood Recovery Loan Program	350 2009 Improvement Project	406 Capital Improvements
ASSETS					
Cash and investments	\$ 18	\$ 914,498	\$ 67,952	\$ 274,226	\$ 121,888
Restricted cash					
Accrued interest receivable					
Accounts receivable	933				3,831
Loans receivable		858,072	11,226,071		
Taxes receivable - delinquent	6,858			2,666	381
Special assessments receivable:					
Deferred				358,362	
Delinquent					604
Due from other funds	238,078				
Advances to other funds	366,042			274,203	
Due from other governmental units	3,872			1,984	551,613
Prepaid items	4,094				2,565
TOTAL ASSETS	\$ 619,895	\$ 1,772,570	\$ 11,294,023	\$ 911,441	\$ 680,882
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 13,568	\$ 188	\$ 67,952	\$	\$ 33,041
Due to other funds					
Unearned revenue	250				3,831
Total Liabilities	<u>13,818</u>	<u>188</u>	<u>67,952</u>		<u>36,872</u>
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	6,858			2,666	381
Special assessments				358,362	604
EDA loans receivable		858,072			
FEMA receivable					551,488
Business flood loans receivable			11,226,071		
Total Deferred Inflows of Resources	<u>6,858</u>	<u>858,072</u>	<u>11,226,071</u>	<u>361,028</u>	<u>552,473</u>
Fund Balance:					
Nonspendable:					
Prepaid items	4,094				2,565
Advances to other funds	366,042			274,203	
Restricted:					
Externally imposed by:					
Grantors:					
EDA revolving loans		914,310			
Creditors				276,210	
Contributors					
Committed					88,972
Assigned	45,893				
Unassigned	183,190				
Total Fund Balance	<u>599,219</u>	<u>914,310</u>		<u>550,413</u>	<u>91,537</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 619,895	\$ 1,772,570	\$ 11,294,023	\$ 911,441	\$ 680,882

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2013	2012
\$ 1,610,187	\$ 2,988,769	\$ 2,970,799
84,181	84,181	93,126
368	368	1,752
45,433	50,197	42,207
8,098	12,084,143	15,689,120
	18,003	22,843
201,576	559,938	607,476
	604	1,304
134,776	372,854	493,610
33,559	673,804	673,804
66,209	623,678	859,013
3,895	10,554	8,406
<u>\$ 2,188,282</u>	<u>\$ 17,467,093</u>	<u>\$ 21,463,460</u>

\$ 16,185	\$ 130,934	\$ 105,871
59,918	59,918	206,033
43,937	48,018	34,796
<u>120,040</u>	<u>238,870</u>	<u>346,700</u>

8,098	18,003	22,843
201,576	560,542	608,780
	858,072	395,863
11,305	562,793	562,793
	11,226,071	15,293,257
<u>220,979</u>	<u>13,225,481</u>	<u>16,883,536</u>

3,895	10,554	8,406
33,559	673,804	673,804

	914,310	1,037,831
287,789	563,999	458,206
84,181	84,181	85,265
	88,972	443,232
1,474,429	1,520,322	1,457,467
(36,590)	146,600	69,013
<u>1,847,263</u>	<u>4,002,742</u>	<u>4,233,224</u>

<u>\$ 2,188,282</u>	<u>\$ 17,467,093</u>	<u>\$ 21,463,460</u>
---------------------	----------------------	----------------------

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
With Comparative Totals for December 31, 2012

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund
	<u>101</u>	<u>203</u>	<u>204</u>	<u>350</u>	<u>406</u>
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	2009 Improvement Project	Capital Improvements
REVENUES					
Property taxes	\$ 292,958	\$	\$	\$ 128,689	\$ 13,148
Tax increment revenues					
Lodging taxes	1,695				
Special assessments				101,694	
Licenses and permits	21,342				
Fines and forfeits	11,835				
Intergovernmental revenues	311,499				245,652
Charges for services	34,774				
Interest income	82	2,127	50,290	77	1,086
Miscellaneous revenues	6,646	4,629	351,950	52,727	10,630
TOTAL REVENUES	680,831	6,756	402,240	283,187	270,516
EXPENDITURES					
Current					
General government	126,196				
Economic development		464,565	67,952		
Public safety	311,465				
Public works	115,988				
Parks and recreation	89,278				
Airport					
Library					
Community center					
Capital outlay	855				602,211
Debt service				211,940	
TOTAL EXPENDITURES	643,782	464,565	67,952	211,940	602,211
Excess (deficiency) of revenues over (under) expenditures	37,049	(457,809)	334,288	71,247	(331,695)
OTHER FINANCING SOURCES (USES)					
Issuance of debt					
Transfers in	50,000	334,288		49,000	
Transfers out			(334,288)		(20,000)
Total other financing sources (uses)	50,000	334,288	(334,288)	49,000	(20,000)
Net change in fund balances	87,049	(123,521)		120,247	(351,695)
FUND BALANCES, Beginning	512,170	1,037,831		430,166	443,232
FUND BALANCES, Ending	\$ 599,219	\$ 914,310	\$	\$ 550,413	\$ 91,537

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2013	2012
\$ 311,379	\$ 746,174	\$ 743,558
12,264	12,264	12,649
	1,695	2,434
23,255	124,949	73,235
	21,342	15,722
	11,835	8,924
191,276	748,427	2,810,277
262,956	297,730	278,340
8,553	62,215	56,264
62,330	488,912	558,367
<u>872,013</u>	<u>2,515,543</u>	<u>4,559,770</u>
	126,196	125,780
63,376	595,893	172,005
215,863	527,328	560,160
	115,988	98,330
	89,278	83,931
50,335	50,335	195,510
115,344	115,344	125,978
14,135	14,135	4,212
152,425	755,491	2,360,737
243,097	455,037	498,161
<u>854,575</u>	<u>2,845,025</u>	<u>4,224,804</u>
<u>17,438</u>	<u>(329,482)</u>	<u>334,966</u>
		686,313
42,875	476,163	655,639
<u>(22,875)</u>	<u>(377,163)</u>	<u>(538,823)</u>
<u>20,000</u>	<u>99,000</u>	<u>803,129</u>
37,438	(230,482)	1,138,095
<u>1,809,825</u>	<u>4,233,224</u>	<u>3,095,129</u>
<u>\$ 1,847,263</u>	<u>\$ 4,002,742</u>	<u>\$ 4,233,224</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, 2013**

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

Total governmental fund balances (page 20)		\$ 4,002,742
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 15,437,887	
Less: Accumulated depreciation	<u>(3,735,124)</u>	11,702,763
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 18,003	
Special assessments	560,542	
EDA loans receivable	858,072	
FEMA receivable	562,793	
Business flood loan receivable	<u>11,226,071</u>	13,225,481
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	\$ (5,058,286)	
Compensated absences	(39,607)	
Accrued interest	<u>(94,562)</u>	<u>(5,192,455)</u>
Net position of governmental activities (page 16)		<u><u>\$ 23,738,531</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, 2013**

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

Net change in fund balances - total governmental funds (page 22)	\$	(230,482)
<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 - capitalized	\$ 583,401	
Depreciation expense	<u>(496,985)</u>	86,416
<p>Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.</p>		
Property taxes	\$ (4,840)	
Special assessments	(48,238)	
Business flood loan receivable	<u>(335,341)</u>	(388,419)
<p>Certain items do not result in expenditures in the governmental funds but, are reported as expenses in the statement of activities.</p>		
Forgiveness of business flood loans		(3,731,845)
<p>Certain expenditures in the governmental funds are not reported as expenses in the statement of activities.</p>		
EDA loans issued		462,209
<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		4,688
<p>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	\$ 233,068	
Amortization of bond discount	(1,068)	
Change in accrued interest	<u>12,883</u>	<u>244,883</u>
Change in net position of governmental activities (pages 17 and 18)	\$	<u><u>(3,552,550)</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, 2013
With Comparative Totals for December 31, 2012

	2013			Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
General Tax Levy	\$ 290,111	\$ 290,111	\$ 292,958	\$ 2,847	\$ 272,177
Licenses and Permits					
Business	6,000	6,125	6,100	(25)	5,812
Nonbusiness	11,175	11,175	15,242	4,067	9,910
Total Licenses and Permits	17,175	17,300	21,342	4,042	15,722
Lodging Taxes	2,000	2,000	1,695	(305)	2,434
Intergovernmental Revenues					
Local government aid	289,018	289,018	289,018		294,695
Market value credit			38	38	34
Police aid	20,000	20,000	20,328	328	20,082
Snowmobile aids	25,000	20,000	18,172	(1,828)	23,124
Snowmobile trail assistance	(25,000)	(20,000)	(18,172)	1,828	(23,124)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	311,133	311,133	311,499	366	316,926
Fines and Forfeits	9,500	9,500	11,835	2,335	8,924
Charges For Services					
Swimming pool	32,600	32,600	32,108	(492)	32,484
Park usage fees	2,000	2,000	2,666	666	1,824
Total Charges For Services	34,600	34,600	34,774	174	34,308
Interest Income	200	200	82	(118)	133
Miscellaneous Revenues					
Other	5,550	5,550	6,646	1,096	7,930
TOTAL REVENUES	\$ 670,269	\$ 670,394	\$ 680,831	\$ 10,437	\$ 658,554

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, 2013
With Comparative Totals for December 31, 2012

