

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2015

CITY OF RUSHFORD, MINNESOTA

**FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2015**

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CITY OF RUSHFORD, MINNESOTA

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2015

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2015

Elected

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

Appointed

Stephen Sarvi	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the 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, 2015, 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, 2015, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, EDA Revolving Loan Fund, Business Flood Recovery Loan Program Fund, and Capital Improvements Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis on pages 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, 2014, from which such partial information was derived.

We have previously audited the City's 2014 financial statements and our report dated May 1, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rushford, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (continued)

Other Information (continued)

The combining and individual nonmajor fund financial statements and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2016, 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 4, 2016

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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, 2015.

New Accounting Pronouncement. The City implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*, for the year ended December 31, 2015. These Statements establish accounting and financial reporting standards by local governments for pensions.

As required by these new standards, the City recorded its proportionate share of the net pension liability of the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) statewide cost-sharing defined benefit plans administered by PERA. The restatement to record the City's share of the net pension liability resulted in a decrease in beginning net position of \$394,870 (Governmental Activities) and \$380,530 (Business-Type Activities).

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$28,792,024 (*net position*). Of this amount, \$5,628,470 (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 \$526,342 in part as the result of current year capital outlay being funded by grant income, reduced revenues in the business-type activities, and issuance of long term debt.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$417,263 or 64 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 \$7,638,098. Approximately 74 percent of this total amount, or \$5,672,702 is nonspendable, restricted or otherwise committed.
- The City of Rushford, Minnesota increased total outstanding debt by \$2,128,419 during the current fiscal year which includes a refunding bond 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 nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, EDA revolving loan fund, business flood recovery loan program fund, capital improvements fund, the Hwy 43 Mill Street projects fund, and the 2009 Improvement Project fund, all of which are considered to be major funds. Data from the other thirteen 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), capital improvements fund (page 34), and the special revenue and selected capital project funds (pages 72-77) 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 35-38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-64 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 68-71 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 \$28,792,024 at the end of the most recent year.

A portion of the City of Rushford, Minnesota's net position (37 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Rushford, 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 17,666,316	\$ 17,138,217	\$ 1,107,326	\$ 650,572	\$ 18,773,642	\$ 17,788,789
Capital assets	13,730,973	12,986,508	10,167,904	10,324,362	23,898,877	23,310,870
Total assets	31,397,289	30,124,725	11,275,230	10,974,934	42,672,519	41,099,659
Deferred outflows of resources	83,413		55,521		138,934	
Long-term liabilities outstanding	8,620,967	6,117,455	4,596,623	4,123,354	13,217,590	10,240,809
Other liabilities	408,561	343,568	261,546	421,516	670,107	765,084
Total liabilities	9,029,528	6,461,023	4,858,169	4,544,870	13,887,697	11,005,893
Deferred inflows of resources	74,857		56,875		131,732	
Net position:						
Net investment in capital assets	5,544,585	6,869,053	5,202,481	4,666,837	10,747,066	11,535,890
Restricted	11,663,152	10,526,797	753,336	698,289	12,416,488	11,225,086
Unrestricted	5,168,580	6,267,852	459,890	1,064,938	5,628,470	7,332,790
Total net position	\$ 22,376,317	\$ 23,663,702	\$ 6,415,707	\$ 6,430,064	\$ 28,792,024	\$ 30,093,766

An additional portion of the City of Rushford, Minnesota's net position, \$12,416,488 (43 percent) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$7,755,190 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$5,628,470 (20 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 \$892,515. 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 \$366,173.

