

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

CITY OF RUSHFORD, MINNESOTA

**FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2016**

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2016

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2016

Elected

Chris Hallum	Mayor
Vern Bunke	Council Member & <i>Mayor Pro-tem</i>
Terri Benson	Council Member
Mark Honsey	Council Member
Jim O'Donnell	Council Member

Appointed

Tony Chladek	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rushford, Minnesota, as of and for the year ended December 31, 2016, 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, 2016, and the respective changes in financial position and cash flows thereof, and the respective budgetary comparisons for the General Fund, EDA Revolving Loan Fund, Business Flood Recovery Loan Program Fund, Fire Department Fund, and Capital Improvements Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the required supplemental information as listed in the table of contents 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, 2015, from which such partial information was derived.

We have previously audited the City's 2015 financial statements and our report dated May 4, 2016, 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, 2015, 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 statements and schedules, 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 statements and schedules 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 statements and schedules 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.

Honorable Mayor and Members
of the City Council
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, 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 the City of Rushford, Minnesota's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
May 2, 2017

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**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, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Rushford, Minnesota for the fiscal year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$28,506,645 (*net position*). Of this amount, \$2,078,085 (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 \$285,379 primarily due to the increase in net pension liability and issuance of long term debt.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$466,506 or 67 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 continue to keep this fund balance at a healthy level. The State Auditor's Office describes an acceptable reserve as being between 35-50% and a high reserve as one that exceeds 65%. The City's Fund Balance Policy currently calls for a reserve of between 50-60%.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$8,809,449. Approximately 80 percent of this total amount, or \$7,029,558 is nonspendable, restricted or otherwise committed.
- The City of Rushford, Minnesota increased total outstanding debt by \$1,379,891 during the current fiscal year which includes two refunding bonds on which the proceeds are currently in an escrow account.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Rushford, Minnesota's basic financial statements. The City'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, Minnesota's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Rushford, Minnesota'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, Minnesota 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, Minnesota 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, Minnesota 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, Minnesota includes the liquor, electric, water, and sewer funds. The government-wide financial statements can be found on pages 17-19 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, Minnesota, 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, Minnesota 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.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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, Minnesota 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, fire department fund, capital improvements fund, the Burr Oak Hillcrest Improvement projects fund, and the 2009 Improvement Project fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rushford, Minnesota 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 26-31), EDA revolving loan fund (page 32), business flood recovery loan program fund (page 33), fire department (page 34), capital improvements fund (page 35), and the special revenue and selected capital project funds (pages 74-77) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary funds. The City of Rushford, Minnesota 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, Minnesota 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, Minnesota. The basic proprietary fund financial statements can be found on pages 36-39 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 40-66 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 70-73 of this report.

IMPORTANT REMINDERS:

Infrastructure Assets. As allowed by Government Accounting Standards Board Opinion No. 34, in 2004 the City elected to record infrastructure assets prospectively, rather than retroactively for general government activities. All acquisitions of property, equipment and 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, Minnesota, assets exceeded liabilities by \$28,506,645 at the end of the most recent year.

A portion of the City of Rushford, Minnesota's net position (48 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, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Rushford, Minnesota'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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 17,688,558	\$ 17,666,316	\$ 1,307,972	\$ 1,107,326	\$ 18,996,530	\$ 18,773,642
Capital assets	15,140,388	13,730,973	9,782,448	10,167,904	24,922,836	23,898,877
Total assets	<u>32,828,946</u>	<u>31,397,289</u>	<u>11,090,420</u>	<u>11,275,230</u>	<u>43,919,366</u>	<u>42,672,519</u>
Deferred outflows of resources	703,856	83,413	246,289	55,521	950,145	138,934
Long-term liabilities outstanding	11,172,227	8,620,967	4,321,305	4,596,623	15,493,532	13,217,590
Other liabilities	376,063	408,561	263,868	261,546	639,931	670,107
Total liabilities	<u>11,548,290</u>	<u>9,029,528</u>	<u>4,585,173</u>	<u>4,858,169</u>	<u>16,133,463</u>	<u>13,887,697</u>
Deferred inflows of resources	138,285	74,857	91,118	56,875	229,403	131,732
Net position:						
Net investment in capital assets	8,209,867	7,787,939	5,389,548	5,202,481	13,599,415	12,990,420
Restricted	12,059,893	11,663,152	769,252	753,336	12,829,145	12,416,488
Unrestricted	1,576,467	2,925,226	501,618	459,890	2,078,085	3,385,116
Total net position	<u>\$ 21,846,227</u>	<u>\$ 22,376,317</u>	<u>\$ 6,660,418</u>	<u>\$ 6,415,707</u>	<u>\$ 28,506,645</u>	<u>\$ 28,792,024</u>

An additional portion of the City of Rushford, Minnesota's net position, \$12,829,145 (45 percent) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$6,225,527 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$2,078,085 (7 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, Minnesota 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, Minnesota's net position by \$530,090. The most significant change in governmental net position is due to accounting for net position under full accrual accounting; current year decrease includes increased depreciation and the issuance of long-term debt.

Business-type activities. Business-type activities increased the City of Rushford, Minnesota's net position by \$244,711.

A condensed version of the Statement of Activities follows:

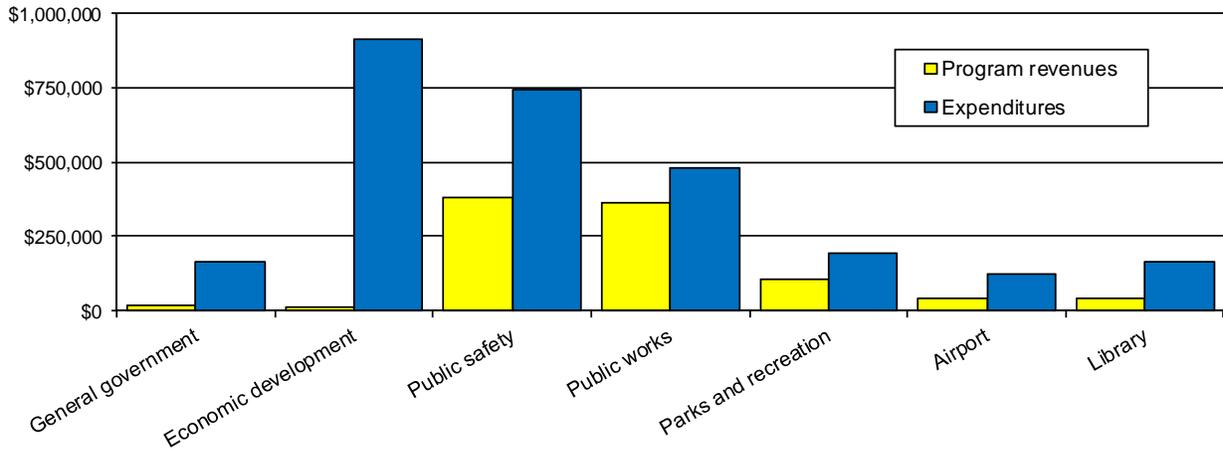
City of Rushford, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 372,951	\$ 454,230	\$ 2,919,804	\$ 2,815,743	\$ 3,292,755	\$ 3,269,973
Operating grants and contributions	143,008	135,558			143,008	135,558
Capital grants and contributions	443,784	826,549			443,784	826,549
General revenues:						
Property taxes	742,157	739,888			742,157	739,888
Tax increment revenues	14,033	13,941			14,033	13,941
Grants and contributions not restricted to specific programs						
Local government aid	589,176	588,211			589,176	588,211
Other	9,732	76			9,732	76
Miscellaneous	189,451	424,452	39,898	38,200	229,349	462,652
Total revenues	<u>2,504,292</u>	<u>3,182,905</u>	<u>2,959,702</u>	<u>2,853,943</u>	<u>5,463,994</u>	<u>6,036,848</u>
Expenses:						
General government	163,807	158,373			163,807	158,373
Economic development	910,089	1,380,156			910,089	1,380,156
Public safety	745,463	645,051			745,463	645,051
Public works	477,581	1,104,237			477,581	1,104,237
Parks and recreation	195,050	192,119			195,050	192,119
Airport	120,781	111,889			120,781	111,889
Library	163,049	154,370			163,049	154,370
Community center		3,685				3,685
Interest on long-term debt	392,562	259,540			392,562	259,540
Liquor			33,175	25,336	33,175	25,336
Utilities			2,547,816	2,528,434	2,547,816	2,528,434
Total expenses	<u>3,168,382</u>	<u>4,009,420</u>	<u>2,580,991</u>	<u>2,553,770</u>	<u>5,749,373</u>	<u>6,563,190</u>
Increase (Decrease) in net position						
before transfers	(664,090)	(826,515)	378,711	300,173	(285,379)	(526,342)
Transfers	134,000	(66,000)	(134,000)	66,000		
Change in net position	(530,090)	(892,515)	244,711	366,173	(285,379)	(526,342)
Net position - beginning	22,376,317	23,268,832	6,415,707	6,049,534	28,792,024	29,318,366
Net position, ending	<u>\$21,846,227</u>	<u>\$ 22,376,317</u>	<u>\$ 6,660,418</u>	<u>\$ 6,415,707</u>	<u>\$ 28,506,645</u>	<u>\$ 28,792,024</u>

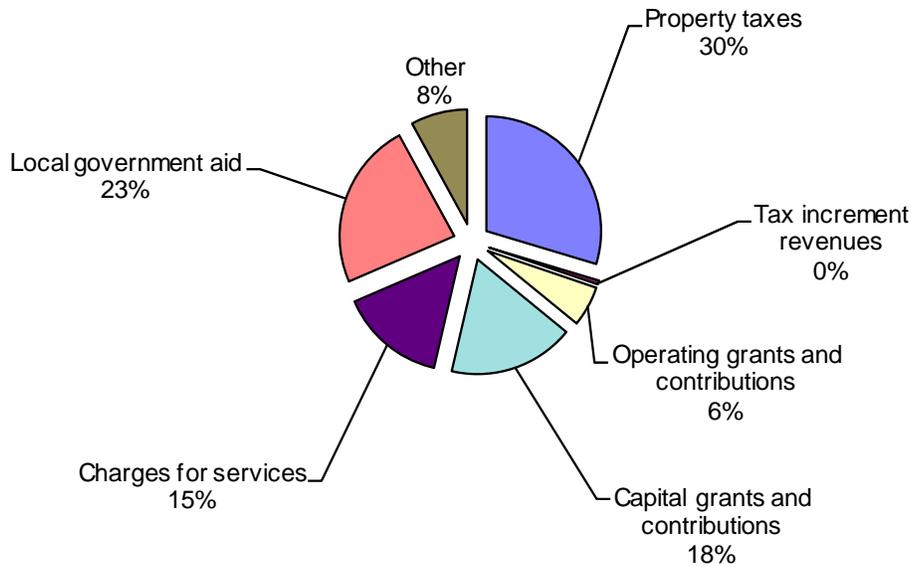
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



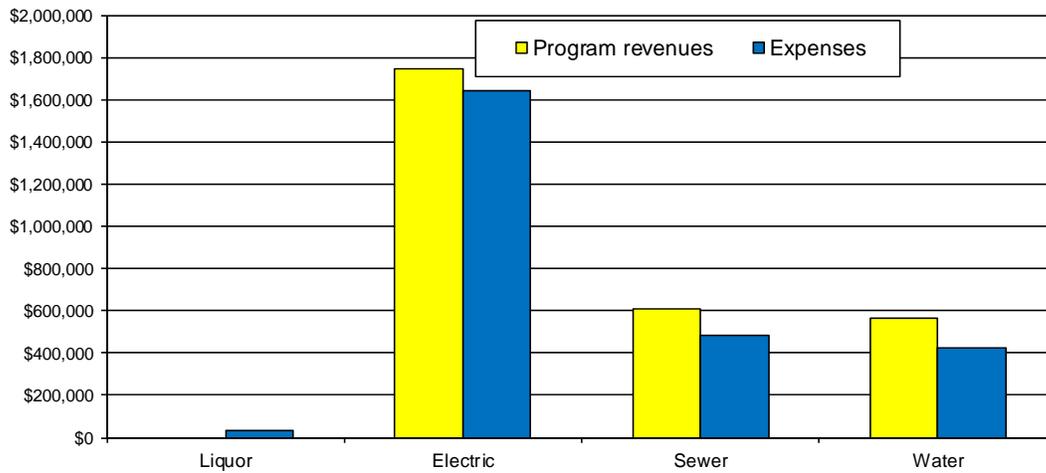
Revenues by Source - Governmental Activities



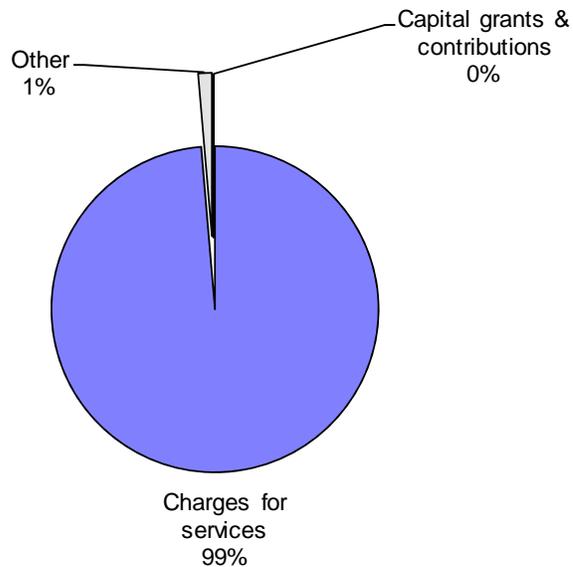
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, Minnesota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Rushford, Minnesota'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, Minnesota'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, Minnesota's governmental funds reported combined ending fund balances of \$8,809,449, an increase of \$1,171,351. The City of Rushford, Minnesota ended the year with \$466,506 in *unassigned fund balance* and \$5,934,140 of governmental fund balance is *restricted* or *nonspendable*, \$1,095,418 has been *committed* by council action and \$1,313,385 is *assigned*.