	2013		Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 7,640	\$ 1,360	\$ 8,600
Meetings and conferences	1,500	1,500	1,490	10	1,379
General supplies	1,700	1,700	412	1,288	2,137
Printing and publishing	8,500	8,500	5,471	3,029	5,773
Professional services	7,000	7,000	2,426	4,574	1,888
Insurance	550	550	2,504	(1,954)	455
Dues, subscriptions and fees	4,000	4,000	3,990	10	3,959
Miscellaneous	1,100	1,100	584	516	658
Total Mayor and Council	<u>33,350</u>	<u>33,350</u>	<u>24,517</u>	<u>8,833</u>	<u>24,849</u>
Election Judges					
Salaries	1,200	1,200	335	865	1,389
Employee benefits and retirement	10	10	22	(12)	14
General supplies	1,510	1,510	636	874	51
Printing and publishing	400	400	321	79	
Miscellaneous	200	200		200	
Total Election Judges	<u>3,320</u>	<u>3,320</u>	<u>1,314</u>	<u>2,006</u>	<u>1,454</u>
City Hall Administration					
Salaries	44,000	44,000	42,308	1,692	42,118
Employee benefits and retirement	9,400	9,400	8,027	1,373	8,412
Office supplies and expense	1,700	1,600	1,326	274	1,349
Meetings and conferences	50	50	30	20	23
General supplies	100	200	240	(40)	100
Telephone	3,000	3,000	2,604	396	2,641
Printing and publishing	1,400	1,400	1,406	(6)	1,203
Insurance	950	950	391	559	778
Repairs and maintenance	500	500		500	98
Radio maintenance	500	500		500	
Dues, subscriptions and fees	5,500	5,500	4,456	1,044	4,624
Miscellaneous			741	(741)	52
Total City Hall Administration	<u>\$ 67,100</u>	<u>\$ 67,100</u>	<u>\$ 61,529</u>	<u>\$ 5,571</u>	<u>\$ 61,398</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, 2013
With Comparative Totals for December 31, 2012

	2013		Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts				
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 30,100	\$ 30,100	\$ 23,579	\$ 6,521	\$ 25,173
Assessor	4,000	4,000	3,869	131	3,869
Total Professional Services	34,100	34,100	27,448	6,652	29,042
Building and Planning					
General supplies	520	520	70	450	139
Professional services	2,200	2,200	480	1,720	
Consultant	1,000	1,000		1,000	
Telephone	50	50	9	41	26
Printing and publishing	450	450	35	415	32
Total Building and Planning	4,220	4,220	594	3,626	197
Municipal Building					
General supplies	1,000	1,000	582	418	819
Insurance	2,600	2,600	1,723	877	573
Utilities	11,400	12,900	8,263	4,637	7,238
Repairs and maintenance	2,100	2,100	226	1,874	210
Total Municipal Building	17,100	18,600	10,794	7,806	8,840
Total General Government	159,190	160,690	126,196	34,494	125,780
Public Safety					
Police Protection					
Salaries	191,300	191,300	186,458	4,842	220,822
Employee benefits and retirement	30,500	30,500	30,270	230	33,965
Office supplies and expense	1,225	1,225	916	309	794
Meetings and conferences	2,500	2,500	2,601	(101)	2,576
Gas, oil and supplies	11,000	11,000	12,178	(1,178)	13,300
General supplies	3,000	3,000	3,950	(950)	4,189
Professional services	12,300	12,300	24,619	(12,319)	10,473
Telephone	3,200	3,200	3,344	(144)	2,976
Insurance	9,150	9,150	6,193	2,957	8,353
Utilities	2,450	2,450	3,706	(1,256)	2,040
Repairs and maintenance	2,800	2,800	5,075	(2,275)	4,445
Dues, subscriptions and fees	500	500	400	100	527
Miscellaneous	600	600	3,805	(3,205)	624
Total Police Protection	\$ 270,525	\$ 270,525	\$ 283,515	\$ (12,990)	\$ 305,084

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, 2013
With Comparative Totals for December 31, 2012

	2013		Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted 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	14,075	6,625	12,346
Printing and publishing	200	200	168	32	102
Miscellaneous	300	300	108	192	120
Total Building and Safety	<u>21,200</u>	<u>21,200</u>	<u>14,351</u>	<u>6,849</u>	<u>12,568</u>
Civil Defense	<u>1,800</u>	<u>1,800</u>	<u>1,678</u>	<u>122</u>	<u>1,519</u>
Animal Control					
Salaries and wages	3,500	3,500	3,065	435	3,065
General supplies	80	80		80	77
Insurance	80	80	32	48	64
Total Animal Control	<u>3,660</u>	<u>3,660</u>	<u>3,097</u>	<u>563</u>	<u>3,206</u>
Health and Welfare					
Weed and insect control	<u>2,770</u>	<u>2,770</u>	<u>1,900</u>	<u>870</u>	<u>1,922</u>
Total Public Safety	<u>\$ 306,879</u>	<u>\$ 306,879</u>	<u>\$ 311,465</u>	<u>\$ (4,586)</u>	<u>\$ 331,223</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, 2013
With Comparative Totals for December 31, 2012

	2013				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 28,000	\$ 28,000	\$ 20,283	\$ 7,717	\$ 16,602
Employee benefits and retirement	4,600	4,600	3,315	1,285	2,764
Gas, oil and supplies	12,000	12,000	10,361	1,639	9,813
General supplies	9,000	9,000	9,959	(959)	8,163
Blacktop and surface materials	1,000	1,000	624	376	1,982
Insurance	8,300	8,300	7,246	1,054	6,150
Repairs and maintenance	10,000	10,000	10,667	(667)	9,490
Miscellaneous	700	700	909	(209)	906
City garage expense	5,700	5,700	7,080	(1,380)	5,246
Street lighting	26,000	26,000	25,146	854	23,412
Total Highways, Streets and Alleys	105,300	105,300	95,590	9,710	84,528
Levee System					
Salaries	13,100	13,100	11,085	2,015	8,678
Employee benefits and retirement	2,000	2,000	1,814	186	1,551
Gas, oil and supplies	1,500	1,500	2,076	(576)	1,501
General supplies	325	325	223	102	302
Insurance	925	925	1,353	(428)	607
Utilities	1,100	1,100	2,366	(1,266)	821
Professional services			810	(810)	
Repairs and maintenance	500	500	481	19	132
Miscellaneous			190	(190)	210
Total Levee System	19,450	19,450	20,398	(948)	13,802
Total Public Works	124,750	124,750	115,988	8,762	98,330
Parks and Recreation					
Park Department					
Salaries	13,100	13,100	11,086	2,014	8,955
Employee benefits and retirement	1,955	1,955	1,903	52	1,586
Gas and oil	1,500	1,500	2,074	(574)	1,653
General supplies	2,000	2,000	2,249	(249)	2,100
Telephone	10	10	6	4	
Insurance	4,975	4,975	4,482	493	3,314
Utilities	4,000	4,000	4,424	(424)	4,168
Repairs and maintenance	4,700	4,700	3,671	1,029	4,809
Legal printing	100	100		100	
Miscellaneous	100	100	108	(8)	849
Total Park Department	\$ 32,440	\$ 32,440	\$ 30,003	\$ 2,437	\$ 27,434

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, 2013
With Comparative Totals for December 31, 2012

	2013		Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 30,000	\$ 30,000	\$ 24,071	\$ 5,929	\$ 25,405
Employee benefits and retirement	2,400	2,400	1,840	560	1,965
Meetings and conferences	1,500	1,000	568	432	400
General supplies	5,000	5,200	5,485	(285)	3,957
Telephone	350	550	302	248	185
Printing and publishing	150	150	213	(63)	152
Insurance	3,250	2,800	3,508	(708)	2,781
Utilities	8,000	8,550	9,833	(1,283)	7,942
Repairs and maintenance	2,200	2,200	1,125	1,075	1,402
Miscellaneous	650	650	607	43	1,307
Total Swimming Pool	53,500	53,500	47,552	5,948	45,496
Tourism	4,500	4,500	4,065	435	3,844
Tree Board					
Salaries	1,500	1,500	1,500		1,400
General supplies	1,160	1,160	2,698	(1,538)	3,511
Contractual services	2,000	2,000	3,203	(1,203)	2,062
Insurance	100	100	157	(57)	153
Miscellaneous	15	15	100	(85)	31
Total Tree Board	4,775	4,775	7,658	(2,883)	7,157
Total Parks and Recreation	95,215	95,215	89,278	5,937	83,931
Capital Outlay			855	(855)	447
TOTAL EXPENDITURES	686,034	687,534	643,782	43,752	639,711
Excess (deficiency) of revenues over (under) expenditures	(15,765)	(17,140)	37,049	54,189	18,843
OTHER FINANCING USES					
Transfers in	50,000	50,000	50,000		50,000
Net change in fund balances	34,235	32,860	87,049	54,189	68,843
FUND BALANCE, January 1	512,170	512,170	512,170		443,327
FUND BALANCE, December 31	\$ 546,405	\$ 545,030	\$ 599,219	\$ 54,189	\$ 512,170

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, 2013
With Comparative Totals for December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$	\$	\$ 2,127	\$ 2,127	\$ 1,492
Miscellaneous Revenues					
Loan principal			3,629	3,629	
Other			1,000	1,000	
Total miscellaneous revenues			4,629	4,629	
TOTAL REVENUES			6,756	6,756	1,492
EXPENDITURES					
Economic Development					
Professional services			9,228	(9,228)	3,893
Dues, subscriptions and fees			2,399	(2,399)	46
Supplies			13	(13)	
Revolving loans			452,925	(452,925)	51,043
TOTAL EXPENDITURES			464,565	(464,565)	54,982
Excess (deficit) of revenues over (under) expenditures			(457,809)	(457,809)	(53,490)
OTHER FINANCING USES					
Transfers in			334,288	334,288	415,582
Transfers out					(73,000)
Total other financing			334,288	334,288	342,582
Net change in fund balances			(123,521)	(123,521)	289,092
FUND BALANCES, BEGINNING	1,037,831	1,037,831	1,037,831		748,739
FUND BALANCES, ENDING	\$1,037,831	\$1,037,831	\$ 914,310	\$ (123,521)	\$1,037,831