A condensed version of the Statement of Activities follows:

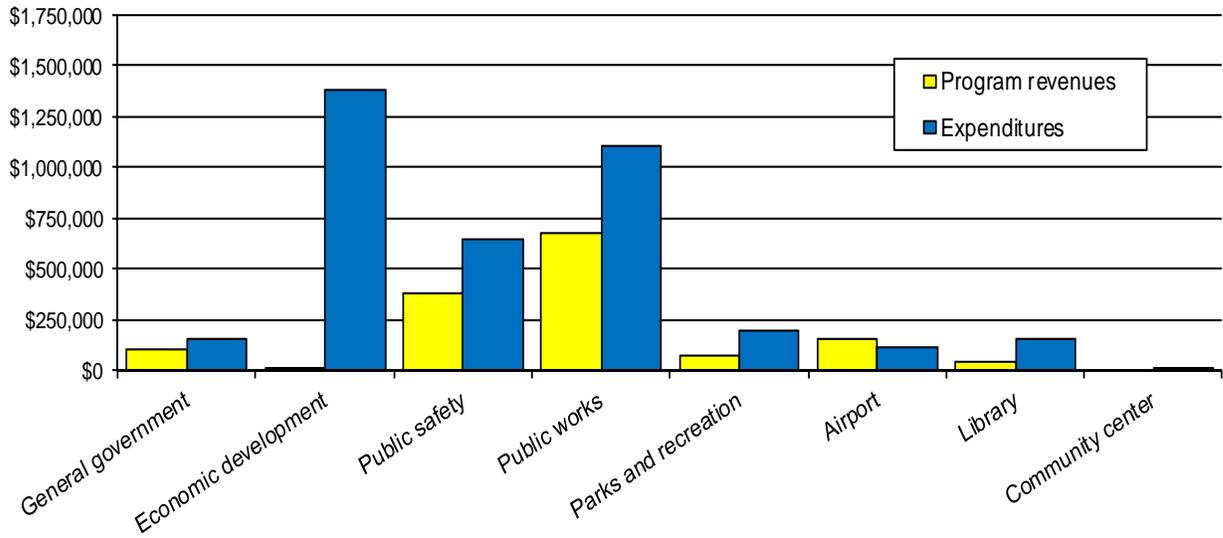
City of Rushford, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 454,230	\$ 339,374	\$ 2,815,743	\$ 2,890,268	\$ 3,269,973	\$ 3,229,642
Operating grants and contributions	135,558	123,112			135,558	123,112
Capital grants and contributions	826,549	2,029,516		385,231	826,549	2,414,747
General revenues:						
Property taxes	739,888	736,581			739,888	736,581
Tax increment revenues	13,941	12,392			13,941	12,392
Grants and contributions not restricted to specific programs	588,287	584,311			588,287	584,311
Other	424,452	190,080	38,200	42,620	462,652	232,700
Total revenues	<u>3,182,905</u>	<u>4,015,366</u>	<u>2,853,943</u>	<u>3,318,119</u>	<u>6,036,848</u>	<u>7,333,485</u>
Expenses:						
General government	158,373	154,056			158,373	154,056
Economic development	1,380,156	1,909,585			1,380,156	1,909,585
Public safety	645,051	648,256			645,051	648,256
Public works	1,104,237	838,759			1,104,237	838,759
Parks and recreation	192,119	169,797			192,119	169,797
Airport	111,889	102,088			111,889	102,088
Library	154,370	150,279			154,370	150,279
Community center	3,685	5,698			3,685	5,698
Interest on long-term debt	259,540	208,031			259,540	208,031
Liquor			25,336	26,972	25,336	26,972
Utilities			2,528,434	2,583,433	2,528,434	2,583,433
Extraordinary items		140,426		(207,987)		(67,561)
Total expenses	<u>4,009,420</u>	<u>4,326,975</u>	<u>2,553,770</u>	<u>2,402,418</u>	<u>6,563,190</u>	<u>6,729,393</u>
Increase (Decrease) in net position						
before transfers	(826,515)	(311,609)	300,173	915,701	(526,342)	604,092
Transfers	(66,000)	236,780	66,000	(236,780)		
Change in net position	<u>(892,515)</u>	<u>(74,829)</u>	<u>366,173</u>	<u>678,921</u>	<u>(526,342)</u>	<u>604,092</u>
Net position - beginning, as originally stated	23,663,702	23,738,531	6,430,064	5,751,143	30,093,766	29,489,674
Restatement (Note 14)	(394,870)		(380,530)		(775,400)	
Net position - beginning, as restated	<u>23,268,832</u>	<u>23,738,531</u>	<u>6,049,534</u>	<u>5,751,143</u>	<u>29,318,366</u>	<u>29,489,674</u>
Net position, end of year	<u>\$22,376,317</u>	<u>\$ 23,663,702</u>	<u>\$ 6,415,707</u>	<u>\$ 6,430,064</u>	<u>\$ 28,792,024</u>	<u>\$ 30,093,766</u>