The general fund is the chief operating fund of the City of Rushford, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$466,506. 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 67 percent of total general fund expenditures.

The general fund's total fund balance increased by \$62,469 during the current fiscal year due to a combination of a reduction in street lighting costs, reduction in various department expenses, and lower than expected professional and contracted services.

The EDA revolving loan fund's fund balance had a net increase of \$299,652 for the year after loans, and transferring funds in from the business flood loan fund, and the electric interfund loan. The fund also shared professional and administrative costs by reimbursing the EDA general fund for expenses.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The business flood recovery loan program received loan payments and interest in the amount of \$364,662 and transferred \$292,481 to the EDA Revolving Loan Fund.

The capital improvements fund increased its fund balance by \$112,605 for the year due to reimbursement of prior expenses for improvements.

The levee improvement project fund increased its fund balance by \$16,040, with the electric utility fund reimbursing some of the recent electrical mitigation work on the levee system. 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. In 2015 a new matching funds flood risk reduction grant was awarded in the amount of \$65,265. Levee mitigation and maintenance work continues with the assistance of DNR grant funding.

The fire department fund decreased its total fund balance by \$330,084 due to making a down payment on a new pumper truck and the rebuilding of a tanker truck.

The library fund decreased its fund balance by \$13,516, due to spending down reserve funds when LGA funding was reduced.

The ambulance fund increased its fund balance by \$82,394, in part due to the sale of an ambulance and reduction of operating costs.

The airport fund increased its fund balance by \$22,719, receiving grant funding reimbursement for an improvement project. The new hangar building continues to bring in increased rental income along with favorable crop land rental fees. There is one federal grant project yet to be finalized.

The debt service funds have a total fund balance of \$4,122,409 all of which is reserved for debt service. This fund balance increased by \$909,289 from the prior year due to issuance of crossover refunding bonds.

The economic development fund decreased its fund balance by \$33,141 for the year with expenses allocated for contracted and consultant services.

The Tax Increment Capital Project fund increased its fund balance by \$1,562 which is the result of the annual taxes on the TIF housing project.

Proprietary funds. The City of Rushford, Minnesota's proprietary funds statements found on pages 36-39 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 – \$418,198 and Water – \$189,200. The Sewer Fund reported a deficit of \$105,624 and the Liquor Fund reported a deficit of \$156. The increase/(decrease) in net position in the respective proprietary funds are Liquor - \$(33,208), Electric - \$53,259, Water - \$129,674 and Sewer - \$94,986. The changes in net position are due to Liquor – depreciation and expenses for the unused building, Electric – rebuilding funds for future capital projects, Water – rebuilding funds for future projects, Sewer – rebuilding funds for future capital projects. All funds were impacted by the receipt or reallocation of the final FEMA reimbursement in 2014.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Water utility rates were increased in 2014 approximately 5% as per the water rate schedule adopted in 2004 and amended in 2009. A rate study was conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which included water and sewer infrastructure rebuilds to be funded by PFA loans, assessments and user fees. The new rate and rate structure were adopted February 2015 and included the implementation of the DNR conservation rate with various tiers charging higher fees for higher usage. The rate also provided for a more equitable rate configuration, eliminating the meter size fee for commercial customers. The automated water meter reading system provides for more timely revenue as well as more timely correction of any leaks or problems with the system.

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 began in 2011, funded by PFA loans, FEMA grants and rate increases. A new contract was negotiated with the City of Rushford Village which included 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 was conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which included water and sewer infrastructure rebuilds funded by PFA loans, assessments and user fees. Sewer utility rates were increased in February 2015 by \$5.00 per REU (residential equivalency unit) with a similar increase in February 2016. City of Rushford Village rates were also amended proportionately for 2015 and 2016. System upgrades will be planned in phases over the next few years.

The liquor store has not been in operation since 2011. Most fixtures and equipment were sold at auction. In 2013, 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. The City continues efforts to find a tenant or a use for the building by contracting with a realtor to market the sale of the building.

Electric Utility rates have been studied due to the change in the City's power supply contract, with the entire rate structure being re-evaluated in May 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. With favorable wholesale power rates, no rate changes were made in 2014. New downtown street lighting was installed as part of the Highway 43/Mill Street Improvement project and was financed with Electric Utility Funds with assistance from the EDA Revolving Loan Fund. Consumer energy conservation efforts have helped keep the wholesale peak energy costs from increasing and rates have remained consistent for several years. System upgrades and capital projects to maintain the integrity and reliability of the system will be undertaken over the next several years.

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

General Fund Budgetary Highlights

The City's general fund reserve had been spent down consistently in the years following the flood event. A larger transfer in lieu of taxes was budgeted from 2012 - 2014 as well as a larger share of LGA funding and levy funds being appropriated to the general fund. Deliberately increasing the levy to help build the fund balance, along with lower than anticipated expenses, particularly in contracted services and fuel costs, has helped to rebuild the fund balance over the past two years.

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

- Decrease in professional/contracted services
- Decrease in street lighting expense
- Decrease in fuel costs and maintenance costs

OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS

Capital Asset and Debt Administration

Capital assets. The City of Rushford, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$24,922,836 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Rushford, Minnesota's reported investment in capital assets for the current fiscal year was \$1,023,959, after depreciation of \$1,167,589.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 1,233,353	\$ 1,239,853	\$ 105,460	\$ 105,460	\$ 1,338,813	\$ 1,345,313
Buildings	4,618,708	4,736,417	8,020,170	8,388,293	12,638,878	13,124,710
Machinery and equipment	1,019,120	925,437	342,607	359,940	1,361,727	1,285,377
Infrastructure	3,820,604	3,628,923			3,820,604	3,628,923
Construction in progress	4,448,603	3,200,343	1,314,211	1,314,211	5,762,814	4,514,554
Total	<u>\$15,140,388</u>	<u>\$13,730,973</u>	<u>\$ 9,782,448</u>	<u>\$10,167,904</u>	<u>\$24,922,836</u>	<u>\$23,898,877</u>

Additional information on the City of Rushford, Minnesota's capital assets can be found in Note 6 (pages 53-54).

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

Long-term debt. At the end of the current fiscal year, the City of Rushford, Minnesota had \$13,792,343 in bonds and notes outstanding. Of this amount, \$13,463,343 comprises debt backed by the full faith and credit of the government and \$329,000 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			
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 9,545,000	\$ 7,670,000	\$	\$	\$ 9,545,000	\$ 7,670,000
GO Revenue bonds			3,402,145	3,756,289	3,402,145	3,756,289
Revenue bonds			329,000	443,000	329,000	443,000
Lease Payable	37,045	46,350			37,045	46,350
Contract for deed	479,153	496,813			479,153	496,813
Total	\$10,061,198	\$ 8,213,163	\$ 3,731,145	\$ 4,199,289	\$ 13,792,343	\$12,412,452

The City's total bonds and notes payable increased by \$1,379,891 during the current fiscal year. During 2016, the City issued additional 2016A General Obligation Improvement Crossover Refunding Bonds for \$2,100,000. A more detailed breakdown of these obligations can be found in Note 7 (pages 55-56).

Standard & Poor's conducted a bond rating study in July 2011, and gave the City an A/Stable. The rating was again affirmed in November 2014. The City anticipates this rating can be improved with the addition of the additional cash value buildup of the general fund balance.

Economic Factors and Next Year's Budgets and Rates

- 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 has allowed 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 in 2008 to help determine and plan for the community's long term housing needs. In 2014, the passing of the R/P School referendum and the subsequent building of a new school facility provides several opportunities for repurposing of buildings and lots to help meet the growing housing need in the area. The Destination Medical Center efforts in Rochester, MN will also impact housing needs in the outlying communities and planning is in place to be ready to help meet that need. A housing needs study was conducted in 2015 indicating a need for active adult senior housing as well as general-occupancy housing. The City continues to explore opportunities for partnering through TIF Housing Projects as well as traditional housing units.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- The City of Rushford experienced a flood in August 2007 when six to seventeen inches of rain fell into the Root River and Rush Creek resulting in the impairment of the City's capital assets and the loss of City inventories. Over 50% of the City was flooded. The wastewater plant and two City wells were submerged under four feet of water. Of the 766 homes and businesses located in the City, 490 sustained damage, 79 of which were destroyed beyond recovery. Utilities were not provided to flood related homes and businesses during a two month period. In 2008, a majority of these homes and businesses were still not functioning at pre-flood capacity. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets. Insurance proceeds, federal grants, and contributions have been used to begin the process of replacing the capital assets and supplies lost in the flood. The impact of the 2007 flood has been reported as an extraordinary item in the financial statements. Utility funds have seen the impact of fewer residential customers and reduced customer usage. In 2014, the final adjustments were made on all FEMA work projects. Funding was allocated or unallocated in various affected funds and the action finalizes all FEMA financial responsibilities from the 2007 disaster event.
- 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 for the replacement of Trunk Highway 43 from bridge-to-bridge within the City. The City took 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. At the end of 2014 all utility infrastructure was in place, with the remaining street restoration completed in 2015. In 2016, another Improvement Project was undertaken for two streets for a total rebuild of utilities and streets which will be completed in 2017.
- The City has conducted a review of remaining streets and infrastructure to identify and prioritize future improvement projects. Availability of funding and desire to keep debt service at a manageable level will help to determine the timeline for these improvement projects.
- 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 provided a slight increase for the 2014 fiscal year. LGA funding increased slightly in 2015, but still remains below the level of 2009. 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, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Rushford City Hall, Box 430, Rushford, MN 55971.

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CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2016
With Comparative Totals for December 31, 2015

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
ASSETS				
Cash and investments	\$ 4,974,659	\$ 859,494	\$ 5,834,153	\$ 5,336,279
Investments held by fiscal agent	3,116,425		3,116,425	2,243,354
Receivables (net of allowance for uncollectibles)	781,953	93,270	875,223	940,136
Loans receivable	8,052,947		8,052,947	9,110,918
Accrued utility revenue		247,674	247,674	244,284
Internal balances	666,453	(666,453)		
Due from other governmental units	1,117	850	1,967	48,785
Restricted cash and investments	83,236	769,252	852,488	835,649
Prepaid items	11,768	3,885	15,653	14,237
Capital assets:				
Nondepreciable	5,681,956	1,419,671	7,101,627	5,859,867
Depreciable, net	9,458,432	8,362,777	17,821,209	18,039,010
Total Assets	<u>32,828,946</u>	<u>11,090,420</u>	<u>43,919,366</u>	<u>42,672,519</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	703,856	246,289	950,145	138,934
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 33,532,802</u>	<u>\$ 11,336,709</u>	<u>\$ 44,869,511</u>	<u>\$ 42,811,453</u>
LIABILITIES				
Accounts payable	148,645	141,098	289,743	317,860
Accrued interest payable	146,413	23,271	169,684	156,784
Accrued compensation and payroll taxes payable		16,381	16,381	16,141
Deposits payable		19,311	19,311	18,320
Accrued compensated absences	51,136	63,807	114,943	114,110
Unearned revenue	29,869		29,869	46,892
Noncurrent liabilities:				
Due within one year	263,766	479,526	743,292	720,109
Due in more than one year	9,783,180	3,246,921	13,030,101	11,659,695
Net pension liability	1,125,281	594,858	1,720,139	837,786
Total Liabilities	<u>11,548,290</u>	<u>4,585,173</u>	<u>16,133,463</u>	<u>13,887,697</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	138,285	91,118	229,403	131,732
NET POSITION				
Net investment in capital assets	8,209,867	5,389,548	13,599,415	12,990,420
Restricted	12,059,893	769,252	12,829,145	12,416,488
Unrestricted	1,576,467	501,618	2,078,085	3,385,116
Total Net Position	<u>21,846,227</u>	<u>6,660,418</u>	<u>28,506,645</u>	<u>28,792,024</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET PENSION				
	<u>\$ 33,532,802</u>	<u>\$ 11,336,709</u>	<u>\$ 44,869,511</u>	<u>\$ 42,811,453</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 163,807	\$ 19,495	\$	\$
Economic development	910,089		10,039	
Public safety	745,463	279,616	99,543	
Public works	477,581			360,944
Parks and recreation	195,050	39,700	402	65,668
Airport	120,781	26,839		16,249
Library	163,049	7,301	33,024	923
Community center				
Interest and other charges	392,562			
Total governmental activities	3,168,382	372,951	143,008	443,784
Business-Type activities:				
Liquor	33,175			
Electric	1,641,755	1,744,570		
Sewer	481,353	607,456		
Water	424,708	567,778		
Total business-type activities	2,580,991	2,919,804		
Total	\$ 5,749,373	\$ 3,292,755	\$ 143,008	\$ 443,784

General revenues:
 General property taxes
 Tax increment revenues
 Nonproperty taxes
 Grants and contributions not restricted to specific programs
 Local government aid
 Other
 Interest earnings
 Miscellaneous revenues
 Transfers in (out)
 Total general revenues and transfers

Change in net position

Net position - Beginning

Net position - Ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2016	2015
\$ (144,312)		\$ (144,312)	\$ (61,032)
(900,050)		(900,050)	(1,376,808)
(366,304)		(366,304)	(266,582)
(116,637)		(116,637)	(426,125)
(89,280)		(89,280)	(123,911)
(77,693)		(77,693)	37,327
(121,801)		(121,801)	(112,727)
			(3,685)
<u>(392,562)</u>		<u>(392,562)</u>	<u>(259,540)</u>
<u>(2,208,639)</u>		<u>(2,208,639)</u>	<u>(2,593,083)</u>
	(33,175)	(33,175)	(25,336)
	102,815	102,815	111,130
	126,103	126,103	51,627
	143,070	143,070	124,552
	<u>338,813</u>	<u>338,813</u>	<u>261,973</u>
<u>(2,208,639)</u>	<u>338,813</u>	<u>(1,869,826)</u>	<u>(2,331,110)</u>
742,157		742,157	739,888
14,033		14,033	13,941
8,060		8,060	6,431
589,176		589,176	588,211
9,732		9,732	76
89,011	6,411	95,422	81,966
92,380	33,487	125,867	374,255
134,000	(134,000)		
<u>1,678,549</u>	<u>(94,102)</u>	<u>1,584,447</u>	<u>1,804,768</u>
(530,090)	244,711	(285,379)	(526,342)
<u>22,376,317</u>	<u>6,415,707</u>	<u>28,792,024</u>	<u>29,318,366</u>
<u>\$ 21,846,227</u>	<u>\$ 6,660,418</u>	<u>\$ 28,506,645</u>	<u>\$ 28,792,024</u>