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, 2013
With Comparative Totals for December 31, 2012

	2013		Actual	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
Loan repayments	\$	\$	\$ 351,950	\$ 351,950	\$ 437,011
Interest income			50,290	50,290	44,932
TOTAL REVENUES			402,240	402,240	481,943
EXPENDITURES					
Current					
Loan principal refund			67,952	(67,952)	67,083
TOTAL EXPENDITURES			67,952	(67,952)	67,083
Excess (deficiency) of revenues over (under) expenditures			334,288	334,288	414,860
OTHER FINANCING USES					
Transfers out			(334,288)	(334,288)	(415,582)
Net change in fund balances					(722)
FUND BALANCES, Beginning					722
FUND BALANCES, Ending	\$	\$	\$	\$	\$

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, 2013
With Comparative Totals for December 31, 2012

	2013			Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Property taxes	\$ 13,000	\$ 13,000	\$ 13,148	\$ 148	\$ 21,915
Intergovernmental revenues					
Local government aid	240,000	240,000	240,000		219,018
Grants			5,652	5,652	442,826
Interest income	1,200	1,200	1,086	(114)	1,424
Miscellaneous	8,300	8,300	10,630	2,330	79,131
TOTAL REVENUES	262,500	262,500	270,516	8,016	764,314
EXPENDITURES					
Current					
Capital outlay	242,500	242,500	602,211	(359,711)	587,044
TOTAL EXPENDITURES	242,500	242,500	602,211	(359,711)	587,044
Excess (deficiency) of revenues over (under) expenditures	20,000	20,000	(331,695)	(351,695)	177,270
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(20,000)	(20,000)	(20,000)		(20,000)
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)		(20,000)
Net change in fund balances			(351,695)	(351,695)	157,270
FUND BALANCES, Beginning	443,232	443,232	443,232		285,962
FUND BALANCES, Ending	\$ 443,232	\$ 443,232	\$ 91,537	\$ (351,695)	\$ 443,232

See Notes to the Financial Statements

(This Page Left Blank Intentionally)

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Statement of Net Position
 December 31, 2013
 With Comparative Totals for December 31, 2012**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2013	2012
ASSETS						
Current Assets						
Cash and cash equivalents	\$	\$ 542,811	\$ 43,462	\$	\$ 586,273	\$ 323,723
Accrued interest receivable						189
Accounts receivable		56,376	15,122	13,537	85,035	97,755
Accrued utility revenue		184,778	35,222	36,599	256,599	217,490
Special assessments-delinquent		323	153	185	661	1,931
Due from other governmental units	75,428	71,124	245,942	18	392,512	392,177
Advance to other funds		300,000			300,000	300,000
Prepaid items		535	1,094	1,759	3,388	3,276
Total Current Assets	75,428	1,155,947	340,995	52,098	1,624,468	1,336,541
Property and Equipment						
Property, plant and equipment	777,644	3,298,003	5,625,768	3,584,807	13,286,222	13,197,332
Less: Accumulated depreciation	106,438	1,869,918	1,812,651	1,810,927	5,599,934	5,122,383
Property and Equipment, Net	671,206	1,428,085	3,813,117	1,773,880	7,686,288	8,074,949
Construction work in process		342,945	8,152	1,621,528	1,972,625	1,808,793
Total Property and Equipment	671,206	1,771,030	3,821,269	3,395,408	9,658,913	9,883,742
Other Assets						
Restricted cash and cash equivalents		83,297	260,107	367,221	710,625	698,343
Total Assets	746,634	3,010,274	4,422,371	3,814,727	11,994,006	11,918,626
LIABILITIES						
Current Liabilities						
Accounts payable	250	138,405	3,436	9,176	151,267	137,618
Due to other funds	81,743			231,193	312,936	287,577
Due to other governmental units				142,420	142,420	142,420
Unearned revenue		4,444			4,444	
Current maturities of bonds payable		65,000	207,000	138,320	410,320	397,643
Accrued interest		9,636	15,604	8,647	33,887	38,290
Accrued sales tax		15,017			15,017	14,368
Customer deposits		16,860			16,860	15,983
Total Current Liabilities	81,993	249,362	226,040	529,756	1,087,151	1,033,899
Long-Term Liabilities						
Notes payable, net of current maturities, and unamortized discount		366,778	2,290,000	1,453,775	4,110,553	4,415,169
Advance from other funds	166,042			807,762	973,804	973,804
Accrued compensated absences		29,840	17,201	24,314	71,355	60,504
Total Liabilities	248,035	645,980	2,533,241	2,815,607	6,242,863	6,483,376
Net Position						
Net investment in capital assets	423,421	1,639,252	1,324,269	764,358	4,151,300	4,166,120
Restricted	75,428	154,421	506,049	367,239	1,103,137	1,090,520
Unrestricted	(250)	570,621	58,812	(132,477)	496,706	178,610
Total Net Position	\$ 498,599	\$ 2,364,294	\$ 1,889,130	\$ 999,120	\$ 5,751,143	\$ 5,435,250

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, 2013
With Comparative Totals for December 31, 2012

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2013	2012
Operating Revenues						
Sales	\$	\$ 1,804,174	\$ 555,762	\$ 474,755	\$ 2,834,691	\$ 2,624,749
Operating Expenses						
Cost of sales and production		1,181,847			1,181,847	1,131,114
Distribution expense		163,345	377,897	335,144	876,386	805,696
General administration		245,786	65,292	57,731	368,809	351,460
Liquor store operating expenses	27,219				27,219	34,012
Total Operating Expenses	27,219	1,590,978	443,189	392,875	2,454,261	2,322,282
Operating Income (Loss)	(27,219)	213,196	112,573	81,880	380,430	302,467
Nonoperating Revenue and (Expense)						
Loss on disposal of capital assets						(18,135)
Other income (expense)	(72)	21,375	22,705	(9,545)	34,463	84,789
Income (Loss) Before Extraordinary Item and Transfers	(27,291)	234,571	135,278	72,335	414,893	369,121
Extraordinary item						(206,113)
Transfers out		(50,000)	(16,000)	(33,000)	(99,000)	(116,816)
Change in Net Position	(27,291)	184,571	119,278	39,335	315,893	46,192
Net Position as Restated, Beginning (Note 14)	525,890	2,179,723	1,769,852	959,785	5,435,250	5,389,058
Net Position, End of Year	\$ 498,599	\$ 2,364,294	\$ 1,889,130	\$ 999,120	\$ 5,751,143	\$ 5,435,250

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2013
 With Comparative Totals for December 31, 2012**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2013	2012
Cash Flows From Operating Activities						
Cash received from customers	\$	\$ 1,789,186	\$ 551,312	\$ 474,395	\$ 2,814,893	\$ 2,614,149
Cash paid to employees for services		(196,119)	(97,429)	(142,091)	(435,639)	(423,079)
Cash paid to suppliers	(6,286)	(1,253,969)	(134,974)	(119,631)	(1,514,860)	(1,410,734)
Net Cash Provided By (Used In) Operating Activities	(6,286)	339,098	318,909	212,673	864,394	780,336
Cash Flows From Noncapital Financing Activities						
Decrease (Increase) in due from other funds	6,253		(104,690)	123,796	25,359	(161,185)
Grant aid received		(254)	(63)	(18)	(335)	374,318
Other income (expense)	55	38,078	65,789	260	104,182	31,173
Transfers out		(50,000)	(16,000)	(33,000)	(99,000)	(116,816)
Net Cash Provided By (Used In) Noncapital Financing Activities	6,308	(12,176)	(54,964)	91,038	30,206	127,490
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of debt				110,888	110,888	440,141
Principal payment on long-term debt		(65,000)	(202,855)	(136,146)	(404,001)	(341,368)
Purchase of capital assets		(19,886)	(65,959)	(153,505)	(239,350)	(666,103)
Proceeds from sale of capital assets						21,350
Interest paid on debt		(19,273)	(45,163)	(25,278)	(89,714)	(93,803)
Net Cash Provided By (Used In) Capital and Related Financing Activities		(104,159)	(313,977)	(204,041)	(622,177)	(639,783)
Cash Flows From Investing Activities						
Interest earnings on investments	(22)	1,754	395	282	2,409	2,607
Net Cash Provided By (Used In) Investing Activities	(22)	1,754	395	282	2,409	2,607
Net Increase (Decrease) In Cash and Cash Equivalents						
		224,517	(49,637)	99,952	274,832	270,650
Cash and Cash Equivalents - January 1						
		401,591	353,206	267,269	1,022,066	751,416
Cash and Cash Equivalents - December 31						
	\$	\$ 626,108	\$ 303,569	\$ 367,221	\$ 1,296,898	\$ 1,022,066
Shown on the Balance Sheet as:						
Cash and investments	\$	\$ 542,811	\$ 43,462	\$	\$ 586,273	\$ 323,723
Restricted cash and investments		83,297	260,107	367,221	710,625	698,343
Total	\$	\$ 626,108	\$ 303,569	\$ 367,221	\$ 1,296,898	\$ 1,022,066

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>	2013	2012
	Liquor Fund	Electric Department	Water Department	Sewer Department		
Operating Income (Loss)	\$ (27,219)	\$ 213,196	\$ 112,573	\$ 81,880	\$ 380,430	\$ 302,467
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	21,016	121,350	208,302	128,057	478,725	487,796
(Increase) Decrease In:						
Accounts receivable		12,642	951	397	13,990	(20,410)
Other accounts receivable		(32,951)	(5,401)	(757)	(39,109)	9,920
Merchandise inventory						210
Prepaid insurance		188	53	(353)	(112)	18
Increase (Decrease) In:						
Accounts payable	(83)	15,203	(285)	(537)	14,298	(5,070)
Accrued wages		4,149	2,716	3,986	10,851	5,515
Unearned revenue		4,444			4,444	
Customer deposits		877			877	(110)
Net Cash Provided By (Used In) Operating Activities	\$ (6,286)	\$ 339,098	\$ 318,909	\$ 212,673	\$ 864,394	\$ 780,336

See Notes to the Financial Statements

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 2013.