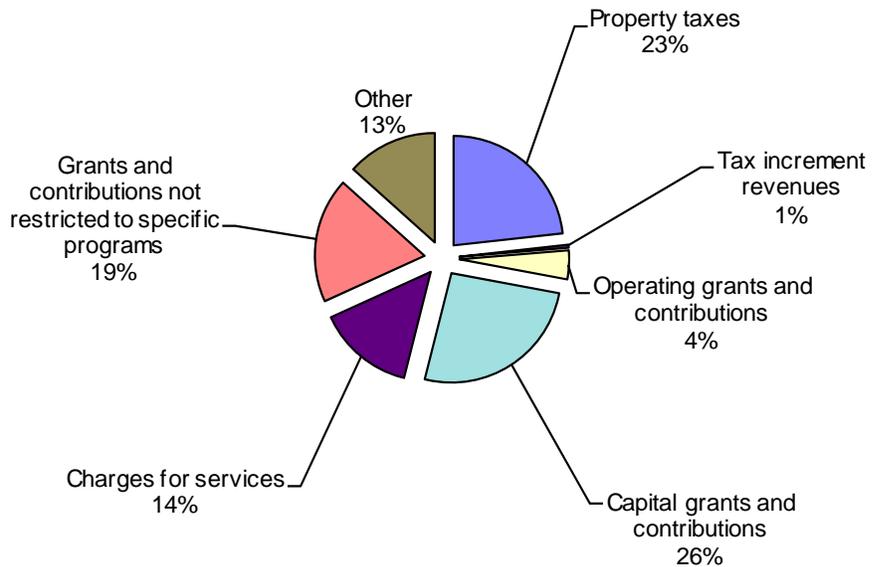
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



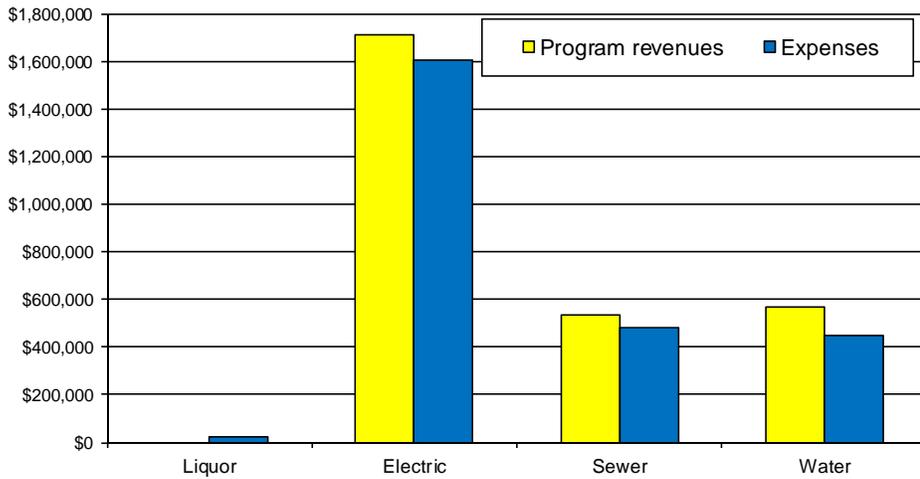
Revenues by Source - Governmental Activities