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CITY OF RUSHFORD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2016

CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals for December 31, 2015

	Special Revenue Funds			
	101	203	204	614/615
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Fire Department
ASSETS				
Cash and investments	\$ 491,316	\$ 1,186,290	\$ 69,243	\$ 490,835
Investments held by fiscal agent				
Restricted cash		25,094		
Accounts receivable	4,140			5,591
Contracts receivable				
Loans receivable		1,827,420	6,225,527	
Taxes receivable - delinquent	9,569			933
Special assessments receivable - deferred				
Due from other funds	24,105			
Advances to other funds	184,721	150,000		
Due from other governmental units	508			20
Prepaid items	7,149			2,863
TOTAL ASSETS	\$ 721,508	\$ 3,188,804	\$ 6,294,770	\$ 500,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 14,356	\$	\$ 69,243	\$ 759
Due to other funds				
Unearned revenue				
Total Liabilities	14,356		69,243	759
Deferred Inflows of Resources				
Unavailable revenue:				
Property taxes	9,569			933
Special assessments				
EDA loans receivable		1,827,420		
Business flood loans receivable			6,225,527	
Total Deferred Inflows of Resources	9,569	1,827,420	6,225,527	933
Fund Balance:				
Nonspendable:				
Prepaid items	7,149			2,863
Note receivable				
Advances to other funds	184,721	150,000		
Restricted:				
Externally imposed by:				
Grantors:				
Regulators				
EDA revolving loans		1,211,384		
Creditors				
Contributors				
Committed				
Assigned	39,207			495,687
Unassigned	466,506			
Total Fund Balance	697,583	1,361,384		498,550
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 721,508	\$ 3,188,804	\$ 6,294,770	\$ 500,242

See Notes to the Financial Statements

Capital Projects Funds		Debt Service Fund			
<u>406</u>	<u>501</u>	<u>350</u>		Total Governmental Funds	
Capital Improvements	Burr Oak Hillcrest Imp. Project	2009 Improvement Project	Other Governmental Funds	2016	2015
\$ 1,043,768	\$ 109,215	\$ 337,963	\$ 1,220,935	\$ 4,949,565	\$ 4,512,442
		2,141,168	975,257	3,116,425	2,243,354
1,300			83,236	108,330	123,323
			42,016	53,047	62,521
			81,258	81,258	100,000
704		4,236	9,613	8,052,947	9,565,221
		294,555	328,038	25,055	14,833
33,559		274,203		622,593	670,762
5		366	218	24,105	123,413
			1,756	642,483	653,654
				1,117	46,794
				11,768	9,363
<u>\$ 1,079,336</u>	<u>\$ 109,215</u>	<u>\$ 3,052,491</u>	<u>\$ 2,742,327</u>	<u>\$ 17,688,693</u>	<u>\$ 18,125,680</u>
\$ 1,782	\$ 57,088	\$	\$ 5,417	\$ 148,645	\$ 184,814
			135	135	5,060
			29,869	29,869	46,892
<u>1,782</u>	<u>57,088</u>		<u>35,421</u>	<u>178,649</u>	<u>236,766</u>
704		4,236	9,613	25,055	14,833
		294,555	328,038	622,593	670,762
				1,827,420	1,810,031
				6,225,527	7,755,190
<u>704</u>		<u>298,791</u>	<u>337,651</u>	<u>8,700,595</u>	<u>10,250,816</u>
33,559		274,203	1,756	11,768	9,363
			81,258	81,258	100,000
				642,483	653,654
			55,677	55,677	
				1,211,384	886,732
		2,479,497	1,368,837	3,848,334	2,938,917
			83,236	83,236	82,313
1,043,291	52,127			1,095,418	1,001,723
			778,491	1,313,385	1,548,133
				466,506	417,263
<u>1,076,850</u>	<u>52,127</u>	<u>2,753,700</u>	<u>2,369,255</u>	<u>8,809,449</u>	<u>7,638,098</u>
<u>\$ 1,079,336</u>	<u>\$ 109,215</u>	<u>\$ 3,052,491</u>	<u>\$ 2,742,327</u>	<u>\$ 17,688,693</u>	<u>\$ 18,125,680</u>

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016
With Comparative Totals for December 31, 2015

	Special Revenue Funds				
	101 General	203 EDA Revolving Loan		204 Business Flood Recovery Loan Program	614/615 Fire Department
				204 Business Flood Recovery Loan Program	614/615 Fire Department
REVENUES					
Property taxes	\$ 291,644	\$	\$	\$ 29,714	
Tax increment revenues					
Lodging taxes	8,060				
Special assessments					
Licenses and permits	17,730				
Fines and forfeits	11,674				
Intergovernmental revenues	335,185			50,118	
Charges for services	39,350			90,079	
Interest income	987	10,060	35,611	6,009	
Miscellaneous revenues	7,162	13,691	329,051	18,997	
TOTAL REVENUES	711,792	23,751	364,662	194,917	
EXPENDITURES					
Current					
General government	127,977				
Economic development	11,649	1,580	72,181		
Public safety	328,716			111,525	
Public works	118,863				
Parks and recreation	112,118				
Airport					
Library					
Community center					
Capital outlay				433,476	
Debt service					
Issuance costs					
TOTAL EXPENDITURES	699,323	1,580	72,181	545,001	
Excess (deficiency) of revenues over (under) expenditures	12,469	22,171	292,481	(350,084)	
OTHER FINANCING SOURCES (USES)					
Issuance of debt					
Premium on issuance of debt					
Transfers in	50,000	292,481		20,000	
Transfers out		(15,000)	(292,481)		
Total other financing sources (uses)	50,000	277,481	(292,481)	20,000	
Net change in fund balances	62,469	299,652		(330,084)	
FUND BALANCES, Beginning	635,114	1,061,732		828,634	
FUND BALANCES, Ending	\$ 697,583	\$ 1,361,384	\$	\$ 498,550	

See Notes to the Financial Statements

Capital Projects Funds		Debt Service Fund		Total Governmental Funds	
406 Capital Improvements	501 Burr Oak Hillcrest Imp. Project	350 2009 Improvement Project	Other Governmental Funds	2016	2015
\$ 7,642	\$	\$ 128,514	\$ 324,550	\$ 782,064	\$ 739,777
			14,033	14,033	13,941
				8,060	6,431
		42,134	41,637	83,771	222,571
				17,730	95,576
				11,674	12,951
246,480			373,832	1,005,615	1,154,704
			192,908	322,337	325,288
2,967	677	10,097	6,833	73,241	64,740
83,447			81,249	533,597	725,065
340,536	677	180,745	1,035,042	2,852,122	3,361,044
				127,977	127,312
			75,919	161,329	167,760
			118,617	558,858	682,049
				118,863	94,967
				112,118	105,852
			37,396	37,396	142,060
			131,937	131,937	129,704
					3,685
335,239	851,949		386,695	2,007,359	1,866,838
		308,447	319,118	627,565	425,981
	42,500			42,500	40,170
335,239	894,449	308,447	1,069,682	3,925,902	3,786,378
5,297	(893,772)	(127,702)	(34,640)	(1,073,780)	(425,334)
121,063	936,269		1,042,668	2,100,000	2,340,250
1,245	9,630		256	11,131	8,012
5,000		49,000	50,000	466,481	498,861
(20,000)			(5,000)	(332,481)	(564,861)
107,308	945,899	49,000	1,087,924	2,245,131	2,282,262
112,605	52,127	(78,702)	1,053,284	1,171,351	1,856,928
964,245		2,832,402	1,315,971	7,638,098	5,781,170
\$ 1,076,850	\$ 52,127	\$ 2,753,700	\$ 2,369,255	\$ 8,809,449	\$ 7,638,098

**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, 2016**

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

Total governmental fund balances (pages 20-21)		\$ 8,809,449
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 20,240,012	
Less: Accumulated depreciation	<u>(5,099,624)</u>	
		15,140,388
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 25,055	
Special assessments	622,593	
EDA loans receivable	1,827,420	
Business flood loan receivable	<u>6,225,527</u>	
		8,700,595
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	\$ (10,046,946)	
Net pension liability	(559,710)	
Compensated absences	(51,136)	
Accrued interest	<u>(146,413)</u>	
		<u>(10,804,205)</u>
Net position of governmental activities (page 17)		<u><u>\$ 21,846,227</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, 2016**

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

Net change in fund balances - total governmental funds (pages 22-23)		\$ 1,171,351
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay - capitalized	\$ 2,045,135	
Depreciation expense	<u>(612,750)</u>	
		1,432,385
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(22,970)
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.		
Property taxes	\$ 10,222	
Special assessments	(48,169)	
Business flood loan receivable	<u>(329,072)</u>	
		(367,019)
Certain items do not result in expenditures in the governmental funds but, are reported as expenses in the statement of activities.		
Forgiveness of business flood loans		(1,200,591)
Certain expenditures in the governmental funds are not reported as expenses in the statement of activities.		
EDA loans issued, net of collections		471,692
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(5,123)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retirement on long-term debt	\$ 251,965	
Issuance of long-term debt	(2,111,131)	
Change in net pension liability	(133,687)	
Amortization of bond discount	(1,863)	
Amortization of bond premium	471	
Change in accrued interest	<u>(15,570)</u>	
		<u>(2,009,815)</u>
Change in net position of governmental activities (pages 18 and 19)		<u>\$ (530,090)</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, 2016
With Comparative Totals for December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
General Tax Levy	\$ 294,000	\$ 294,000	\$ 291,644	\$ (2,356)	\$ 304,715
Licenses and Permits					
Business	6,010	6,010	6,086	76	6,010
Nonbusiness	11,100	11,100	11,644	544	89,566
Total Licenses and Permits	17,110	17,110	17,730	620	95,576
Lodging Taxes	4,500	4,500	8,060	3,560	6,431
Intergovernmental Revenues					
Local government aid	310,000	310,000	310,000		299,270
Market value credit			82	82	76
Police aid	23,000	23,000	22,988	(12)	19,274
Snowmobile aids	19,000	9,451	9,451		28,717
Snowmobile trail assistance	(19,000)	(9,451)	(9,451)		(28,717)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	335,115	335,115	335,185	70	320,735
Fines and Forfeits	9,500	9,500	11,674	2,174	12,951
Charges For Services					
Swimming pool	35,500	35,500	35,842	342	36,902
Park usage fees	2,000	2,000	3,508	1,508	2,370
Total Charges For Services	37,500	37,500	39,350	1,850	39,272
Interest Income			987	987	334
Miscellaneous Revenues					
Other	6,465	6,465	7,162	697	6,103
TOTAL REVENUES	\$ 704,190	\$ 704,190	\$ 711,792	\$ 7,602	\$ 786,117

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, 2016
With Comparative Totals for December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 7,900	\$ 1,100	\$ 7,320
Meetings and conferences	2,000	2,000	2,012	(12)	387
General supplies	1,500	1,500	663	837	770
Printing and publishing	8,500	8,500	8,170	330	6,987
Professional services	5,500	5,500	270	5,230	311
Insurance	4,500	4,500	3,380	1,120	4,407
Dues, subscriptions and fees	4,300	4,300	3,094	1,206	4,368
Miscellaneous	1,100	1,100	604	496	560
Total Mayor and Council	36,400	36,400	26,093	10,307	25,110
Election Judges					
Salaries	1,600	1,600	1,554	46	429
Employee benefits and retirement	10	10	23	(13)	6
General supplies	1,460	1,460	77	1,383	690
Printing and publishing	500	500		500	357
Miscellaneous	250	250	137	113	50
Total Election Judges	3,820	3,820	1,791	2,029	1,532
City Hall Administration					
Salaries	51,600	51,600	46,407	5,193	48,650
Employee benefits and retirement	10,300	10,300	9,081	1,219	9,700
Office supplies and expense	1,700	1,700	985	715	1,423
Meetings and conferences	150	150	35	115	35
General supplies	200	200	6	194	103
Telephone	3,200	3,200	1,784	1,416	2,605
Printing and publishing	2,000	2,000	1,452	548	1,280
Insurance	950	950	753	197	841
Radio maintenance	500	500		500	68
Dues, subscriptions and fees	6,000	6,000	5,841	159	5,240
Miscellaneous	50	50		50	14
Total City Hall Administration	\$ 76,650	\$ 76,650	\$ 66,344	\$ 10,306	\$ 69,959

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 21,700	\$ 21,700	\$ 14,032	\$ 7,668	\$ 10,861
Assessor	4,300	4,300	4,116	184	4,016
Total Professional Services	26,000	26,000	18,148	7,852	14,877
Building and Planning					
General supplies	500	500	85	415	171
Consultant	3,000	3,000	3,225	(225)	4,983
Telephone	50	50		50	7
Printing and publishing	450	450		450	145
Total Building and Planning	4,000	4,000	3,310	690	5,306
Municipal Building					
General supplies	1,000	1,000	818	182	878
Insurance	2,100	2,100	1,632	468	1,792
Utilities	9,821	9,821	7,902	1,919	7,380
Repairs and maintenance	1,800	1,800	1,939	(139)	478
Total Municipal Building	14,721	14,721	12,291	2,430	10,528
Total General Government	161,591	161,591	127,977	33,614	127,312
Public Safety					
Police Protection					
Salaries	206,500	206,500	208,901	(2,401)	195,310
Employee benefits and retirement	37,500	37,500	37,512	(12)	34,924
Office supplies and expense	950	950	380	570	851
Meetings and conferences	3,000	3,000	1,473	1,527	3,394
Gas, oil and supplies	8,500	8,500	5,727	2,773	6,771
General supplies	3,500	3,500	3,193	307	3,936
Professional services	15,250	15,250	7,177	8,073	25,777
Telephone	5,550	5,550	5,526	24	3,903
Insurance	8,500	8,500	7,890	610	7,520
Utilities	3,200	3,200	2,225	975	2,368
Repairs and maintenance	4,200	4,200	2,460	1,740	1,017
Dues, subscriptions and fees	2,500	2,500	2,799	(299)	1,283
Miscellaneous	100	100	2,240	(2,140)	6,624
Total Police Protection	\$ 299,250	\$ 299,250	\$ 287,503	\$ 11,747	\$ 293,678