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.

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

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

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

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 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.

The *Improvement Project of 2009 fund* accounts for the accumulation of financial resources for the payment of bond principal, interest and other costs paid primarily from special assessments and property taxes from City taxpayers.

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

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.

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)

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, Deferred Inflows of Resources and Net Position

Cash and Investments

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

Interfund Transactions

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

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

Property Taxes

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

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 inflow of resources 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.

Capital Assets

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

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

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Compensated Absences

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

Long-term Obligations

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

Concentration of Credit Risk

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

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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

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.

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, 2013, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$733,400.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2013, 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	4,070,649
Deposits with SELCO	84,181
Certificates of deposit	<u>215,000</u>
Total	<u>\$ 4,369,848</u>

Recorded on the Statement of Net Position as follows:

Cash and investments	\$ 3,575,042
Restricted cash and investments	<u>794,806</u>
Total	<u>\$ 4,369,848</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, 2013, 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	\$ 358,362
2012	201,576
Total	<u>\$ 559,938</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	\$ 2,800	\$ 1,072	\$	\$ 3,872
Special Revenue	1,235	8,946	26,837	37,017
Capital Project	125	144,735	434,206	579,066
Debt Service	3,723			3,723
Enterprise	349	98,041	294,122	392,512
Totals	<u>\$ 8,232</u>	<u>\$ 252,794</u>	<u>\$ 755,165</u>	<u>\$ 1,016,190</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans, Leases, and Notes 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 effect 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>2013</u>	<u>2012</u>
Business Flood Recovery Loans:		
Category 1 Loans:		
Forgivable portion	\$ 6,149,846	\$ 9,775,118
Non-Forgivable portion	2,187,009	2,375,328
Category 1-A Loans	1,516,945	1,641,865
Category 2 Loans	<u>1,372,271</u>	<u>1,500,946</u>
Total	<u>\$ 11,226,071</u>	<u>\$ 15,293,257</u>

Following is a summary of the notes receivable outstanding at December 31, 2013 and 2012:

	Original Note	Interest Rate	Receivable Balance	
			2013	2012
Notes Receivable-2010	\$ 393,039	4.25%	\$ 389,410	\$ 328,811
Notes Receivable-2010	19,849	5.00%	14,090	14,405
Notes Receivable-2011	31,883	0.05%	26,902	12,647
Notes Receivable-2012	149,000	4.25%	149,000	40,000
Notes Receivable-2013	94,653	5.00%	57,462	
Notes Receivable-2013	76,208	2.00%	76,208	
Notes Receivable-2013	145,000	4.50%	145,000	
Total Notes Receivable			<u>\$ 858,072</u>	<u>\$ 395,863</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	\$ 1,376,342	\$ 2,828,327	\$ 122,289	\$ 4,082,380
Construction in progress	4,583,276	368,476	3,659,897	1,291,855
Total capital assets, not being depreciated	<u>5,959,618</u>	<u>3,196,803</u>	<u>3,782,186</u>	<u>5,374,235</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,318,258	959,422		3,277,680
Infrastructure	4,330,016	159,907		4,489,923
Machinery and equipment	2,246,594	49,455		2,296,049
Total capital assets, being depreciated	<u>8,894,868</u>	<u>1,168,784</u>		<u>10,063,652</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,414,017	101,247		1,515,264
Infrastructure	389,935	191,997		581,932
Machinery and equipment	1,434,187	203,741		1,637,928
Total accumulated depreciation	<u>3,238,139</u>	<u>496,985</u>		<u>3,735,124</u>
Total capital assets, being depreciated, net	<u>5,656,729</u>	<u>671,799</u>		<u>6,328,528</u>
Governmental activities capital assets, net	<u>\$ 11,616,347</u>	<u>\$ 3,868,602</u>	<u>\$ 3,782,186</u>	<u>\$ 11,702,763</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	1,808,793	163,832		1,972,625
Total capital assets, not being depreciated	1,914,253	163,832		2,078,085
Capital assets, being depreciated:				
Buildings and improvements	12,356,614	82,303		12,438,917
Machinery and equipment	735,258	6,587		741,845
Total capital assets, being depreciated	13,091,872	88,890		13,180,762
Less accumulated depreciation for:				
Buildings and improvements	4,779,297	437,775		5,217,072
Machinery and equipment	343,086	39,776		382,862
Total accumulated depreciation	5,122,383	477,551		5,599,934
Total capital assets, being depreciated, net	7,969,489	(388,661)		7,580,828
Business-type activities capital assets, net	\$ 9,883,742	\$ (224,829)	\$	\$ 9,658,913

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 6,622
Public safety	128,693
Public works	212,167
Airport	58,930
Library	26,569
Park and recreation	64,004
Total depreciation expense - governmental activities	<u>\$ 496,985</u>
Business-Type Activities:	
Electric	\$ 120,176
Water	208,302
Sewer	128,057
Liquor	21,016
Total depreciation expense - business-type activities	<u>\$ 477,551</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2013 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:							
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	\$ 190,000	\$	\$ 60,000	\$ 130,000	\$ 65,000	\$ 1,984
2009B Improvement Bonds (1)	3.00% - 4.50%	2,635,000		95,000	2,540,000	100,000	41,072
2011A Improvement Bonds	1.55% - 4.60%	1,185,000			1,185,000	45,000	17,189
2012A Tax Abatement Bonds	1.10% - 4.00%	695,000			695,000		7,834
Compensated Absences		44,295		4,688	39,607		
Less: Unamortized Discount		(22,432)		(1,068)	(21,364)		
Notes payable:							
2001 USDA Loan	4.88%	14,397		14,397			
2008 Fire Rescue Rig Capital Lease	4.65%	26,558		26,558			
2008 Ambulance Capital Lease	4.65%	21,858		21,858			
Contract for deed - land	5.00%	544,905		15,255	529,650	16,018	26,483
Governmental Activities							
Long-term Liabilities		<u>5,334,581</u>		<u>236,688</u>	<u>5,097,893</u>	<u>226,018</u>	<u>94,562</u>
BUSINESS-TYPE ACTIVITIES (1)							
Bonds and Notes Payable:							
General Obligation Revenue Note:							
1999 Water Department	3.04%	329,000		43,000	286,000	44,000	3,160
1996A Sewer Department	3.43%	348,947		65,146	283,801	67,400	3,537
2008 Water Department	1.35%	1,080,000		65,000	1,015,000	66,000	4,987
2010 Water Department	1.00%	1,029,855		55,855	974,000	56,000	3,539
2011 Sewer Department	1.077%	1,268,406	110,888	71,000	1,308,294	70,920	5,110
Revenue Bonds:							
2007A Water Revenue Bonds	4.25%	261,000		39,000	222,000	41,000	3,918
2009A Electric Revenue Refunding	2.40 - 4.10%	505,000		65,000	440,000	65,000	9,636
Compensated Absences		60,504	10,851		71,355		
Less: Unamortized Discount		(9,396)		(1,174)	(8,222)		
Business-type Activities							
Long-term Liabilities		<u>4,873,316</u>	<u>121,739</u>	<u>402,827</u>	<u>4,592,228</u>	<u>410,320</u>	<u>33,887</u>
Total		<u>\$ 10,207,897</u>	<u>\$ 121,739</u>	<u>\$ 639,515</u>	<u>\$ 9,690,121</u>	<u>\$ 636,338</u>	<u>\$ 128,449</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, 2013, excluding compensated absences, are summarized as below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds/Tax Abatement Bonds		General Obligation Revenue Bonds/Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2014	\$ 145,000	\$ 138,451	\$ 65,000	\$ 22,471	\$	\$	\$ 16,018	\$ 26,482
2015	145,000	134,776	65,000	20,077			16,819	25,682
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	165,000	121,795	25,000	18,094			19,470	23,030
2019-2023	910,000	521,722	140,000	82,838			112,963	99,540
2024-2028	1,115,000	328,904	170,000	64,670			144,173	68,329
2029-2033	935,000	79,783	210,000	38,175			184,004	28,499
2034-2035			100,000	4,000				
Totals	\$ 3,725,000	\$ 1,582,944	\$ 825,000	\$ 287,498	\$	\$	\$ 529,650	\$ 320,360
Business-Type Activities								
2014	\$	\$	\$	\$	\$ 410,320	\$ 81,222	\$	\$
2015					424,364	71,211		
2016					431,463	60,782		
2017					443,606	50,107		
2018					380,814	39,446		
2019-2023					1,178,323	109,073		
2024-2028					1,027,822	43,972		
2029-2031					232,383	2,413		
Totals	\$	\$	\$	\$	\$ 4,529,095	\$ 458,226	\$	\$

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

	Due From Other Funds	Due To Other Funds
General Fund	\$ 238,078	\$
Economic Development Fund	134,776	
Levee Improvement Project Fund		24,197
Community Center Fund		35,721
Subtotal Governmental Funds	<u>372,854</u>	<u>59,918</u>
Sewer Fund		231,193
Liquor Fund		81,743
Subtotal Enterprise Funds		<u>312,936</u>
Totals	<u>\$ 372,854</u>	<u>\$ 372,854</u>