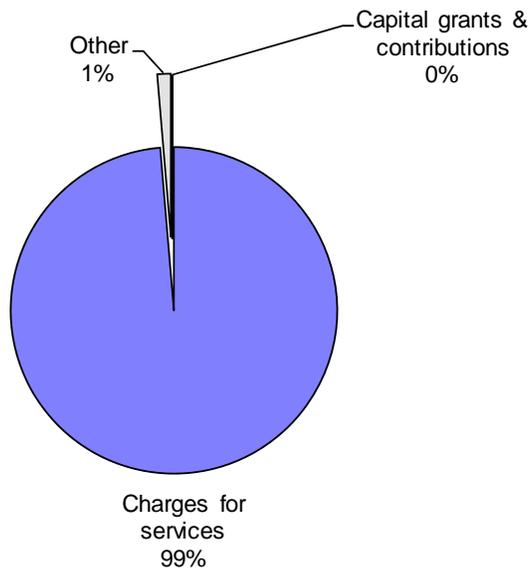
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$7,638,098, an increase of \$1,856,928. The City of Rushford, Minnesota ended the year with \$417,263 in *unassigned fund balance* and \$4,570,979 of governmental fund balance is *restricted* or *nonspendable*, \$1,001,723 has been *committed* by council action and \$1,548,133 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 \$417,263. 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 64 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$18,295 during the current fiscal year due to a combination of a one-time increase in fees collected, a reduction in street lighting costs, reduction in various department expenses and a transfer out to the sewer fund.

The EDA revolving loan fund's fund balance had a net increase of \$289,937 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 \$374,403 and transferred \$303,785 to the EDA Revolving Loan Fund.

The capital improvements fund decreased its fund balance by \$93,474 for the year due to the planned purchase/upgrade of the squad car, street sweeper and public works trucks. This fund is also covering engineering costs for future street upgrade projects and the canoe launch project.

The levee improvement project fund increased its fund balance by \$17,764, 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.

The fire department fund increased its total fund balance by \$98,670 in part due to the annual fire contract fees building a balance for the designated purpose of fire truck replacement needs. The library fund increased its fund balance by \$697, due to lower than expected expenditures as well as increased revenues. The ambulance fund decreased its fund balance by \$53,404, due to paying the balance due on the purchase of a new ambulance. A down payment on a replacement vehicle was made in 2014. The community center fund balance increased \$22,375 during the year using some of the proceeds from the sale of the building to clear up and close out the community center fund. The airport fund increased its fund balance by \$25,656, 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 \$380,718 all of which is reserved for debt service. This fund balance increase from the prior year is due to special assessments being paid early on the 2014 Highway 43/Mill Street Improvement Project.

The economic development fund increased its fund balance by \$150,618 for the year due to the sale of a downtown building property and receiving a down payment on the sale of the community center building. The EDA also expended funds on consultant fees and a housing needs study.

The Tax Increment Capital Project fund increased its fund balance by \$1,526 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 35-38 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets excluding amounts invested in capital in the respective proprietary funds are Electric – \$468,798 and Water – \$91,701. The Sewer Fund reported a deficit of \$100,461 and the Liquor Fund reported a deficit of \$148. The increase/(decrease) in net position in the respective proprietary funds are Liquor - \$(25,344), Electric - \$(238,886), Water - \$110,575 and Sewer - \$519,828 . The changes in net position are due to Liquor – depreciation and expenses for the unused building, Electric – decreased in part to a transfer to the sewer fund, Water – rebuilding funds for future projects, Sewer – increased due to transfer in from general and electric funds. 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 will include 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.

Because of state mandated upgrades to the wastewater treatment plant and general maintenance needs of the system, a facility plan and rate study was completed in early 2006. The facility plan was updated in 2009 and will help guide and plan for future upgrades and improvements to the wastewater treatment plant as well as the aging collection system. An upgrade to the Wastewater Treatment Facility was begun in 2011, funded by PFA loans, FEMA grants and rate increases scheduled through 2013. A new contract was negotiated with the City of Rushford Village and includes increased customer rates as well as their participation in a share of the plant upgrade costs. The 2009 Improvement Project also identified revenues from the sewer fund to help offset debt service payments. A rate study was conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which will include water and sewer infrastructure rebuilds to be funded by PFA loans, assessments and user fees. Sewer utility rates were increased in February 2015 by \$5.00 per REU (residential equivalency unit) with a similar increase planned for February 2016. City of Rushford Village rates were also amended proportionately for 2015 and 2016.