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, 2016
With Comparative Totals for December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 8,500	\$ 8,500	\$ 8,655	\$ (155)	\$ 6,924
Building and Safety					
Professional services	20,600	20,600	24,181	(3,581)	15,916
Printing and publishing	200	200	240	(40)	131
Miscellaneous	200	200	71	129	113
Total Building and Safety	21,000	21,000	24,492	(3,492)	16,160
Civil Defense	2,400	2,400	2,150	250	2,412
Animal Control					
Salaries and wages	3,000	3,000	2,595	405	2,605
General supplies	50	50	59	(9)	
Insurance	70	70	40	30	37
Total Animal Control	3,120	3,120	2,694	426	2,642
Health and Welfare					
Weed and insect control	2,800	2,800	3,222	(422)	1,385
Total Public Safety	\$ 337,070	\$ 337,070	\$ 328,716	\$ 8,354	\$ 323,201

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 34,000	\$ 34,000	\$ 33,786	\$ 214	\$ 23,613
Employee benefits and retirement	5,455	5,455	5,262	193	3,852
Gas, oil and supplies	9,000	9,000	4,873	4,127	8,054
General supplies	11,250	11,250	11,346	(96)	8,294
Blacktop and surface materials	1,000	1,000	2,051	(1,051)	507
Insurance	8,300	8,300	7,803	497	7,565
Repairs and maintenance	12,000	12,000	12,201	(201)	6,557
Miscellaneous	1,150	1,150	325	825	505
City garage expense	7,900	7,900	6,579	1,321	6,968
Street lighting	10,000	10,000	7,195	2,805	6,823
Total Highways, Streets and Alleys	100,055	100,055	91,421	8,634	72,738
Levee System					
Salaries	18,000	18,000	17,945	55	14,597
Employee benefits and retirement	3,255	3,255	3,137	118	2,503
Gas, oil and supplies	1,500	1,500	1,057	443	1,002
General supplies	500	500	989	(489)	632
Insurance	1,600	1,600	1,513	87	1,448
Utilities	1,400	1,400	1,603	(203)	1,473
Repairs and maintenance	550	550	1,130	(580)	521
Miscellaneous	50	50	68	(18)	53
Total Levee System	26,855	26,855	27,442	(587)	22,229
Total Public Works	126,910	126,910	118,863	8,047	94,967
Parks and Recreation					
Park Department					
Salaries	18,000	18,000	17,945	55	14,597
Employee benefits and retirement	3,155	3,155	3,137	18	2,503
Professional services			150	(150)	
Gas and oil	1,100	1,100	1,145	(45)	1,089
General supplies	2,500	2,500	3,047	(547)	2,302
Telephone			9	(9)	
Insurance	7,200	7,200	8,096	(896)	8,062
Utilities	4,150	4,150	4,589	(439)	4,233
Repairs and maintenance	4,700	4,700	4,957	(257)	4,439
Miscellaneous	200	200	179	21	132
Total Park Department	\$ 41,005	\$ 41,005	\$ 43,254	\$ (2,249)	\$ 37,357

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 32,500	\$ 32,500	\$ 31,670	\$ 830	\$ 30,086
Employee benefits and retirement	2,500	2,500	2,429	71	2,310
Meetings and conferences	2,000	2,000	2,111	(111)	1,528
General supplies	6,500	6,500	6,458	42	6,308
Telephone	650	650	505	145	433
Printing and publishing	300	300	276	24	137
Insurance	4,600	4,600	3,813	787	4,068
Utilities	14,200	14,200	12,500	1,700	12,759
Repairs and maintenance	700	700	959	(259)	1,152
Miscellaneous	750	750	540	210	730
Total Swimming Pool	64,700	64,700	61,261	3,439	59,511
Tree Board					
Salaries	1,700	1,700	1,700		1,500
General supplies	1,300	1,300	4,528	(3,228)	970
Contractual services	1,800	1,800	1,298	502	6,238
Insurance	285	285	62	223	261
Miscellaneous	15	15	15		15
Total Tree Board	5,100	5,100	7,603	(2,503)	8,984
Total Parks and Recreation	110,805	110,805	112,118	(1,313)	105,852
Economic Development					
Tourism	6,400	6,400	11,649	(5,249)	3,080
TOTAL EXPENDITURES	742,776	742,776	699,323	43,453	654,412
Excess (deficiency) of revenues over (under) expenditures	(38,586)	(38,586)	12,469	51,055	131,705
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	50,000	50,000		50,000
Transfers out					(200,000)
Total other financing sources (uses)	50,000	50,000	50,000		(150,000)
Net change in fund balances	11,414	11,414	62,469	51,055	(18,295)
FUND BALANCE, January 1	635,114	635,114	635,114		653,409
FUND BALANCE, December 31	\$ 646,528	\$ 646,528	\$ 697,583	\$ 51,055	\$ 635,114

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Loan repayments	\$ 25,000	\$ 25,000	\$ 10,060	\$ (14,940)	\$ 462
Interest Income	5,250	5,250	13,691	8,441	8,184
TOTAL REVENUES	30,250	30,250	23,751	(6,499)	8,646
EXPENDITURES					
Economic Development					
Professional services	6,500	6,500	1,458	5,042	6,909
Dues, subscriptions and fees	1,000	1,000	46	954	560
Supplies			76	(76)	25
TOTAL EXPENDITURES	7,500	7,500	1,580	5,920	7,494
Excess (deficit) of revenues over (under) expenditures	22,750	22,750	22,171	(579)	1,152
OTHER FINANCING SOURCES (USES)					
Transfers in			292,481	292,481	303,785
Transfers out	(15,000)	(15,000)	(15,000)		(15,000)
Total other financing sources (uses)	(15,000)	(15,000)	277,481	292,481	288,785
Net change in fund balances	7,750	7,750	299,652	291,902	289,937
FUND BALANCES, BEGINNING	1,061,732	1,061,732	1,061,732		771,795
FUND BALANCES, ENDING	\$ 1,069,482	\$ 1,069,482	\$ 1,361,384	\$ 291,902	\$ 1,061,732

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Loan repayments	\$ 330,000	\$ 330,000	\$ 329,051	\$ (949)	\$ 334,949
Interest income	35,000	35,000	35,611	611	39,454
TOTAL REVENUES	365,000	365,000	364,662	(338)	374,403
EXPENDITURES					
Loan principal refund	69,243	69,243	69,243		69,324
Other	3,000	3,000	2,938	62	1,294
TOTAL EXPENDITURES	72,243	72,243	72,181	62	70,618
Excess (deficiency) of revenues over (under) expenditures	292,757	292,757	292,481	(276)	303,785
OTHER FINANCING USES					
Transfers out	(292,481)	(292,481)	(292,481)		(303,785)
Net change in fund balances	276	276		(276)	
FUND BALANCES, Beginning					
FUND BALANCES, Ending	\$ 276	\$ 276	\$	\$ (276)	\$

See Notes to the Financial Statements

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts			Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final	General	Mill Rate	Total		
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 29,714	\$	\$ 29,714	\$ (286)	\$ 30,064
Intergovernmental Revenues							
Fire relief aid	30,000	33,368	33,368		33,368		34,414
Volunteer retention stipend	14,000	14,000	14,000		14,000		13,000
County & grant aid	3,500	3,500	2,750		2,750	(750)	3,996
Total Intergovernmental revenues	47,500	50,868	50,118		50,118	(750)	51,410
Charges For Services							
Township contributions	69,946	69,946		69,946	69,946		59,092
Fire calls, contracts and water hauling	12,000	12,000	20,133		20,133	8,133	18,035
Total Charges For Services	81,946	81,946	20,133	69,946	90,079	8,133	77,127
Interest Income	3,500	3,500	2,049	3,960	6,009	2,509	9,188
Miscellaneous Revenues							
Donations	17,500	17,500	18,997		18,997	1,497	21,415
TOTAL REVENUES	180,446	183,814	121,011	73,906	194,917	11,103	189,204
EXPENDITURES							
Public Safety							
Salaries	16,000	16,000	15,615		15,615	385	17,898
Fire relief aid	33,250	36,618	36,472		36,472	146	37,693
Volunteer retention stipend	14,000	14,000	14,000		14,000		13,000
Office supplies	400	400	73		73	327	155
Meeting and conferences	9,000	9,000	7,678		7,678	1,322	8,206
General supplies	8,300	8,300	8,003	45	8,048	252	6,166
Professional services	950	1,200	940		940	260	950
Telephone	1,000	1,000	776		776	224	818
Insurance	9,600	9,600	8,690		8,690	910	8,799
Utilities	5,000	5,000	3,626		3,626	1,374	4,155
Benefit dances	1,000	1,000	1,355		1,355	(355)	1,238
Repairs and maintenance	3,300	3,300	769	3,841	4,610	(1,310)	2,459
Dues, subscriptions and fees	1,400	1,400	1,312		1,312	88	1,346
Miscellaneous	10,100	10,100	5,377	414	5,791	4,309	6,772
Capital outlay	13,700	447,000	151,269	284,746	436,015	10,985	879
TOTAL EXPENDITURES	127,000	563,918	255,955	289,046	545,001	18,917	110,534
Excess revenues over expenditures	53,446	(380,104)	(134,944)	(215,140)	(350,084)	30,020	78,670
OTHER FINANCING SOURCES							
Transfers in	20,000	20,000	20,000		20,000		20,000
Total other financing sources	20,000	20,000	20,000		20,000		20,000
Net change in fund balance	73,446	(360,104)	(114,944)	(215,140)	(330,084)	30,020	98,670
FUND BALANCES, BEGINNING	828,634	828,634	344,903	483,731	828,634		729,964
FUND BALANCES, ENDING	\$ 902,080	\$ 468,530	\$ 229,959	\$ 268,591	\$ 498,550	\$ 30,020	\$ 828,634

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 10,000	\$ 7,627	\$ 7,642	\$ 15	\$ 15,153
Intergovernmental revenues					
Local government aid	243,910	243,910	243,910		253,941
Small cities assistance					26,257
Grants	(2,570)	(2,570)	2,570	5,140	7,430
Interest income			2,967	2,967	2,748
Donations			65,668	65,668	
Miscellaneous			17,779	17,779	76,511
TOTAL REVENUES	251,340	248,967	340,536	91,569	382,040
EXPENDITURES					
Capital outlay	244,000	244,000	335,239	(91,239)	555,764
TOTAL EXPENDITURES	244,000	244,000	335,239	(91,239)	555,764
Excess (deficiency) of revenues over (under) expenditures	7,340	4,967	5,297	330	(173,724)
OTHER FINANCING SOURCES (USES)					
Issuance of debt			121,063	121,063	100,250
Premium on issuance of debt			1,245	1,245	
Transfers in			5,000	5,000	
Transfers out	(20,000)	(20,000)	(20,000)		(20,000)
Total other financing sources (uses)	(20,000)	(20,000)	107,308	127,308	80,250
Net change in fund balances	(12,660)	(15,033)	112,605	127,638	(93,474)
FUND BALANCES, Beginning	964,245	964,245	964,245		1,057,719
FUND BALANCES, Ending	\$ 951,585	\$ 949,212	\$ 1,076,850	\$ 127,638	\$ 964,245

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2016
With Comparative Totals for December 31, 2015

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets						
Cash and cash equivalents	\$	\$ 588,456	\$ 271,038	\$	\$ 859,494	\$ 782,827
Accounts receivable		62,586	16,158	14,526	93,270	91,254
Accrued utility revenue		165,970	34,378	47,326	247,674	244,284
Special assessments-delinquent						767
Due from other governmental units		850			850	1,991
Prepaid items		798	1,260	1,827	3,885	4,874
Total Current Assets		818,660	322,834	63,679	1,205,173	1,125,997
Property and Equipment						
Property, plant and equipment	772,921	3,924,832	5,711,236	5,317,333	15,726,322	15,561,662
Less: Accumulated depreciation	162,997	2,280,724	2,442,908	2,371,456	7,258,085	6,707,969
Property and Equipment, Net	609,924	1,644,108	3,268,328	2,945,877	8,468,237	8,853,693
Construction work in process		339,076	577,818	397,317	1,314,211	1,314,211
Total Property and Equipment	609,924	1,983,184	3,846,146	3,343,194	9,782,448	10,167,904
Other Assets						
Restricted cash and cash equivalents		84,636	277,379	407,237	769,252	753,336
Deferred Outflows of Resources						
Deferred outflows from pension activity		112,753	58,183	75,353	246,289	55,521
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 609,924	\$ 2,999,233	\$ 4,504,542	\$ 3,889,463	\$ 12,003,162	\$ 12,102,758
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
Current Liabilities						
Accounts payable	\$ 156	\$ 131,462	\$ 2,866	\$ 6,614	\$ 141,098	\$ 133,047
Due to other funds				23,970	23,970	118,353
Current maturities of bonds payable		75,000	234,000	170,526	479,526	468,144
Accrued interest		6,130	10,754	6,387	23,271	25,941
Accrued sales tax		16,381			16,381	16,141
Customer deposits		19,311			19,311	18,320
Total Current Liabilities	156	248,284	247,620	207,497	703,557	779,946
Noncurrent Liabilities						
Notes payable, net of current maturities, and unamortized discount		155,302	1,771,813	1,319,806	3,246,921	3,725,272
Advance from other funds	184,721	150,000		307,762	642,483	653,654
Accrued compensated absences		26,613	16,321	20,873	63,807	68,097
Net pension liability		271,699	140,375	182,784	594,858	403,207
Total Noncurrent Liabilities	184,721	603,614	1,928,509	1,831,225	4,548,069	4,850,230
Deferred Inflows of Resources						
Deferred inflows from pension activity		41,619	21,501	27,998	91,118	56,875
Net Position						
Net investment in capital assets	425,203	1,602,882	1,840,333	1,521,130	5,389,548	5,202,481
Restricted		84,636	277,379	407,237	769,252	753,336
Unrestricted	(156)	418,198	189,200	(105,624)	501,618	459,890
Total Net Position	425,047	2,105,716	2,306,912	1,822,743	6,660,418	6,415,707
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 609,924	\$ 2,999,233	\$ 4,504,542	\$ 3,889,463	\$ 12,003,162	\$ 12,102,758