	Advances To Other Funds	Advances From Other Funds
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	\$
Special Revenue Funds:		
Ambulance		22,875
Fire Fund	20,000	
Business Flood Recovery Loan Program		334,288
EDA Revolving Loan	334,288	
Capital Project Funds:		
Capital improvements		20,000
Debt Service		
Equipment Capital Lease	22,875	
2009 Improvement Project Fund	49,000	
Enterprise Funds:		
Electric Fund		50,000
Water Fund		16,000
Sewer Fund		33,000
Total Transfers	<u>\$ 476,163</u>	<u>\$ 476,163</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>Total</u>
	<u>Grantors</u>	<u>Contributors</u>	<u>Creditors</u>	
<u>Major Governmental Funds:</u>				
Business Flood Recovery Loan Program Fund:				
Restricted for future EDA loans	\$ 11,226,071	\$	\$	\$ 11,226,071
EDA Revolving Loan Fund:				
Restricted for EDA loans	914,310			914,310
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		84,181		84,181
Restricted for future debt service:				
2004 G.O. TIF Refunding Debt Service Fund			109,808	109,808
2009 Improvement Project Debt Service Fund			276,210	276,210
2011 Improvement Project Debt Service Fund			103,261	103,261
2012 Tax Abatement Debt Service Fund			11,161	11,161
G.O. Bonds Debt Service Fund			44,575	44,575
Fire and Police Garage Debt Service Fund			6,454	6,454
Equipment Capital Leases Debt Service Fund			6,808	6,808
EDA Land Purchase Debt Service Fund			5,722	5,722
 Total Governmental Activities	 <u>12,140,381</u>	 <u>84,181</u>	 <u>563,999</u>	 <u>12,788,561</u>
<u>Major Proprietary Funds:</u>				
Liquor Fund:				
FEMA	75,428			75,428
Electric Utility Fund:				
FEMA	71,124			71,124
Restricted for future debt service			83,297	83,297
Water Utility Fund:				
FEMA	245,942			245,942
Restricted for future debt service			260,107	260,107
Sewer Utility Fund:				
Restricted for future debt service			168,661	168,661
Wastewater system replacement			198,578	198,578
 Total Business-Type Activities	 <u>392,494</u>		 <u>710,643</u>	 <u>1,103,137</u>
 Total Restricted Net Position	 <u>\$ 12,532,875</u>	 <u>\$ 84,181</u>	 <u>\$ 1,274,642</u>	 <u>\$ 13,891,698</u>
		<u>406</u>		
		Capital		
		Improvements		
		Fund		
Committed Fund Balance:				
Future and ongoing capital improvement construction projects and equipment	\$ 88,972			

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 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 five 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$47,313, \$45,224, and \$48,273, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012, and 2011 were \$25,273, \$28,249, and \$29,903, 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 2013, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2013 and as of December 31, 2013 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 2013 totaling \$29,800 together with an additional contribution of \$2,956 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 2013.

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 2013. 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)

14. Change in Accounting Standards

During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities". This standard required retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2013 financial statements.

The following Schedule reconciles the previously reported December 31, 2012 balances to the amounts reported in the December 31, 2013 financial statements:

Activities/Fund	Net Position December 31, 2011 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Net Position December 31, 2011 as Restated
Governmental Activities	\$ 25,450,405	\$ (64,213)	\$ 25,386,192
Business-Type Activities	5,453,105	(64,047)	5,389,058
Proprietary Funds:			
Water Fund	1,667,037	(25,929)	1,641,108
Electric Fund	2,003,426	(38,118)	1,965,308
Total Proprietary Funds	\$ 3,670,463	\$ (64,047)	\$ 3,606,416
Activities/Fund	Net Position December 31, 2012 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Net Position December 31, 2012 as Restated
Governmental Activities	\$ 27,363,694	\$ (72,613)	\$ 27,291,081
Business-Type Activities	5,491,821	(56,571)	5,435,250
Proprietary Funds:			
Water Fund	1,792,540	(22,688)	1,769,852
Electric Fund	2,213,606	(33,883)	2,179,723
Total Proprietary Funds	\$ 4,006,146	\$ (56,571)	\$ 3,949,575

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Accounting Standards Issued But Not Yet Adopted

GASB 68, *Accounting and Financial Reporting for Pensions* will be effective for the City beginning with its year ending December 31, 2015. This Statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.

16. Subsequent Events

The City entered into a Site Development Agreement in November 2009 with F&L Management and Development, Inc. for the construction of a Community Center and a Motel Development Agreement with Guardian Inn. Disputes between the parties arose surrounding the termination of these agreements. On January 27, 2014, the City reached a settlement agreement with F&L Management and Development, Inc. and Guardian Inn of Rushford MN, LLC. In which the City agreed to pay \$150,000 to settle the dispute.

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

DECEMBER 31, 2013

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2013

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, 2013**

	Special Revenue					Debt Service		
	<u>614/615</u>	<u>211</u>	<u>607</u>	<u>213</u>	<u>612</u>	<u>378</u>	<u>351</u>	
	Fire			Community	Airport			2004
Department	Library	Ambulance	Center	Operations	Total	G.O. TIF Refunding Bonds	Improvement Project	
ASSETS								
Cash and investments	\$ 662,913	\$ 132,874	\$ 202,325	\$	\$ 60,414	\$ 1,058,526	\$ 109,101	\$ 102,841
Restricted cash		84,181				84,181		
Accrued interest receivable	368					368		
Accounts receivable	625		36,738		310	37,673		
Special assessments receivable - deferred								201,576
Prepaid items	2,327	209	1,255		67	3,858		
Taxes receivable - delinquent	678	2,022		23	282	3,005	1,723	647
Due from other funds								
Advances to other funds								
Due from other governmental units	630	889	10,925		24,573	37,017	707	420
TOTAL ASSETS	\$ 667,541	\$ 220,175	\$ 251,243	\$ 23	\$ 85,646	\$ 1,224,628	\$ 111,531	\$ 305,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 792	\$ 683	\$ 2,479	\$ 869	\$ 1,017	\$ 5,840	\$	\$
Due to other funds				35,721		35,721		
Unearned revenue	15,218		16,324		12,395	43,937		
Total Liabilities	16,010	683	18,803	36,590	13,412	85,498		
Deferred Inflows of Resources								
Unavailable revenue:								
Property taxes	678	2,022		23	282	3,005	1,723	647
Special assessments								201,576
FEMA receivable	341	40	10,924			11,305		
Total Deferred Inflows of Resources	1,019	2,062	10,924	23	282	14,310	1,723	202,223
Fund Balance								
Nonspendable:								
Prepaid items	2,327	209	1,255		67	3,858		
Advances to other funds								
Restricted:								
Externally imposed by:								
Creditors							109,808	103,261
Contributors		84,181				84,181		
Assigned	648,185	133,040	220,261		71,885	1,073,371		
Unassigned				(36,590)		(36,590)		
Total Fund Balance	650,512	217,430	221,516	(36,590)	71,952	1,124,820	109,808	103,261
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 667,541	\$ 220,175	\$ 251,243	\$ 23	\$ 85,646	\$ 1,224,628	\$ 111,531	\$ 305,484

Debt Service						Capital 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</u> Equipment Capital Leases	<u>360</u> EDA Land Purchase	Total	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>470</u> Levee Improvement Project	<u>501</u> 2009/2011 Improvement Project	Total
\$ 44,575	\$ 11,076	\$ 6,342	\$ 6,808	\$ 5,307	\$ 286,050	\$ 214,414	\$ 51,197	\$	\$	\$ 1,610,187
										84,181
										368
								7,760		45,433
					201,576					201,576
										3,895
791	129	291	252	976	4,809	37	284			8,098
						134,776				134,776
									33,559	33,559
	85	112		415	1,739			27,453		66,209
<u>\$ 45,366</u>	<u>\$ 11,290</u>	<u>\$ 6,745</u>	<u>\$ 7,060</u>	<u>\$ 6,698</u>	<u>\$ 494,174</u>	<u>\$ 349,511</u>	<u>\$ 51,197</u>	<u>\$ 35,213</u>	<u>\$ 33,559</u>	<u>\$ 2,188,282</u>
\$	\$	\$	\$	\$	\$	\$ 1,762	\$	\$ 8,583	\$	\$ 16,185
								24,197		59,918
										43,937
						1,762		32,780		120,040
791	129	291	252	976	4,809	284				8,098
					201,576					201,576
										11,305
<u>791</u>	<u>129</u>	<u>291</u>	<u>252</u>	<u>976</u>	<u>206,385</u>	<u>284</u>				<u>220,979</u>
						37				3,895
									33,559	33,559
44,575	11,161	6,454	6,808	5,722	287,789					287,789
										84,181
						347,428	51,197	2,433		1,474,429
										(36,590)
<u>44,575</u>	<u>11,161</u>	<u>6,454</u>	<u>6,808</u>	<u>5,722</u>	<u>287,789</u>	<u>347,465</u>	<u>51,197</u>	<u>2,433</u>	<u>33,559</u>	<u>1,847,263</u>
<u>\$ 45,366</u>	<u>\$ 11,290</u>	<u>\$ 6,745</u>	<u>\$ 7,060</u>	<u>\$ 6,698</u>	<u>\$ 494,174</u>	<u>\$ 349,511</u>	<u>\$ 51,197</u>	<u>\$ 35,213</u>	<u>\$ 33,559</u>	<u>\$ 2,188,282</u>

CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue					Debt Service		
	<u>614/615</u>	<u>211</u>		<u>213</u>	<u>612</u>		<u>378</u>	<u>351</u>
	Fire Department	Library	<u>607</u> Ambulance	Community Center	Airport Operations	Total	2004 G.O. TIF Refunding Bonds	2011 Improvement Project
REVENUES								
Property tax	\$ 30,134	\$ 88,290	\$	\$ 21	\$ 10,133	\$ 128,578	\$ 73,656	\$ 42,855
Tax increments								
Intergovernmental	32,900	52,435	4,500		21,961	111,796		
Charges for services	70,646		172,048		20,262	262,956		
Special assessments								23,255
Interest income	7,231	104	761	(15)	20	8,101	69	73
Miscellaneous	17,204	9,454	5,761		4,223	36,642		
TOTAL REVENUES	158,115	150,283	183,070	6	56,599	548,073	73,725	66,183
EXPENDITURES								
Public safety	84,217		131,646			215,863		
Airport					50,335	50,335		
Library		115,344				115,344		
Community center				14,135		14,135		
Debt service							66,229	41,885
Capital outlay		18,822				18,822		
Economic development								
TOTAL EXPENDITURES	84,217	134,166	131,646	14,135	50,335	414,499	66,229	41,885
Excess (deficiency) of revenues over (under) expenditures	73,898	16,117	51,424	(14,129)	6,264	133,574	7,496	24,298
OTHER FINANCING SOURCES (USES)								
Transfers in	20,000					20,000		
Transfer out			(22,875)			(22,875)		
Total other financing sources (uses)	20,000		(22,875)			(2,875)		
Net change in fund balances	93,898	16,117	28,549	(14,129)	6,264	130,699	7,496	24,298
FUND BALANCES, Beginning	556,614	201,313	192,967	(22,461)	65,688	994,121	102,312	78,963
FUND BALANCES, Ending	\$ 650,512	\$ 217,430	\$ 221,516	\$ (36,590)	\$ 71,952	\$ 1,124,820	\$ 109,808	\$ 103,261

Debt Service						Capital Project				
<u>353, 354, 355</u>	<u>370</u>	<u>381</u>	<u>382</u>	<u>360</u>		<u>202</u>	<u>405</u>	<u>470</u>	<u>501</u>	
G.O. Bonds	Abatement Bonds	Fire & Police Garage	Equipment Capital Lease	EDA Land Purchase	Total	Economic Development	Tax Increment	Levee Improvement Project	2009/2011 Improvement Project	Total
\$ 1,599	\$ 8,652	\$ 11,729	\$ 562	\$ 43,204	\$ 182,257	\$ 544	\$ 12,264	\$	\$	\$ 311,379
								79,480		12,264
										191,276
										262,956
					23,255					23,255
41	11	5	75	(18)	256	114	50	32		8,553
						16,260		9,428		62,330
<u>1,640</u>	<u>8,663</u>	<u>11,734</u>	<u>637</u>	<u>43,186</u>	<u>205,768</u>	<u>16,918</u>	<u>12,314</u>	<u>88,940</u>		<u>872,013</u>
										215,863
										50,335
										115,344
										14,135
	26,722	15,093	50,668	42,500	243,097					243,097
						39,999	11,038	82,566		152,425
						63,376				63,376
	<u>26,722</u>	<u>15,093</u>	<u>50,668</u>	<u>42,500</u>	<u>243,097</u>	<u>103,375</u>	<u>11,038</u>	<u>82,566</u>		<u>854,575</u>
<u>1,640</u>	<u>(18,059)</u>	<u>(3,359)</u>	<u>(50,031)</u>	<u>686</u>	<u>(37,329)</u>	<u>(86,457)</u>	<u>1,276</u>	<u>6,374</u>		<u>17,438</u>
			22,875		22,875					42,875
										(22,875)
			22,875		22,875					20,000
1,640	(18,059)	(3,359)	(27,156)	686	(14,454)	(86,457)	1,276	6,374		37,438
42,935	29,220	9,813	33,964	5,036	302,243	433,922	49,921	(3,941)	33,559	1,809,825
<u>\$ 44,575</u>	<u>\$ 11,161</u>	<u>\$ 6,454</u>	<u>\$ 6,808</u>	<u>\$ 5,722</u>	<u>\$ 287,789</u>	<u>\$ 347,465</u>	<u>\$ 51,197</u>	<u>\$ 2,433</u>	<u>\$ 33,559</u>	<u>\$ 1,847,263</u>

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND (614 & 615)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013
With Comparative Totals for December 31, 2012

	Budgeted Amounts		2013 Actual Amounts			Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final	General	Mill Rate	Total		
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 30,134	\$	\$ 30,134	\$ 134	\$ 30,122
Intergovernmental Revenues							
Fire relief aid	18,000	29,800	29,800		29,800		22,479
County & grant aid	2,500	2,500	3,100		3,100	600	2,500
Total Intergovernmental revenues	20,500	32,300	32,900		32,900	600	24,979
Charges For Services							
Township contributions	46,414	59,092		59,092	59,092		46,414
Fire calls, contracts and water hauling	7,000	7,000	11,554		11,554	4,554	13,999
Total Charges For Services	53,414	66,092	11,554	59,092	70,646	4,554	60,413
Interest Income	4,500	4,500	1,851	5,380	7,231	2,731	6,357
Miscellaneous Revenues							
Donations	13,500	13,500	17,204		17,204	3,704	21,588
TOTAL REVENUES	121,914	146,392	93,643	64,472	158,115	11,723	143,459
EXPENDITURES							
Public Safety							
Salaries	13,000	13,000	12,473		12,473	527	12,724
Fire relief aid	21,050	32,850	32,756		32,756	94	25,461
Office supplies	400	400	276		276	124	217
Meeting and conferences	9,000	9,000	3,381		3,381	5,619	4,732
General supplies	9,350	9,350	4,540	180	4,720	4,630	8,950
Professional services	1,000	900	800		800	100	1,000
Telephone	1,000	1,100	957		957	143	987
Insurance	10,700	10,500	7,328		7,328	3,172	8,363
Utilities	5,050	5,050	4,468		4,468	582	3,915
Benefit dances	900	900	801		801	99	1,362
Repairs and maintenance	3,750	3,750	1,391	834	2,225	1,525	3,943
Dues, subscriptions and fees	1,400	1,400	1,174		1,174	226	924
Miscellaneous	10,900	11,100	5,714	544	6,258	4,842	7,804
Capital outlay	13,000	16,000	5,599	1,001	6,600	9,400	11,777
TOTAL EXPENDITURES	100,500	115,300	81,658	2,559	84,217	31,083	92,159
Excess revenues over expenditures	21,414	31,092	11,985	61,913	73,898	42,806	51,300
OTHER FINANCING SOURCES							
Transfers in	20,000	20,000	20,000		20,000		20,000
Total other financing sources (uses)	20,000	20,000	20,000		20,000		20,000
Net change in fund balance	41,414	51,092	31,985	61,913	93,898	42,806	71,300
FUND BALANCES, BEGINNING	556,614	556,614	248,370	308,244	556,614		485,314
FUND BALANCES, ENDING	\$ 598,028	\$ 607,706	\$ 280,355	\$ 370,157	\$ 650,512	\$ 42,806	\$ 556,614

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, 2013
With Comparative Totals for December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 88,000	\$ 88,000	\$ 88,290	\$ 290	\$ 75,302
Intergovernmental Revenues					
County apportionment and other revenue	30,000	30,000	32,435	2,435	32,164
Local government aid	20,000	20,000	20,000		10,000
Total Intergovernmental Revenues	50,000	50,000	52,435	2,435	42,164
Interest Income	110	110	104	(6)	198
Miscellaneous Revenues					
Refund of capital campaign donations			(1,084)	(1,084)	(43,246)
Fines, books and other	8,600	8,600	10,538	1,938	6,293
Total Miscellaneous Revenues	8,600	8,600	9,454	854	(36,953)
TOTAL REVENUES	146,710	146,710	150,283	3,573	80,711
EXPENDITURES					
Library					
Salaries	86,500	86,500	82,688	3,812	75,811
Employee benefits and retirement	11,800	11,800	11,563	237	10,714
Office supplies	1,000	1,000	737	263	616
General supplies	3,000	3,000	1,903	1,097	2,411
Professional services	850	850	700	150	800
Telephone	750	750	701	49	667
Insurance	2,550	2,550	1,310	1,240	1,471
Utilities	10,550	10,550	1,989	8,561	1,807
Repairs and maintenance	1,150	1,150	134	1,016	335
Dues, subscriptions and fees	1,500	1,500	1,135	365	1,041
Contracted equipment	5,200	5,200	2,239	2,961	2,420
Computer line fee	6,000	6,000	6,273	(273)	7,358
Programs and training	3,100	3,100	3,972	(872)	2,424
Capital outlay	17,260	17,260	18,822	(1,562)	18,103
TOTAL EXPENDITURES	151,210	151,210	134,166	17,044	125,978
Excess (deficit) of revenues over (under) expenditures	(4,500)	(4,500)	16,117	20,617	(45,267)
FUND BALANCES, BEGINNING	201,313	201,313	201,313		246,580
FUND BALANCES, ENDING	\$ 196,813	\$ 196,813	\$ 217,430	\$ 20,617	\$ 201,313