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, 2016
With Comparative Totals for December 31, 2015

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2016	2015
Operating Revenues						
Sales	\$	\$ 1,744,570	\$ 567,778	\$ 607,456	\$ 2,919,804	\$ 2,815,743
Operating Expenses						
Cost of sales and production		1,174,513			1,174,513	1,159,703
Distribution expense		191,419	318,238	407,111	916,768	860,407
General administration		262,662	74,884	53,936	391,482	436,855
Liquor store operating expenses	33,175				33,175	25,336
Total Operating Expenses	33,175	1,628,594	393,122	461,047	2,515,938	2,482,301
Operating Income (Loss)	(33,175)	115,976	174,656	146,409	403,866	333,442
Nonoperating Revenue and (Expense)						
Other income (expense)	(33)	22,283	(28,982)	(18,423)	(25,155)	(33,269)
Income (Loss) Before Transfers	(33,208)	138,259	145,674	127,986	378,711	300,173
Transfers in						500,000
Transfers out		(85,000)	(16,000)	(33,000)	(134,000)	(434,000)
Change in Net Position	(33,208)	53,259	129,674	94,986	244,711	366,173
Net Position, Beginning	458,255	2,052,457	2,177,238	1,727,757	6,415,707	6,049,534
Net Position, Ending	\$ 425,047	\$ 2,105,716	\$ 2,306,912	\$ 1,822,743	\$ 6,660,418	\$ 6,415,707

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2016
 With Comparative Totals for December 31, 2015**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2016	2015
Cash Flows From Operating Activities						
Cash received from customers	\$	\$ 1,745,679	\$ 569,000	\$ 601,477	\$ 2,916,156	\$ 2,832,547
Cash paid to employees for services		(197,831)	(102,712)	(156,698)	(457,241)	(480,858)
Cash paid to suppliers	(13,796)	(1,270,269)	(72,322)	(106,180)	(1,462,567)	(1,574,235)
Net Cash Provided By (Used In) Operating Activities	(13,796)	277,579	393,966	338,599	996,348	777,454
Cash Flows From Noncapital Financing Activities						
Increase (decrease) in due from other funds	13,829	(25,000)		(94,383)	(105,554)	(562,164)
Grant aid received		1,012		129	1,141	383,239
Other income (expense)		35,230	900	393	36,523	35,336
Transfers in/out		(85,000)	(16,000)	(33,000)	(134,000)	(134,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	13,829	(73,758)	(15,100)	(126,861)	(201,890)	(277,589)
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of debt						522,117
Principal payment on long-term debt		(70,000)	(230,000)	(168,144)	(468,144)	(453,229)
Purchase of capital assets		(141,528)	(11,544)	(16,311)	(169,383)	(399,443)
Interest paid on debt		(17,510)	(32,895)	(20,354)	(70,759)	(78,353)
Net Cash Used In Capital and Related Financing Activities		(229,038)	(274,439)	(204,809)	(708,286)	(408,908)
Cash Flows From Investing Activities						
Interest earnings on investments	(33)	3,250	1,704	1,490	6,411	5,577
Net Cash Provided By (Used In) Investing Activities	(33)	3,250	1,704	1,490	6,411	5,577
Net Increase (Decrease) In Cash and Cash Equivalents						
		(21,967)	106,131	8,419	92,583	96,534
Cash and Cash Equivalents - January 1						
		695,059	442,286	398,818	1,536,163	1,439,629
Cash and Cash Equivalents - December 31						
	\$	\$ 673,092	\$ 548,417	\$ 407,237	\$ 1,628,746	\$ 1,536,163
Shown on the Balance Sheet as:						
Cash and investments	\$	\$ 588,456	\$ 271,038	\$	\$ 859,494	\$ 782,827
Restricted cash and investments		84,636	277,379	407,237	769,252	753,336
Total	\$	\$ 673,092	\$ 548,417	\$ 407,237	\$ 1,628,746	\$ 1,536,163

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>	2016	2015
	Liquor Fund	Electric Department	Water Department	Sewer Department		
Operating Income (Loss)	\$ (33,175)	\$ 115,976	\$ 174,656	\$ 146,409	\$ 403,866	\$ 333,442
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	19,371	140,045	209,490	187,108	556,014	557,075
Change in net pension liability		15,783	8,225	11,118	35,126	24,032
(Increase) Decrease In:						
Accounts receivable		(2,281)	1,097	(65)	(1,249)	12,860
Other accounts receivable		2,399	125	(5,914)	(3,390)	7,091
Prepaid insurance		390	194	405	989	(1,247)
Increase (Decrease) In:						
Accounts payable	8	9,657	64	(1,438)	8,291	(141,900)
Accrued wages		(5,381)	115	976	(4,290)	(10,752)
Unearned revenue						(4,592)
Customer deposits		991			991	1,445
Net Cash Provided By (Used In) Operating Activities	<u>\$ (13,796)</u>	<u>\$ 277,579</u>	<u>\$ 393,966</u>	<u>\$ 338,599</u>	<u>\$ 996,348</u>	<u>\$ 777,454</u>
Summary of Non Cash Transactions						
Sewer fund advance forgiven by general fund	\$	\$	\$	\$	\$	\$ 200,000

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 and 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 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, Minnesota, 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, Minnesota.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Rushford, Minnesota are financially accountable or for which the nature or significance of their general relationship with the City of Rushford, Minnesota 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, Minnesota during 2016.

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, Minnesota'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 transactions, 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 (RLF)* 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 *Burr Oak Hillcrest Improvement Project fund* accounts for the accumulation of financial resources for the payment of construction costs related to the Burr Oak Hillcrest improvement project.

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

The *Fire Department Fund* accounts for all activity of the City's fire department.

The *2009 Improvement Project 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 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.

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)

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

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

D. Assets, Liabilities, 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.

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)

Property Taxes (Continued)

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.

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.

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

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)

Capital Assets (Continued)

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

Compensated Absences

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

Long-term Obligations

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

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, Minnesota.

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.”

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)*

Net Position / Fund Balance (Continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

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 to 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 certain Capital Projects Funds.

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

G. Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans.

Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$634,361.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Implementation of New Accounting Principles

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investments to be measured at fair value and requires disclosures to be made about fair value measurements including the level of fair value hierarchy and the valuation techniques utilized by the City.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the order and priority of pronouncements and other sources of accounting and financial reporting guidance that governments should apply. This statement did not impact the preparation of these financial statements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No.67, No.68 and No.73*. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during implementation of the three standards listed above. One of the significant changes included in this statement clarifies the presentation of covered payroll in the required supplementary information to reflect the amount of payroll on which contributions made to the pension plan are based.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2016, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Change funds	None	N/A	\$ 18
Deposits	None	N/A	6,578,293
Deposits with SELCO	None	N/A	83,236
Non-negotiable certificates of deposit	January 2017	N/A	25,094
FNMA bonds and SLGS notes	January 2017 - August 2018	N/A	<u>3,116,425</u>
Total Cash and Investments			<u>\$ 9,803,066</u>
			\$ 5,834,153
Cash and investments			\$ 5,834,153
Investments held with fiscal agent			3,116,425
Restricted cash and investments			<u>852,488</u>
Cash and Investments per Statement of Net Position			<u>\$ 9,803,066</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 THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Interest Rate Risk

The City has a formal investment policy which requires structuring the portfolio so that securities mature concurrent with anticipated cash needs as well as investing in securities with varying maturities. The policy also limits investment maturities to no more than 10 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City's investment policy limits its investment choices to only those investments permitted by Minnesota Statute. 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. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>of Total</u>
FNMA bonds and SLGS notes	N/A	32%

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Fair Value Measurements (Continued)

	At December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
FNMA bonds and SLGS notes	\$ 3,116,425	\$	\$ 3,116,425	\$

	At December 31, 2015			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
FNMA bonds and SLGS notes	\$ 2,243,354	\$	\$ 2,243,354	\$

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service
	Funds
2011	\$ 294,555
2012	159,022
2014	169,016
Total	<u>\$ 622,593</u>

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Due From Other Governmental Units

Fund Type	Fillmore County	State of Minnesota	Federal Government	Total
General	\$ 195	\$ 313	\$	\$ 508
Special Revenue	82			82
Capital Project	12			12
Debt Service	515			515
Enterprise	850			850
Totals	<u>\$ 1,654</u>	<u>\$ 313</u>	<u>\$</u>	<u>\$ 1,967</u>

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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Loans, Leases, and Notes Receivable (Continued)

A summary of business flood recovery loans is as follows:

Business Flood Recovery Loans:	<u>2016</u>	<u>2015</u>
Category 1 Loans:		
Forgivable portion	\$ 2,182,893	\$ 3,383,484
Non-Forgivable portion	1,840,163	1,955,568
Category 1-A Loans	1,219,887	1,308,850
Category 2 Loans	<u>982,584</u>	<u>1,107,288</u>
Total	<u>\$ 6,225,527</u>	<u>\$ 7,755,190</u>

Following is a summary of the notes receivable outstanding at December 31, 2016 and 2015:

	Original Note	Interest Rate	Receivable Balance	
			<u>2016</u>	<u>2015</u>
Notes Receivable-2010	\$ 393,039	4.25%	\$ 440,418	\$ 421,931
Notes Receivable-2010	19,849	5.00%	14,090	14,090
Notes Receivable-2011	31,883	0.05%	30,417	31,515
Notes Receivable-2012	149,000	4.25%	149,000	149,000
Notes Receivable-2013	94,653	5.00%	94,192	94,192
Notes Receivable-2013	500,000	2.00%	500,000	500,000
Notes Receivable-2013	145,000	4.50%	145,000	145,000
Notes Receivable-2014	25,000	3.00%	25,000	25,000
Notes Receivable-2014	427,742	2.00%	427,742	427,742
Notes Receivable-2014	1,561	5.50%	1,561	1,561
Total Notes Receivable			<u>\$ 1,827,420</u>	<u>\$ 1,810,031</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,239,853	\$	\$ 6,500	\$ 1,233,353
Construction in progress	3,200,343	1,555,360	307,100	4,448,603
Total capital assets, not being depreciated	<u>4,440,196</u>	<u>1,555,360</u>	<u>313,600</u>	<u>5,681,956</u>
Capital assets, being depreciated:				
Buildings and Improvements	6,711,821	158,291	26,195	6,843,917
Infrastructure	4,610,613	405,568		5,016,181
Machinery and equipment	2,615,814	239,516	157,372	2,697,958
Total capital assets, being depreciated	<u>13,938,248</u>	<u>803,375</u>	<u>183,567</u>	<u>14,558,056</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,975,404	249,805		2,225,209
Infrastructure	981,690	213,887		1,195,577
Machinery and equipment	1,690,377	149,058	160,597	1,678,838
Total accumulated depreciation	<u>4,647,471</u>	<u>612,750</u>	<u>160,597</u>	<u>5,099,624</u>
Total capital assets, being depreciated, net	<u>9,290,777</u>	<u>190,625</u>	<u>22,970</u>	<u>9,458,432</u>
Governmental activities capital assets, net	<u>\$ 13,730,973</u>	<u>\$ 1,745,985</u>	<u>\$ 336,570</u>	<u>\$ 15,140,388</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE 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	1,314,211			1,314,211
Total capital assets, not being depreciated	1,419,671			1,419,671
Capital assets, being depreciated:				
Buildings and improvements	14,622,480	141,638		14,764,118
Machinery and equipment	833,722	27,745	4,723	856,744
Total capital assets, being depreciated	15,456,202	169,383	4,723	15,620,862
Less accumulated depreciation for:				
Buildings and improvements	6,234,187	509,761		6,743,948
Machinery and equipment	473,782	45,078	4,723	514,137
Total accumulated depreciation	6,707,969	554,839	4,723	7,258,085
Total capital assets, being depreciated, net	8,748,233	(385,456)		8,362,777
Business-type activities capital assets, net	\$ 10,167,904	\$ (385,456)	\$	\$ 9,782,448

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 19,419
Public safety	87,574
Public works	327,732
Airport	87,297
Library	21,742
Park and recreation	68,986
	\$ 612,750
Total depreciation expense - governmental activities	
Business-Type Activities:	
Electric	\$ 138,870
Water	209,490
Sewer	187,108
Liquor	19,371
	\$ 554,839
Total depreciation expense - business-type activities	

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2016 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES						
Bonds and Notes Payable:						
General obligation bonds:						
2009B Improvement Bonds (1)	3.00% - 4.50%	\$ 2,340,000	\$	\$ 105,000	\$ 2,235,000	\$ 110,000
2011A Improvement Bonds	1.55% - 4.60%	1,095,000		45,000	1,050,000	50,000
2012A Tax Abatement Bonds	1.10% - 4.00%	695,000		25,000	670,000	25,000
2014A Improvement Bonds	1.90% - 4.10%	1,300,000		50,000	1,250,000	50,000
2015A GO Improvement Crossover Refunding	2.00% - 3.00%	2,240,000			2,240,000	
2016A GO Improvement Crossover Refunding	2.00% - 3.00%		2,100,000		2,100,000	
Lease Payable - Street Sweeper	2.75%	46,350		9,305	37,045	10,223
Compensated Absences		46,013	5,123		51,136	
Less: Unamortized Discount		(34,315)		(1,863)	(32,452)	
Plus: Unamortized Premium		7,540	11,131	471	18,200	
Notes payable:						
Contract for deed - land	5.00%	496,813		17,660	479,153	18,543
Governmental Activities						
Long-term Liabilities		<u>8,232,401</u>	<u>2,116,254</u>	<u>250,573</u>	<u>10,098,082</u>	<u>263,766</u>
BUSINESS-TYPE ACTIVITIES (1)						
Bonds and Notes Payable:						
General Obligation Revenue Note:						
1999 Water Department	3.04%	196,000		47,000	149,000	48,000
1996A Sewer Department	3.43%	146,670		72,144	74,526	74,526
2008 Water Department	1.35%	882,000		68,000	814,000	69,000
2010 Water Department	1.00%	861,000		58,000	803,000	58,000
2011 Sewer Department	1.077%	1,177,000		73,000	1,104,000	73,000
2014 Water Department	1.00%	158,813		13,000	145,813	13,000
2014 Sewer Department	1.00%	334,806		23,000	311,806	23,000
Revenue Bonds:						
2007A Water Revenue Bonds	4.25%	138,000		44,000	94,000	46,000
2009A Electric Revenue Refunding	2.40 - 4.10%	305,000		70,000	235,000	75,000
Compensated Absences		68,097		4,290	63,807	
Less: Unamortized Discount		(5,873)		(1,175)	(4,698)	
Business-type Activities						
Long-term Liabilities		<u>4,261,513</u>		<u>471,259</u>	<u>3,790,254</u>	<u>479,526</u>
Total		<u>\$ 12,493,914</u>	<u>\$ 2,116,254</u>	<u>\$ 721,832</u>	<u>\$ 13,888,336</u>	<u>\$ 743,292</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 THE FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding at December 31, 2016, 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								
2017	\$ 210,000	\$ 270,812	\$ 25,000	\$ 18,450	\$	\$	\$ 28,766	\$ 24,912
2018	350,000	265,505	25,000	18,094			29,978	23,700
2019	525,000	254,886	25,000	17,656			31,244	22,435
2020	520,000	242,027	25,000	17,219			26,979	21,110
2021	550,000	228,395	30,000	16,663			22,539	19,962
2022-2026	2,985,000	905,127	160,000	72,745			130,769	81,733
2027-2031	3,125,000	404,458	190,000	50,025			166,898	45,605
2032-2035	610,000	38,076	190,000	15,375			79,025	5,976
Totals	\$ 8,875,000	\$ 2,609,285	\$ 670,000	\$ 226,226	\$	\$	\$ 516,198	\$ 245,433
Business-Type Activities								
2017	\$	\$	\$	\$	\$ 479,526	\$ 58,240	\$	\$
2018					417,000	47,157		
2019					373,000	37,613		
2020					245,000	30,044		
2021					248,000	27,271		
2022-2026					1,281,000	93,649		
2027-2030					687,619	20,852		
Totals	\$	\$	\$	\$	\$ 3,731,145	\$ 314,826	\$	\$

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

	Due From Other Funds	Due To Other Funds
	<u> </u>	<u> </u>
General Fund	\$ 24,105	
2016 Sweeper Fund		135
Subtotal Governmental Funds	<u>24,105</u>	<u>135</u>
 Sewer Fund		 23,970
Subtotal Enterprise Funds		<u>23,970</u>
Totals	<u>\$ 24,105</u>	<u>\$ 24,105</u>
	 Advances To Other Funds	 Advances From Other Funds
	<u> </u>	<u> </u>
General Fund	\$ 184,721	\$
Special Revenue Funds:		
EDA Revolving Loan	150,000	
Capital Projects Fund:		
Capital improvements	33,559	
Debt Service Fund:		
2009 Improvement Project Fund	274,203	
Enterprise Funds:		
Liquor Fund		184,721
Electric Fund		150,000
Sewer Fund		307,762
Total	<u>\$ 642,483</u>	<u>\$ 642,483</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,000	\$
Special Revenue Funds:		
Fire Fund	20,000	
Business Flood Recovery Loan Program		292,481
EDA Revolving Loan	292,481	15,000
Capital Project Funds:		
Capital improvements	5,000	20,000
Economic development	15,000	5,000
Levee Improvement Project	35,000	
Debt Service		
2009 Improvement Project Fund	49,000	
Enterprise Funds:		
Electric Fund		85,000
Water Fund		16,000
Sewer Fund		33,000
Total Transfers	<u>\$ 466,481</u>	<u>\$ 466,481</u>

The City generally utilizes interfund transfers and interfund balances for cash flow purposes. The Economic Development Fund transferred money out to the Capital Improvement Fund for the public access channel project and received a transfer in from the EDA Revolving Loan Fund for administrative service costs.

At December 31, 2016, the following fund had a deficit balance.

Debt Service:		
2016 Sweeper Fund	\$	128

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Fund Balance and Net Position

	Restricted Net Position Imposed By			Total
	Grantors	Contributors	Creditors	
<u>Major Governmental Funds:</u>				
Business Flood Recovery Loan Program Fund:				
Restricted for future EDA loans	\$ 6,225,527	\$	\$	\$ 6,225,527
EDA Revolving Loan Fund:				
Restricted for EDA loans	1,211,384			1,211,384
Restricted for future debt service:				
2009 Improvement Project Debt Service Fund			2,778,288	2,778,288
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		86,034		86,034
Restricted for future debt service:				
2004 G.O. TIF Refunding Debt Service Fund			46,733	46,733
2011 Improvement Project Debt Service Fund			219,712	219,712
2012 Tax Abatement Debt Service Fund			28,446	28,446
Tax increment			55,677	55,677
2014A Improvement Project Debt Service Fund			399,566	399,566
2016 Improvement Project Debt Service Fund			1,000,456	1,000,456
EDA Land Purchase Debt Service Fund			8,070	8,070
Total Governmental Activities	7,436,911	86,034	4,536,948	12,059,893
<u>Major Proprietary Funds:</u>				
Electric Utility Fund:				
Restricted for future debt service			84,636	84,636
Water Utility Fund:				
Restricted for future debt service			277,379	277,379
Sewer Utility Fund:				
Restricted for future debt service			198,408	198,408
Wastewater system replacement			208,829	208,829
Total Business-Type Activities			769,252	769,252
Total Restricted Net Position	\$ 7,436,911	\$ 86,034	\$ 5,306,200	\$ 12,829,145
		Capital Improvements Fund	Burr Oak Hillcrest Imp. Project	Total
Committed Fund Balance:				
Future and ongoing capital improvement construction projects and equipment purchases		\$ 1,043,291	\$ 52,127	\$ 1,095,418

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans - Statewide

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (General Employees Plan (accounted for in the General Employees Fund)) All full-time and certain part-time employees of the City of Rushford, Minnesota are covered by the General Employees Plan. General Employees Plan 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)) The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent increases.

The benefit provisions stated in the following 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.

1. General Employees Plan Benefits

General Employees Plan 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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016, were \$52,484. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$31,631. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$917,504 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0113 percent which was a decrease of 0.0007 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$118,101 for its proportionate share of the General Employees Plan's pension expense.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

At December 31, 2016, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 75,751
Changes in actuarial assumptions	179,647	
Difference between projected and actual investment earnings	176,722	
Changes in proportion		64,788
Contributions paid to PERA subsequent to the measurement date	25,374	
Total	<u>\$ 381,743</u>	<u>\$ 140,539</u>

\$25,374 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 51,150
2018	51,149
2019	80,389
2020	33,142

2. Police and Fire Fund Pension Costs

At December 31, 2016 the City reported a liability of \$802,635 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the City's proportionate share was 0.020 percent which was an increase of 0.001 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016 the City recognized pension expense of \$138,374 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$1,800 for the year ended December 31, 2016 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

At December 31, 2016, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 88,864
Changes in actuarial assumptions	429,455	
Difference between projected and actual investment earnings	121,003	
Changes in proportion	2,006	
Contributions paid to PERA subsequent to the measurement date	15,938	
Total	<u>\$ 568,402</u>	<u>\$ 88,864</u>

\$15,938 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 99,359
2018	99,359
2019	99,360
2020	89,957
2021	75,565

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	Per year
Active Member Payroll Growth	3.25%	Per year
Investment Rate of Return	7.50%	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males and females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years for the General Employees Plan and Police and Fire Plan.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

There following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
City's proportionate share of the GERF net pension liability	\$ 1,303,128	\$ 917,504	\$ 599,855
	4.60%	5.60%	6.60%
City's proportionate share of the PEPFF net pension liability	1,123,582	802,635	540,396
Total Net Pension Liability	<u>\$ 2,426,710</u>	<u>\$ 1,720,139</u>	<u>\$ 1,140,251</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

During 2016, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2016 and as of December 31, 2016 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 2016 totaling \$33,368 together with an additional contribution of \$3,104 the City.

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

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 2016.

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 2016. 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.

CITY OF RUSHFORD, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

CITY OF RUSHFORD, MINNESOTA
Schedules of Pension Contributions
December 31, 2016

PERA General Employees Retirement Fund

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 51,627	\$ 51,627	\$	\$ 712,097	7.25%
2015	51,936	51,936		692,480	7.50%
2016	52,484	52,484		699,787	7.50%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

PERA Public Employees Police and Fire Fund Pension Plan

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 25,854	\$ 25,854	\$	\$ 168,980	15.3%
2015	27,532	27,532		169,951	16.2%
2016	31,631	31,631		195,253	16.2%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF RUSHFORD, MINNESOTA
Schedules of Proportionate Share of Net Pension Liability
December 31, 2016

PERA General Employees Retirement Fund

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0136%	\$ 638,860	\$ 699,432	91.3%	78.7%
2015	0.0120%	621,902	702,288	88.6%	78.2%
2016	0.0113%	917,504	696,133	131.8%	68.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

PERA Public Employees Police and Fire Fund Pension Plan

Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.020%	\$ 216,008	\$ 185,916	116.2%	87.1%
2015	0.019%	215,884	169,466	127.4%	86.6%
2016	0.020%	802,635	182,602	439.6%	63.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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CITY OF RUSHFORD, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2016

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2016

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, 2016**

	Special Revenue			Debt Service		
	211	607	612	378	351	352
	Library	Ambulance	Airport Operations	2004 G.O. TIF Refunding Bonds	2011 Improvement Project	2014A Improvement Project
ASSETS						
Cash and investments	\$ 129,541	\$ 262,103	\$ 113,759	\$ 46,733	\$ 59,275	\$ 228,678
Investments held by fiscal agent						
Restricted cash	83,236					
Accounts receivable		33,742	514			
Contracts receivable						
Special assessments receivable - deferred					159,022	169,016
Prepaid items	403	1,214	102			
Taxes receivable - delinquent	2,798		162		1,384	1,829
Due from other governmental units	59		3		31	43
TOTAL ASSETS	\$ 216,037	\$ 297,059	\$ 114,540	\$ 46,733	\$ 219,712	\$ 399,566
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 1,314	\$ 2,552	\$ 497	\$	\$	\$
Due to other funds						
Unearned revenue		20,413	9,456			
Total Liabilities	1,314	22,965	9,953			
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	2,798		162		1,384	1,829
Special assessments					159,022	169,016
Total Deferred Inflows of Resources	2,798		162		160,406	170,845
Fund Balance						
Nonspendable:						
Prepaid items	403	1,214	102			
Note receivable						
Restricted:						
Externally imposed by:						
Regulators						
Creditors				46,733	59,306	228,721
Contributors	83,236					
Assigned	128,286	272,880	104,323			
Total Fund Balance	211,925	274,094	104,425	46,733	59,306	228,721
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 216,037	\$ 297,059	\$ 114,540	\$ 46,733	\$ 219,712	\$ 399,566

Capital Project

<u>370</u> 2012 Abatement Bonds	<u>353</u> 2016 Improvement Project	<u>382</u> 2016 Sweeper	<u>360</u> EDA Land Purchase	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>502</u> Hwy 43 Mill Street Project	<u>470</u> Levee Improvement Project	Total
\$ 26,905	\$ 25,194 975,257	\$	\$6,653	\$ 195,231	\$ 55,677	\$ 60,272	\$ 10,914	\$ 1,220,935
				81,258			7,760	975,257
								83,236
								42,016
				37				81,258
				43				328,038
								1,756
1,502	5	259	1,388				243	9,613
39		7	29				7	218
<u>\$ 28,446</u>	<u>\$ 1,000,456</u>	<u>\$ 266</u>	<u>\$8,070</u>	<u>\$ 276,569</u>	<u>\$ 55,677</u>	<u>\$ 60,272</u>	<u>\$ 18,924</u>	<u>\$ 2,742,327</u>
				1,054				\$ 5,417
		135						135
								29,869
		<u>135</u>		<u>1,054</u>				<u>35,421</u>
1,502	5	259	1,388	43			243	9,613
								328,038
<u>1,502</u>	<u>5</u>	<u>259</u>	<u>1,388</u>	<u>43</u>			<u>243</u>	<u>337,651</u>
				37				1,756
				81,258				81,258
					55,677			55,677
26,944	1,000,451		6,682					1,368,837
								83,236
		(128)		194,177		60,272	18,681	778,491
<u>26,944</u>	<u>1,000,451</u>	<u>(128)</u>	<u>6,682</u>	<u>275,472</u>	<u>55,677</u>	<u>60,272</u>	<u>18,681</u>	<u>2,369,255</u>
<u>\$ 28,446</u>	<u>\$ 1,000,456</u>	<u>\$ 266</u>	<u>\$8,070</u>	<u>\$ 276,569</u>	<u>\$ 55,677</u>	<u>\$ 60,272</u>	<u>\$ 18,924</u>	<u>\$ 2,742,327</u>

**CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016**

	Special Revenue			Debt Service		
	<u>211</u>	<u>607</u>	<u>612</u>	<u>378</u>	<u>351</u>	<u>352</u>
	Library	Ambulance	Airport Operations	2004 G.O. TIF Refunding Bonds	2011 Improvement Project	2014A Improvement Project
REVENUES						
Property tax	\$ 88,115		\$ 4,835		\$ 45,843	\$ 64,488
Tax increments						
Intergovernmental	43,024	8,650	21,249			
Charges for services		166,069	26,839			
Special assessments					25,652	15,985
Interest income	341	1,303	259	136	77	551
Miscellaneous	8,224	24,989	6,933			
TOTAL REVENUES	<u>139,704</u>	<u>201,011</u>	<u>60,115</u>	<u>136</u>	<u>71,572</u>	<u>81,024</u>
EXPENDITURES						
Public safety		118,617				
Airport			37,396			
Library	131,937					
Debt service					85,085	94,130
Capital outlay	21,283					
Economic development						
TOTAL EXPENDITURES	<u>153,220</u>	<u>118,617</u>	<u>37,396</u>		<u>85,085</u>	<u>94,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,516)</u>	<u>82,394</u>	<u>22,719</u>	<u>136</u>	<u>(13,513)</u>	<u>(13,106)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt						
Premium on issuance of debt						
Transfers in						
Transfer out						
Total other financing sources (uses)						
Net change in fund balances	(13,516)	82,394	22,719	136	(13,513)	(13,106)
FUND BALANCES, Beginning	<u>225,441</u>	<u>191,700</u>	<u>81,706</u>	<u>46,597</u>	<u>72,819</u>	<u>241,827</u>
FUND BALANCES, Ending	<u>\$ 211,925</u>	<u>\$ 274,094</u>	<u>\$ 104,425</u>	<u>\$ 46,733</u>	<u>\$ 59,306</u>	<u>\$ 228,721</u>

								Capital Project	
<u>370</u> 2012 Abatement Bonds	<u>353</u> 2016 Improvement Project	<u>382</u> 2016 Sweeper	<u>360</u> EDA Land Purchase	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>502</u> Hwy 43 Mill Street Project	<u>470</u> Levee Improvement Project	Total	
\$ 57,836	\$	\$ 11,058	\$ 42,583	\$ 5	\$ 14,033	\$	\$ 9,787	\$ 324,550	
						231,155	69,754	14,033	
								373,832	
								192,908	
								41,637	
(19)	28	(9)	(24)	3,864	159	201	(34)	6,833	
				30,400		10,703		81,249	
<u>57,817</u>	<u>28</u>	<u>11,049</u>	<u>42,559</u>	<u>34,269</u>	<u>14,192</u>	<u>242,059</u>	<u>79,507</u>	<u>1,035,042</u>	
								118,617	
								37,396	
								131,937	
43,725	42,501	11,177	42,500					319,118	
				1,491	12,630	252,824	98,467	386,695	
				75,919				75,919	
<u>43,725</u>	<u>42,501</u>	<u>11,177</u>	<u>42,500</u>	<u>77,410</u>	<u>12,630</u>	<u>252,824</u>	<u>98,467</u>	<u>1,069,682</u>	
<u>14,092</u>	<u>(42,473)</u>	<u>(128)</u>	<u>59</u>	<u>(43,141)</u>	<u>1,562</u>	<u>(10,765)</u>	<u>(18,960)</u>	<u>(34,640)</u>	
								1,042,668	
	1,042,668							256	
	256							50,000	
				15,000			35,000	(5,000)	
				(5,000)					
	<u>1,042,924</u>			<u>10,000</u>			<u>35,000</u>	<u>1,087,924</u>	
14,092	1,000,451	(128)	59	(33,141)	1,562	(10,765)	16,040	1,053,284	
12,852			6,623	308,613	54,115	71,037	2,641	1,315,971	
<u>\$ 26,944</u>	<u>\$ 1,000,451</u>	<u>\$ (128)</u>	<u>\$ 6,682</u>	<u>\$ 275,472</u>	<u>\$ 55,677</u>	<u>\$ 60,272</u>	<u>\$ 18,681</u>	<u>\$ 2,369,255</u>	

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 88,000	\$ 89,000	\$ 88,115	\$ (885)	\$ 87,920
Intergovernmental Revenues					
County apportionment and other revenue	30,000	30,000	33,024	3,024	33,022
Local government aid	20,000	10,000	10,000		20,000
Total Intergovernmental Revenues	50,000	40,000	43,024	3,024	53,022
Interest Income	50	50	341	291	285
Miscellaneous Revenues					
Donations			923	923	
Fines, books and other	5,000	5,000	7,301	2,301	10,670
Total Miscellaneous Revenues	5,000	5,000	8,224	3,224	10,670
TOTAL REVENUES	143,050	134,050	139,704	5,654	151,897
EXPENDITURES					
Library					
Salaries	94,785	94,785	89,913	4,872	88,821
Employee benefits and retirement	14,800	14,800	13,427	1,373	13,262
Office supplies	1,000	1,000	405	595	601
General supplies	3,000	3,000	1,937	1,063	3,314
Professional services	750	750	840	(90)	750
Telephone	1,000	1,000	709	291	1,008
Insurance	2,000	2,000	1,580	420	1,694
Utilities	2,550	2,550	1,927	623	1,782
Repairs and maintenance	2,200	2,200	1,634	566	1,304
Dues, subscriptions and fees	1,600	1,600	1,200	400	1,782
Contracted equipment	4,900	5,900	5,727	173	4,384
Computer line fee	7,500	7,500	7,739	(239)	7,499
Programs	3,000	3,000	3,663	(663)	3,351
Training	650	650	1,236	(586)	152
Capital outlay	23,000	22,000	21,283	717	21,496
TOTAL EXPENDITURES	162,735	162,735	153,220	9,515	151,200
Excess (deficit) of revenues over (under) expenditures	(19,685)	(28,685)	(13,516)	15,169	697
FUND BALANCES, BEGINNING	225,441	225,441	225,441		224,744
FUND BALANCES, ENDING	\$ 205,756	\$ 196,756	\$ 211,925	\$ 15,169	\$ 225,441

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Volunteer retention stipend	2,500	2,500	2,500		3,000
State grants and aids	1,650	1,650	1,650		
Total Intergovernmental revenues	8,650	8,650	8,650		7,500
Charges For Services					
Fees from runs	155,000	155,000	149,746	(5,254)	164,703
City and township contracts	16,324	16,324	16,323	(1)	16,324
Total Charges For Services	171,324	171,324	166,069	(5,255)	181,027
Interest Income	500	500	1,303	803	1,486
Miscellaneous Revenues					
Other	5,000	5,000	24,989	19,989	4,897
Total Miscellaneous revenues	5,000	5,000	24,989	19,989	4,897
TOTAL REVENUES	185,474	185,474	201,011	15,537	194,910
EXPENDITURES					
Public Safety					
Salaries	66,000	66,000	60,313	5,687	59,073
Employee benefits and retirement	7,700	7,700	7,380	320	7,231
Volunteer retention stipend	2,500	2,500	2,500		3,000
EMT reimbursement	1,650	1,650	1,650		
Office supplies	850	850	582	268	564
Meeting and conferences	15,000	15,000	9,587	5,413	9,154
Gas, oil and supplies	4,000	4,000	2,373	1,627	3,626
General supplies	12,350	12,350	8,535	3,815	11,771
Professional services	1,700	1,700	1,460	240	1,300
Telephone	1,300	1,300	848	452	935
Insurance	6,150	6,150	4,430	1,720	4,969
Utilities	3,400	3,400	2,143	1,257	2,964
Repairs and maintenance	2,750	2,750	432	2,318	5,625
Dues, subscriptions and fees	8,000	8,000	6,947	1,053	6,467
Miscellaneous	4,500	4,500	3,074	1,426	2,181
Capital outlay	7,000	7,000	6,363	637	129,454
TOTAL EXPENDITURES	144,850	144,850	118,617	26,233	248,314
Excess (deficiency) of revenues over (under) expenditures	40,624	40,624	82,394	41,770	(53,404)
FUND BALANCES, BEGINNING	191,700	191,700	191,700		245,104
FUND BALANCES, ENDING	\$ 232,324	\$ 232,324	\$ 274,094	\$ 41,770	\$ 191,700

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 5,000	\$ 5,000	\$ 4,835	\$ (165)	\$ 5,117
Intergovernmental Revenues					
State grants	16,000	16,000	16,249	249	121,354
Local government aid	5,000	5,000	5,000		10,000
Total Intergovernmental revenues	21,000	21,000	21,249	249	131,354
Charges for Services					
Land leases	12,400	12,400	12,835	435	12,565
Hangar rentals	13,320	13,320	12,507	(813)	13,620
Fuel and utilities	1,300	1,300	1,497	197	1,677
Total Charges For Services	27,020	27,020	26,839	(181)	27,862
Interest Income			259	259	220
Miscellaneous Revenues	7,000	7,000	6,933	(67)	3,163
TOTAL REVENUES	60,020	60,020	60,115	95	167,716
EXPENDITURES					
Airport					
Salaries	6,200	6,200	6,200		5,800
General supplies	2,000	2,000	719	1,281	2,029
Fuel	1,000	1,000	989	11	794
Professional services	1,300	1,300	641	659	1,610
Insurance	9,400	9,400	7,911	1,489	8,617
Utilities	4,825	4,825	4,261	564	4,037
Repairs and maintenance	4,100	4,100	1,587	2,513	2,441
Dues, subscriptions and fees	1,600	1,600	588	1,012	1,389
Taxes on property	900	900	858	42	839
Miscellaneous	500	500	6,825	(6,325)	
Capital outlay	7,000	7,000	6,817	183	114,504
TOTAL EXPENDITURES	38,825	38,825	37,396	1,429	142,060
Excess of revenues over expenditures	21,195	21,195	22,719	1,524	25,656
FUND BALANCES, BEGINNING	81,706	81,706	81,706		56,050
FUND BALANCES, ENDING	\$ 102,901	\$ 102,901	\$ 104,425	\$ 1,524	\$ 81,706

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, 2016
With Comparative Totals for December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$	\$	\$ 5	\$ 5	\$ 77
Local government aid					5,000
Interest income			3,864	3,864	455
Sale of land and building	22,000	22,000	30,400	8,400	239,700
Miscellaneous					3,105
TOTAL REVENUES	22,000	22,000	34,269	12,269	248,337
EXPENDITURES					
Economic Development					
Salaries	16,000	16,000	16,000		16,000
Employee benefits and retirement	150	150	75	75	83
General supplies	950	950	727	223	744
Professional service	5,900	4,400	3,704	696	4,022
Telephone	1,000	1,000	970	30	931
Utilities					968
Insurance	2,000	2,000	1,147	853	2,039
License, dues and subscriptions	5,000	5,000	5,030	(30)	5,002
Miscellaneous	800	1,000	895	105	481
Capital outlay	1,500	1,500	1,491	9	75
Micro grant program			400	(400)	2,004
Contracted services	61,200	61,000	46,971	14,029	54,294
TOTAL EXPENDITURES	94,500	93,000	77,410	15,590	86,643
Excess (deficiency) of revenues over (under) expenditures	(72,500)	(71,000)	(43,141)	27,859	161,694
OTHER FINANCING SOURCES (USES)					
Transfers in from EDA Revolving Loan Fund	15,000	15,000	15,000		15,000
Transfers out to Capital Projects Fund			(5,000)	(5,000)	(26,076)
Total other financing sources (uses)	15,000	15,000	10,000	(5,000)	(11,076)
Net change in fund balances	(57,500)	(56,000)	(33,141)	22,859	150,618
FUND BALANCES, Beginning	308,613	308,613	308,613		157,995
FUND BALANCES, Ending	\$ 251,113	\$ 252,613	\$ 275,472	\$ 22,859	\$ 308,613

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CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

DECEMBER 31, 2016

**CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Net Position
December 31, 2016 and 2015**

	2016	2015
ASSETS		
Property and Equipment		
Building	\$ 766,148	\$ 766,148
Furniture and equipment	6,773	11,496
Total	772,921	777,644
Less: Accumulated depreciation	162,997	148,349
Net Property, Plant and Equipment	609,924	629,295
TOTAL ASSETS	\$ 609,924	\$ 629,295
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 156	\$ 148
Advances from other funds	184,721	170,892
Total Liabilities	184,877	171,040
Net Position	425,047	458,255
TOTAL LIABILITIES AND NET POSITION	\$ 609,924	\$ 629,295

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2016
With Comparative Totals for December 31, 2015

	2016	2015
Operating Expenses		
Utilities	\$ 2,272	\$ 1,902
Contracted services	3,788	288
Telephone	456	445
Insurance	7,288	1,806
Depreciation	19,371	20,895
Total Operating Expenses	33,175	25,336
Operating Loss	(33,175)	(25,336)
Nonoperating Expense		
Interest expense	(33)	(8)
Total Nonoperating Expense	(33)	(8)
Change in Net Position	(33,208)	(25,344)
Net Position, Beginning of Year	458,255	483,599
Net Position, End of Year	\$ 425,047	\$ 458,255

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (604)
ELECTRIC DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2016
With Comparative Totals for December 31, 2015**