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, 2013
With Comparative Totals for December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Total Intergovernmental revenues	4,500	4,500	4,500		4,500
Charges For Services					
Fees from runs	150,000	150,000	155,724	5,724	145,610
City and township contracts	16,324	16,324	16,324		16,324
Total Charges For Services	166,324	166,324	172,048	5,724	161,934
Interest Income	900	900	761	(139)	903
Miscellaneous Revenues					
Other	5,500	5,500	5,761	261	9,003
Total Miscellaneous revenues	5,500	5,500	5,761	261	9,003
TOTAL REVENUES	177,224	177,224	183,070	5,846	176,340
EXPENDITURES					
Public Safety					
Salaries	67,500	71,000	70,764	236	62,808
Employee benefits and retirement	8,000	7,700	7,275	425	7,425
Office supplies	1,000	1,000	509	491	907
Meeting and conferences	15,500	15,500	12,770	2,730	14,747
Gas, oil and supplies	5,000	5,000	6,004	(1,004)	4,562
General supplies	10,500	10,300	8,554	1,746	12,111
Professional services	1,200	1,200	1,100	100	1,070
Telephone	1,100	1,200	1,223	(23)	1,137
Insurance	6,400	5,600	4,338	1,262	4,601
Utilities	3,400	3,400	3,032	368	2,689
Repairs and maintenance	3,000	3,000	3,371	(371)	3,813
Dues, subscriptions and fees	9,000	8,000	6,311	1,689	6,572
Miscellaneous	3,500	4,000	2,584	1,416	4,404
Bad debt					2,512
Grants					1,925
Capital outlay	3,000	3,000	3,811	(811)	5,495
TOTAL EXPENDITURES	138,100	139,900	131,646	8,254	136,778
Excess of revenues over expenditures	39,124	37,324	51,424	14,100	39,562
OTHER FINANCING USES					
Transfer out	(22,874)	(22,874)	(22,875)	(1)	(22,875)
Net change in fund balance	16,250	14,450	28,549	14,099	16,687
FUND BALANCES, BEGINNING	192,967	192,967	192,967		176,280
FUND BALANCES, ENDING	\$ 209,217	\$ 207,417	\$ 221,516	\$ 14,099	\$ 192,967

**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, 2013
With Comparative Totals for December 31, 2012**

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$	\$	\$ 21	\$ 21	\$
Intergovernmental Revenues					
Local government aid					20,000
Interest Income (Expense)			(15)	(15)	(73)
TOTAL REVENUES			6	6	19,927
EXPENDITURES					
General Government					
Contractual services	16,000	16,000	8,410	7,590	1,364
General supplies	50	50	4	46	7
Professional services	100	100	338	(238)	100
Insurance	1,200	1,200	975	225	958
Utilities	2,650	2,650	3,809	(1,159)	1,783
Repairs and maintenance			599	(599)	
TOTAL EXPENDITURES	20,000	20,000	14,135	5,865	4,212
Excess (deficit) of revenues over (under) expenditures	(20,000)	(20,000)	(14,129)	5,871	15,715
FUND BALANCES, BEGINNING	(22,461)	(22,461)	(22,461)		(38,176)
FUND BALANCES, ENDING	\$ (42,461)	\$ (42,461)	\$ (36,590)	\$ 5,871	\$ (22,461)

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, 2013
With Comparative Totals for December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 10,000	\$ 10,000	\$ 10,133	\$ 133	\$ 10,253
Intergovernmental Revenues					
State grants	113,300	12,000	11,961	(39)	161,795
Local government aid	10,000	10,000	10,000		10,000
Total Intergovernmental revenues	123,300	22,000	21,961	(39)	171,795
Charges for Services					
Land leases	5,792	7,053	7,053		8,708
Hangar rentals	8,820	8,820	11,702	2,882	5,625
Fuel and utilities	1,100	1,100	1,507	407	1,059
Total Charges For Services	15,712	16,973	20,262	3,289	15,392
Interest Income			20	20	(52)
Miscellaneous Revenues			4,223	4,223	304
TOTAL REVENUES	149,012	48,973	56,599	7,626	197,692
EXPENDITURES					
Airport					
Salaries	5,000	5,000	5,000		4,700
General supplies	1,200	1,200	806	394	1,280
Fuel	1,600	1,600	2,138	(538)	1,372
Professional services	950	950	650	300	700
Insurance	9,700	9,700	8,069	1,631	7,023
Utilities	4,740	4,740	4,393	347	3,556
Repairs and maintenance	5,300	5,300	7,652	(2,352)	4,825
Dues, subscriptions and fees	1,300	1,300	917	383	1,826
Taxes on property	450	450	485	(35)	405
Miscellaneous		13,500	13,654	(154)	
Capital outlay	116,000	8,000	6,571	1,429	169,823
TOTAL EXPENDITURES	146,240	51,740	50,335	1,405	195,510
Excess (deficit) of revenues over (under) expenditures	2,772	(2,767)	6,264	9,031	2,182
FUND BALANCES, BEGINNING	65,688	65,688	65,688		63,506
FUND BALANCES, ENDING	\$ 68,460	\$ 62,921	\$ 71,952	\$ 9,031	\$ 65,688

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, 2013
With Comparative Totals for December 31, 2012

	2013		Actual	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
Property taxes	\$	\$	\$ 544	\$ 544	\$ 5,997
Local government aid					5,305
Interest income			114	114	793
Miscellaneous			16,260	16,260	20,025
TOTAL REVENUES			16,918	16,918	32,120
EXPENDITURES					
Economic Development					
Salaries	15,000	15,000	15,000		14,000
Employee benefits and retirement	100	100	68	32	76
General supplies	700	700	1,479	(779)	738
Professional service	8,850	9,850	7,031	2,819	6,083
Telephone	1,000	1,000	1,115	(115)	999
Utilities					422
Insurance	900	900	989	(89)	539
License, dues and subscriptions	4,000	4,000	2,355	1,645	2,621
Miscellaneous	700	700	1,363	(663)	476
Capital outlay	6,000	46,000	39,999	6,001	1,391
Contracted services	30,200	32,700	33,976	(1,276)	23,986
TOTAL EXPENDITURES	67,450	110,950	103,375	7,575	51,331
Excess (deficiency) of revenues over (under) expenditures	(67,450)	(110,950)	(86,457)	24,493	(19,211)
OTHER FINANCING SOURCES (USES)					
Transfers in					73,000
Net change in fund balances	(67,450)	(110,950)	(86,457)	24,493	53,789
FUND BALANCES, Beginning	433,922	433,922	433,922		380,133
FUND BALANCES, Ending	\$ 366,472	\$ 322,972	\$ 347,465	\$ 24,493	\$ 433,922

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

December 31, 2013

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Accounts receivable	\$	\$ 105
Due from other governmental units	75,428	75,428
Total Current Assets	75,428	75,533
Property and Equipment		
Building	766,148	766,148
Furniture and equipment	11,496	11,496
Total	777,644	777,644
Less: Accumulated depreciation	106,438	85,422
Net Property, Plant and Equipment	671,206	692,222
TOTAL POSITION	\$ 746,634	\$ 767,755
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 250	\$ 333
Due to other funds	81,743	75,490
Advances from other funds	166,042	166,042
Total Liabilities	248,035	241,865
Net Position	498,599	525,890
TOTAL LIABILITIES AND NET POSITION	\$ 746,634	\$ 767,755

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2013
With Comparative Totals for December 31, 2012

	2013	2012
Operating Expenses		
Office supplies	\$	\$ 1,378
Contracted services	308	2,643
Telephone	442	430
Utilities	3,722	2,925
Insurance	1,731	1,998
Depreciation	21,016	24,638
Total Operating Expenses	27,219	34,012
Operating Income (Loss)	(27,219)	(34,012)
Nonoperating Revenue and (Expense)		
Interest income	(22)	(314)
Unemployment expense	(50)	(7,870)
Loss on disposal of capital assets		(18,135)
Miscellaneous		(4,402)
Total Nonoperating Revenue and (Expense)	(72)	(30,721)
Change in Net Position	(27,291)	(64,733)
Net Position, Beginning of Year	525,890	590,623
Net Position, End of Year	\$ 498,599	\$ 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, 2013
With Comparative Totals for December 31, 2012

	2013		Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,800,000	\$ 1,804,174	\$ 4,174	\$ 1,701,223
Operating Expenses				
Cost of Production				
Purchased power	1,240,000	1,181,847	58,153	1,131,114
Distribution				
Salaries	9,500	10,344	(844)	7,717
Gas, oil and supplies	2,000	2,013	(13)	1,348
General supplies	4,000	1,022	2,978	4,332
Repairs and maintenance	32,700	28,616	4,084	37,263
Depreciation and amortization	121,350	121,350		122,193
Total Distribution	169,550	163,345	6,205	172,853
General Administration				
Salaries	195,000	189,924	5,076	182,767
Employee benefits and retirement	27,800	26,705	1,095	25,544
Office supplies and expense	1,100	940	160	1,089
Professional services	6,150	3,515	2,635	6,054
Postage	4,500	7,117	(2,617)	3,442
Printing and publishing	1,000	1,015	(15)	969
Insurance	8,650	5,711	2,939	6,303
Dues, subscriptions and fees	6,500	5,447	1,053	5,362
Miscellaneous	4,475	5,412	(937)	3,398
Total General Administration	255,175	245,786	9,389	234,928
Total Operating Expenses	1,664,725	1,590,978	73,747	1,538,895
Operating Income	135,275	213,196	77,921	162,328
Nonoperating Revenue and (Expense)				
Interest expense	(19,300)	(18,373)	927	(16,118)
Interest income	1,000	1,670	670	678
Penalty income	15,000	16,480	1,480	16,165
Service fee - refuse billings	4,000	3,490	(510)	4,205
Compost site fees	3,000	2,437	(563)	2,789
Grants				75,350
Miscellaneous income	10,000	15,671	5,671	19,018
Total Other Income (Expense)	13,700	21,375	7,675	102,087
Net Income Before Transfers	148,975	234,571	85,596	264,415
Transfers out	(50,000)	(50,000)		(50,000)
Change in Net Position	98,975	184,571	85,596	214,415
Net Position as Restated, Beginning	2,179,723	2,179,723		1,965,308
Net Position, End of Year	\$ 2,278,698	\$ 2,364,294	\$ 85,596	\$ 2,179,723