	2016		Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,770,000	\$ 1,744,570	\$ (25,430)	\$ 1,712,330
Operating Expenses				
Cost of Production				
Purchased power	1,250,000	1,174,513	75,487	1,159,703
Distribution				
Salaries	7,000	3,037	3,963	2,479
Gas, oil and supplies	1,000	925	75	501
General supplies	2,500	2,144	356	1,228
Repairs and maintenance	40,500	45,268	(4,768)	2,515
Professional services	25,000		25,000	595
Depreciation and amortization	140,045	140,045		138,667
Total Distribution	216,045	191,419	24,626	145,985
General Administration				
Salaries	210,000	189,413	20,587	205,282
Employee benefits and retirement	31,000	43,404	(12,404)	42,003
Office supplies and expense	1,200	895	305	1,224
Professional services	6,150	4,067	2,083	5,373
Postage	4,000	4,307	(307)	3,584
Printing and publishing	1,200	499	701	627
Insurance	10,600	9,609	991	10,777
Dues, subscriptions and fees	5,800	5,478	322	5,215
Miscellaneous	31,150	4,990	26,160	4,473
Total General Administration	301,100	262,662	38,438	278,558
Total Operating Expenses	1,767,145	1,628,594	138,551	1,584,246
Operating Income	2,855	115,976	113,121	128,084
Nonoperating Revenue and (Expense)				
Interest expense	(17,510)	(16,197)	1,313	(19,667)
Interest income	1,500	3,250	1,750	3,155
Penalty income	15,000	14,679	(321)	14,487
Service fee - refuse billings	4,000	4,321	321	7,750
Compost site fees	1,500	3,036	1,536	2,713
Miscellaneous income	9,000	13,194	4,194	9,592
Total Other Income (Expense)	13,490	22,283	8,793	18,030
Net Income Before Transfers	16,345	138,259	121,914	146,114
Transfers out	(85,000)	(85,000)		(385,000)
Change in Net Position	(68,655)	53,259	121,914	(238,886)
Net Position, Beginning	2,052,457	2,052,457		2,291,343
Net Position, Ending	\$ 1,983,802	\$ 2,105,716	\$ 121,914	\$ 2,052,457

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (601)
WATER DEPARTMENT**
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2016
With Comparative Totals for December 31, 2015

	2016		Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 577,000	\$ 567,778	\$ (9,222)	\$ 570,056
Operating Expenses				
Distribution				
Salaries	72,000	68,712	3,288	66,535
Utilities and fuel oil	26,300	22,975	3,325	22,088
Gas, oil and supplies	11,000	7,567	3,433	5,677
General supplies	1,500	1,144	356	835
Repairs and maintenance	19,000	7,547	11,453	2,785
Professional services	5,000	31	4,969	2,721
Depreciation and amortization	209,490	209,490		210,481
Sewage and water testing	1,400	772	628	841
Total Distribution	<u>345,690</u>	<u>318,238</u>	<u>27,452</u>	<u>311,963</u>
General Administration				
Salaries	38,000	34,115	3,885	37,994
Employee benefits and retirement	17,455	22,882	(5,427)	22,047
Office supplies and expense	600	397	203	463
Professional services	6,000	3,984	2,016	5,410
Postage	150	108	42	125
Printing and publishing	1,000	697	303	793
Insurance	6,850	5,986	864	6,615
Dues, subscriptions and fees	4,300	4,164	136	4,001
Miscellaneous	2,600	2,551	49	21,527
Total General Administration	<u>76,955</u>	<u>74,884</u>	<u>2,071</u>	<u>98,975</u>
Total Operating Expenses	<u>422,645</u>	<u>393,122</u>	<u>29,523</u>	<u>410,938</u>
Operating Income	<u>154,355</u>	<u>174,656</u>	<u>20,301</u>	<u>159,118</u>
Nonoperating Revenue and (Expense)				
Interest expense	(33,471)	(31,586)	1,885	(34,566)
Interest income		1,704	1,704	1,229
Miscellaneous income	500	900	400	794
Total Other Income (Expense)	<u>(32,971)</u>	<u>(28,982)</u>	<u>3,989</u>	<u>(32,543)</u>
Net Income Before Transfers	<u>121,384</u>	<u>145,674</u>	<u>24,290</u>	<u>126,575</u>
Transfers out	<u>(16,000)</u>	<u>(16,000)</u>		<u>(16,000)</u>
Change in Net Position	<u>105,384</u>	<u>129,674</u>	<u>24,290</u>	<u>110,575</u>
Net Position, Beginning	<u>2,177,238</u>	<u>2,177,238</u>		<u>2,066,663</u>
Net Position, Ending	<u>\$ 2,282,622</u>	<u>\$ 2,306,912</u>	<u>\$ 24,290</u>	<u>\$ 2,177,238</u>

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (602)
SEWER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2016
With Comparative Totals for December 31, 2015**

	2016		Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 552,000	\$ 562,469	\$ 10,469	\$ 492,406
Revenues related to Rushford Village	45,000	44,987	(13)	40,951
Total Operating Revenues	<u>597,000</u>	<u>607,456</u>	<u>10,456</u>	<u>533,357</u>
Operating Expenses				
Distribution				
Salaries	115,300	132,252	(16,952)	128,278
Utilities and fuel oil	57,400	53,649	3,751	50,025
Gas, oil and supplies	2,000	1,103	897	693
General supplies	5,800	5,637	163	5,073
Professional services	21,000	11,655	9,345	16,405
Repairs and maintenance	9,000	7,962	1,038	7,556
Depreciation	187,108	187,108		187,032
Sewage and water testing	8,500	7,745	755	7,397
Total Distribution	<u>406,108</u>	<u>407,111</u>	<u>(1,003)</u>	<u>402,459</u>
General Administration				
Salaries	31,500	25,422	6,078	29,538
Employee benefits and retirement	4,405	3,809	596	4,510
Professional services	5,600	4,016	1,584	5,446
Printing and publishing	1,200	704	496	886
Insurance	14,000	11,605	2,395	12,898
Dues, subscriptions and fees	6,000	6,124	(124)	3,059
Miscellaneous	2,600	2,256	344	2,985
Total General Administration	<u>65,305</u>	<u>53,936</u>	<u>11,369</u>	<u>59,322</u>
Total Operating Expenses	<u>471,413</u>	<u>461,047</u>	<u>10,366</u>	<u>461,781</u>
Operating Income	<u>125,587</u>	<u>146,409</u>	<u>20,822</u>	<u>71,576</u>
Nonoperating Revenue and (Expense)				
Interest expense	(21,100)	(20,306)	794	(19,949)
Interest income		1,490	1,490	1,201
Miscellaneous income		393	393	
Total Other Income (Expense)	<u>(21,100)</u>	<u>(18,423)</u>	<u>2,677</u>	<u>(18,748)</u>
Net Income Before Transfers	104,487	127,986	23,499	52,828
Transfers in				500,000
Transfers out	(33,000)	(33,000)		(33,000)
Change in Net Position	71,487	94,986	23,499	519,828
Net Position, Beginning	<u>1,727,757</u>	<u>1,727,757</u>		<u>1,207,929</u>
Net Position, Ending	<u>\$ 1,799,244</u>	<u>\$ 1,822,743</u>	<u>\$ 23,499</u>	<u>\$ 1,727,757</u>

**CITY OF RUSHFORD, MINNESOTA
PFA LOAN OF 1996A, 2011 AND 2014
LOAN RETIREMENT DEBT SERVICE FUND
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Revenues	\$ 200,485	\$ 221,109
Expenditures		
Principal	168,144	157,591
Interest	23,922	20,282
Total expenditures	192,066	177,873
Excess Revenues	8,419	43,236
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	8,419	43,236
Fund Balance, January 1	398,818	355,582
Fund Balance, December 31	\$ 407,237	\$ 398,818

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CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2016

CHANGE FUNDS	<u>\$ 18</u>
CHECKING ACCOUNTS	
<i>Merchants Bank</i>	
General checking account	161,381
Sweep account	5,911,694
<i>Rushford State Bank:</i>	
General checking account	<u>482,284</u>
TOTAL CHECKING ACCOUNTS	<u>6,555,359</u>
SAVINGS ACCOUNTS	
<i>Merchants Bank:</i>	
Money market funds account	<u>22,934</u>
DEPOSITS HELD BY FISCAL AGENTS	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	83,236
SLGS notes	975,257
FNMA bonds	<u>2,141,168</u>
TOTAL DEPOSITS HELD BY FISCAL AGENTS	<u>3,199,661</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS	<u><u>\$ 9,777,972</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2016

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Coulee Bank</i> Certificate	0.50%	<u>\$ 25,094</u>
TOTAL INVESTMENTS		<u>25,094</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS		<u>9,777,972</u>
TOTAL CASH AND INVESTMENTS, December 31, 2016		<u><u>\$ 9,803,066</u></u>

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2016**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 74,526	\$ 1,922	\$ 76,448
TOTAL	\$ 74,526	\$ 1,922	\$ 76,448

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 48,000	\$ 4,530	\$ 52,530
2018	50,000	3,070	53,070
2019	51,000	1,550	52,550
TOTAL	\$ 149,000	\$ 9,150	\$ 158,150

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 75,000	\$ 9,636	\$ 84,636
2018	80,000	6,560	86,560
2019	80,000	3,280	83,280
TOTAL	\$ 235,000	\$ 19,476	\$ 254,476

\$400,000 SERIES 2007A
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 46,000	\$ 3,995	\$ 49,995
2018	48,000	2,040	50,040
TOTAL	\$ 94,000	\$ 6,035	\$ 100,035

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2016**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 814,000	\$ 67,515	\$ 881,515

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 803,000	\$ 57,380	\$ 860,380

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2016**

\$1,396,704 SERIES 2011
G.O. SEWER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 73,000	\$ 12,052	\$ 85,052
2018	74,000	11,255	85,255
2019	75,000	10,447	85,447
2020	76,000	9,628	85,628
2021	77,000	8,799	85,799
2022	78,000	7,959	85,959
2023	78,000	7,108	85,108
2024	79,000	6,257	85,257
2025	80,000	5,396	85,396
2026	81,000	4,523	85,523
2027	82,000	3,640	85,640
2028	83,000	2,746	85,746
2029	84,000	1,842	85,842
2030	84,000	926	84,926
TOTAL	\$ 1,104,000	\$ 92,578	\$ 1,196,578

\$158,813 SERIES 2014
G.O. WATER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 13,000	\$ 2,610	\$ 15,610
2018	13,000	2,480	15,480
2019	14,000	2,350	16,350
2020	14,000	2,210	16,210
2021	14,000	2,070	16,070
2022	14,000	1,930	15,930
2023	14,000	1,790	15,790
2024	14,000	1,650	15,650
2025	14,000	1,510	15,510
2026	15,000	1,370	16,370
2027	6,813	1,220	8,033
TOTAL	\$ 145,813	\$ 21,190	\$ 167,003

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2016**

\$334,806 SERIES 2014
 G.O. SEWER REVENUE NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 23,000	\$ 4,460	\$ 27,460
2018	23,000	4,230	27,230
2019	23,000	4,000	27,000
2020	23,000	3,770	26,770
2021	24,000	3,540	27,540
2022	24,000	3,300	27,300
2023	24,000	3,060	27,060
2024	24,000	2,820	26,820
2025	25,000	2,580	27,580
2026	25,000	2,330	27,330
2027	25,000	2,080	27,080
2028	25,000	1,830	26,830
2029	23,806	1,580	25,386
TOTAL	\$ 311,806	\$ 39,580	\$ 351,386

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
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	\$ 2,235,000	\$ 783,040	\$ 3,018,040

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 670,000	\$ 226,226	\$ 896,226

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 1,050,000	\$ 395,765	\$ 1,445,765

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 479,153	\$ 243,356	\$ 722,509

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

\$1,300,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2014A

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$ 50,000	\$ 42,685	\$ 92,685
2018	50,000	41,735	91,735
2019	50,000	40,785	90,785
2020	55,000	39,526	94,526
2021	55,000	37,959	92,959
2022	55,000	36,392	91,392
2023	55,000	34,824	89,824
2024	60,000	33,020	93,020
2025	60,000	30,980	90,980
2026	65,000	28,855	93,855
2027	65,000	26,645	91,645
2028	70,000	24,140	94,140
2029	70,000	21,340	91,340
2030	75,000	18,440	93,440
2031	75,000	15,440	90,440
2032	80,000	12,300	92,300
2033	85,000	8,918	93,918
2034	85,000	5,433	90,433
2035	90,000	1,845	91,845
TOTAL	\$ 1,250,000	\$ 501,262	\$ 1,751,262

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

**\$2,240,000 GENERAL OBLIGATION
IMPROVEMENT CROSSOVER REFUNDING BONDS OF 2015A**

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$	\$ 57,075	\$ 57,075
2018	135,000	55,725	190,725
2019	140,000	52,975	192,975
2020	135,000	50,225	185,225
2021	145,000	47,425	192,425
2022	150,000	44,475	194,475
2023	150,000	41,475	191,475
2024	155,000	38,037	193,037
2025	160,000	34,100	194,100
2026	165,000	29,625	194,625
2027	170,000	24,600	194,600
2028	175,000	19,425	194,425
2029	180,000	14,100	194,100
2030	185,000	8,625	193,625
2031	195,000	2,925	197,925
TOTAL	\$ 2,240,000	\$ 520,812	\$ 2,760,812

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2016**

\$2,100,000 GENERAL OBLIGATION IMPROVEMENT
CROSSOVER REFUNDING BONDS OF 2016A

YEAR	PRINCIPAL	INTEREST	TOTAL
2017	\$	\$ 44,451	\$ 44,451
2018		46,250	46,250
2019	165,000	44,600	209,600
2020	160,000	41,350	201,350
2021	165,000	38,100	203,100
2022	170,000	34,750	204,750
2023	170,000	31,350	201,350
2024	175,000	27,900	202,900
2025	180,000	24,350	204,350
2026	190,000	20,650	210,650
2027	185,000	16,715	201,715
2028	190,000	12,590	202,590
2029	70,000	9,450	79,450
2030	75,000	7,275	82,275
2031	75,000	5,025	80,025
2032	75,000	2,775	77,775
2033	55,000	825	55,825
TOTAL	\$ 2,100,000	\$ 408,406	\$ 2,508,406

CITY OF RUSHFORD, MINNESOTA
COMPLIANCE AND INTERNAL CONTROL REPORTS

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**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**

To the City 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, 2016, 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 May 2, 2017.

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 statements, 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 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. We did identify certain deficiencies in internal control, finding 2008-001, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rushford, Minnesota's financial statements are free from 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*.

To the City Council
City of Rushford, Minnesota

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 responses. 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
May 2, 2017

**CITY OF RUSHFORD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016**

FINDINGS – 2008-001 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 Tony Chladek 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:

Members of the City Council will monitor this process.

CURRENT STATUS:

The finding recurred in 2016.

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2016, 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 May 2, 2017.

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

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

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

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
May 2, 2017