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (601)
WATER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2013
With Comparative Totals for December 31, 2012**

	2013		Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 521,000	\$ 555,762	\$ 34,762	\$ 499,225
Operating Expenses				
Distribution				
Salaries	65,800	63,779	2,021	63,753
Utilities and fuel oil	24,500	24,655	(155)	19,838
Gas, oil and supplies	14,000	8,925	5,075	9,161
General supplies	2,000	1,128	872	1,180
Repairs and maintenance	24,000	70,299	(46,299)	6,461
Depreciation and amortization	208,302	208,302		211,142
Sewage and water testing	1,500	809	691	901
Total Distribution	<u>340,102</u>	<u>377,897</u>	<u>(37,795)</u>	<u>312,436</u>
General Administration				
Salaries	36,650	36,366	284	35,229
Employee benefits and retirement	16,155	13,838	2,317	13,981
Office supplies and expense	550	600	(50)	599
Professional services	5,900	4,000	1,900	5,000
Postage	150	57	93	342
Printing and publishing	1,050	907	143	738
Insurance	8,500	5,511	2,989	6,211
Dues, subscriptions and fees	1,800	1,607	193	1,377
Miscellaneous	3,450	2,406	1,044	1,932
Total General Administration	<u>74,205</u>	<u>65,292</u>	<u>8,913</u>	<u>65,409</u>
Total Operating Expenses	<u>414,307</u>	<u>443,189</u>	<u>(28,882)</u>	<u>377,845</u>
Operating Income	<u>106,693</u>	<u>112,573</u>	<u>5,880</u>	<u>121,380</u>
Nonoperating Revenue and (Expense)				
Interest expense	(45,163)	(43,479)	1,684	(43,377)
Interest income		395	395	529
Grants				63,066
Miscellaneous income	500	65,789	65,289	842
Total Other Income (Expense)	<u>(44,663)</u>	<u>22,705</u>	<u>67,368</u>	<u>21,060</u>
Net Income Before Transfers	<u>62,030</u>	<u>135,278</u>	<u>73,248</u>	<u>142,440</u>
Transfers out	<u>(16,000)</u>	<u>(16,000)</u>		<u>(13,696)</u>
Change in Net Position	<u>46,030</u>	<u>119,278</u>	<u>73,248</u>	<u>128,744</u>
Net Position as Restated, Beginning	<u>1,769,852</u>	<u>1,769,852</u>		<u>1,641,108</u>
Net Position, End of Year	<u>\$ 1,815,882</u>	<u>\$ 1,889,130</u>	<u>\$ 73,248</u>	<u>\$ 1,769,852</u>

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (602)
SEWER DEPARTMENT**
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2013
With Comparative Totals for December 31, 2012

	2013		Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 431,500	\$ 435,861	\$ 4,361	\$ 392,698
Revenues related to Rushford Village	39,000	38,894	(106)	31,603
Total Operating Revenues	<u>470,500</u>	<u>474,755</u>	<u>4,255</u>	<u>424,301</u>
Operating Expenses				
Distribution				
Salaries	119,300	117,919	1,381	111,872
Utilities and fuel oil	41,500	53,111	(11,611)	41,839
Gas, oil and supplies	2,300	2,055	245	1,547
General supplies	7,000	4,049	2,951	6,678
Professional services	40,000	16,110	23,890	13,535
Repairs and maintenance	8,800	6,521	2,279	8,823
Depreciation	128,057	128,057		129,823
Sewage and water testing	6,000	7,322	(1,322)	6,290
Total Distribution	<u>352,957</u>	<u>335,144</u>	<u>17,813</u>	<u>320,407</u>
General Administration				
Salaries	28,700	28,158	542	27,256
Employee benefits and retirement	4,750	3,797	953	3,813
Professional services	6,000	8,524	(2,524)	6,856
Printing and publishing	1,150	1,280	(130)	930
Insurance	6,800	10,271	(3,471)	5,252
Dues, subscriptions and fees	3,500	2,916	584	3,096
Miscellaneous	4,000	2,785	1,215	3,920
Total General Administration	<u>54,900</u>	<u>57,731</u>	<u>(2,831)</u>	<u>51,123</u>
Total Operating Expenses	<u>407,857</u>	<u>392,875</u>	<u>14,982</u>	<u>371,530</u>
Operating Income	<u>62,643</u>	<u>81,880</u>	<u>19,237</u>	<u>52,771</u>
Nonoperating Revenue and (Expense)				
Interest expense	(26,237)	(10,087)	16,150	(26,889)
Interest income	500	282	(218)	696
Miscellaneous income	500	260	(240)	421
Total Other Income (Expense)	<u>(25,237)</u>	<u>(9,545)</u>	<u>15,692</u>	<u>(25,772)</u>
Net Income Before Extraordinary Item and Transfers	37,406	72,335	34,929	26,999
Extraordinary item				(206,113)
Transfers out	(33,000)	(33,000)		(53,120)
Change in Net Position	4,406	39,335	34,929	(232,234)
Net Position, Beginning of Year	959,785	959,785		1,192,019
Net Position, End of Year	<u>\$ 964,191</u>	<u>\$ 999,120</u>	<u>\$ 34,929</u>	<u>\$ 959,785</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, 2013 and 2012**

	2013	2012
Revenues	\$ 266,800	\$ 288,773
Expenditures		
Principal	163,855	176,000
Interest	34,899	32,043
Total expenditures	198,754	208,043
Excess Revenues	68,046	80,730
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	68,046	80,730
Fund Balance, January 1	299,175	218,445
Fund Balance, December 31	\$ 367,221	\$ 299,175

(This Page Left Blank Intentionally)

CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2013

CHANGE FUNDS	<u>\$ 18</u>
CHECKING ACCOUNTS	
<i>Merchants Bank</i>	
General checking account	2,223,994
<i>Rushford State Bank:</i>	
General checking account	<u>545,534</u>
TOTAL CHECKING ACCOUNTS	<u>2,769,528</u>
SAVINGS ACCOUNTS	
<i>Merchants Bank:</i>	
Money market funds account	<u>1,301,121</u>
DEPOSITS HELD BY FISCAL AGENTS	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	<u>84,181</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS	<u><u>\$ 4,154,848</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2013

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Rushford State Bank</i>		
Certificate	3.65%	\$ 30,000
Certificate	1.20%	<u>185,000</u>
TOTAL INVESTMENTS		<u>215,000</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS		<u>4,154,848</u>
TOTAL CASH AND INVESTMENTS, December 31, 2013		<u><u>\$ 4,369,848</u></u>

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2014	\$ 67,400	\$ 9,161	\$ 76,561
2015	69,731	6,830	76,561
2016	72,143	4,417	76,560
2017	74,527	1,922	76,449
TOTAL	\$ 283,801	\$ 22,330	\$ 306,131

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 286,000	\$ 31,158	\$ 317,158

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 440,000	\$ 63,944	\$ 503,944

\$400,000 SERIES 2007A
 WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 222,000	\$ 29,028	\$ 251,028

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 1,015,000	\$ 105,991	\$ 1,120,991

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 974,000	\$ 84,910	\$ 1,058,910

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2013**

\$1,308,294 SERIES 2011
 G.O. SEWER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2014	\$ 70,920	\$ 13,148	\$ 84,068
2015	71,633	12,436	84,069
2016	72,320	11,748	84,068
2017	73,079	10,989	84,068
2018	73,814	10,254	84,068
2019	74,556	9,513	84,069
2020	75,281	8,787	84,068
2021	76,062	8,007	84,069
2022	76,826	7,242	84,068
2023	77,598	6,470	84,068
2024	78,362	5,706	84,068
2025	79,165	4,903	84,068
2026	79,961	4,107	84,068
2027	80,765	3,303	84,068
2028	81,569	2,499	84,068
2029	82,396	1,672	84,068
2030	83,987	81	84,068
TOTAL	\$ 1,308,294	\$ 120,865	\$ 1,429,159

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
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	\$2,540,000	\$ 1,066,159	\$ 3,606,159

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2014	\$ 65,000	\$ 3,608	\$ 68,608
2015	65,000	1,214	66,214
TOTAL	\$ 130,000	\$ 4,822	\$ 134,822

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 282,676	\$ 977,676

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2013**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 516,785	\$ 1,701,785

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2013**

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 529,650	\$ 320,360	\$ 850,010

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

Honorable Mayor and Common Council
City of Rushford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rushford, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Rushford, Minnesota's basic financial statements and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rushford, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Rushford, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rushford, Minnesota's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, finding 2013-1 described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Rushford, Minnesota's Response to Findings

City of Rushford, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Rushford, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
April 11, 2014

CITY OF RUSHFORD, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2010-1
2011-1
2012-1

Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. An important element of internal accounting controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business.

Effect: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.

**CITY OF RUSHFORD, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2013-1 Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. An important element of internal accounting controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business.

Effect: Because of the limited size of the City’s administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with the Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Findings:

Our City employs a limited number of individuals to provide the accounting services for the City. The City will continue to segregate duties as best it can within the limits of what it considers to be cost beneficial.

Official Responsible for Ensuring CAP:

City Administrator Stephen T. Sarvi is the official responsible for ensuring correction action of the deficiency.

Planned Completion Date of CAP:

The City will continue to segregate duties the best it can within the limits of what it considers to be cost beneficial.

Plan to Monitor Completion of CAP:

Mayor and Common Council will monitor this process.

AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the general purpose financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2013, and have issued our report thereon dated April 11, 2014.

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

The *Minnesota Legal Compliance Audit Guide for Local Governments* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the categories that applied to the City.

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

This report is intended solely for the information and use of the City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be, and should not be, used by anyone other than those specified parties.

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
April 11, 2014