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.

Electric Utility rates have been studied due to the change in the City's power supply contract, with the entire rate structure being re-evaluated in May of 2006 to create a more equitable classification for all customers, to offer energy saving incentives and to prepare for the expected increase in wholesale power costs. In 2011 the City received a Hazard Mitigation Grant to upgrade and replace overhead service lines with underground lines in the downtown area. A rate study was conducted in 2012 in anticipation of increased wholesale costs and to prepare for necessary work plan improvements. The new rate structure anticipated the wholesale power increase over the peak months of summer usage and provided for summer and non-summer rates for all classes of customers. This rate increase affected different rate classes by different percentages, with an overall percentage increase of approximately 7.2%, while still remaining similar to the rates of neighboring utilities. In 2013, the increased wholesale power cost to the City was charged to the customer in the form of a monthly power cost adjustment rather than an overall rate increase. 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.

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

General Fund Budgetary Highlights

The City's general fund reserve has been spent down consistently in the past years. A larger transfer in from the electric fund in lieu of taxes was budgeted from 2012 - 2014 as well as a larger share of LGA funding and levy funds being appropriated to the general fund. Lower than anticipated expenses, particularly in contracted services, and increased revenues also helped to rebuild the fund balance.

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

- Increase in revenues for various line items and charges for services
- Decrease in professional/contracted services
- Decrease in street lighting expense

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, 2015, amounts to \$23,898,877 (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 \$588,007, after depreciation of \$1,131,529.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 1,239,853	\$ 1,239,853	\$ 105,460	\$ 105,460	\$ 1,345,313	\$ 1,345,313
Buildings	4,736,417	4,742,176	8,388,293	8,740,203	13,124,710	13,482,379
Machinery and equipment	925,437	648,138	359,940	395,884	1,285,377	1,044,022
Infrastructure	3,628,923	3,741,730			3,628,923	3,741,730
Construction in progress	3,200,343	2,614,611	1,314,211	1,082,815	4,514,554	3,697,426
Total	<u>\$13,730,973</u>	<u>\$12,986,508</u>	<u>\$10,167,904</u>	<u>\$10,324,362</u>	<u>\$23,898,877</u>	<u>\$23,310,870</u>

Additional information on the City of Rushford, Minnesota's capital assets can be found in Note 6 (pages 50-51).

**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 \$12,412,452 in bonds and notes outstanding. Of this amount, \$11,969,452 comprises debt backed by the full faith and credit of the government and \$443,000 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			
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 7,670,000	\$ 5,640,000	\$	\$	\$ 7,670,000	\$ 5,640,000
GO Revenue bonds			3,756,289	3,574,401	3,756,289	3,574,401
Revenue bonds			443,000	556,000	443,000	556,000
Lease Payable	46,350				46,350	
Contract for deed	496,813	513,632			496,813	513,632
Total	\$ 8,213,163	\$ 6,153,632	\$ 4,199,289	\$ 4,130,401	\$ 12,412,452	\$ 10,284,033

The City's total bonds and notes payable increased by \$2,128,419 during the current fiscal year. During 2015, the City issued additional 2015A General Obligation Improvement Crossover Refunding Bonds for \$2,240,000. A more detailed breakdown of these obligations can be found in Note 7 (pages 52-53).

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.

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 to in 2008 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 will provide 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.

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 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 of the replacement of Trunk Highway 43 from bridge-to-bridge within the City. The City will take this opportunity to replace some of the oldest water and sewer infrastructure in the City to eliminate leaks, I&I and provide quality services to the residents and businesses along that corridor. At the end of 2014 all utility infrastructure was in place, with the remaining street restoration completed in 2015.
- 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 have 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, 2015

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2015
With Comparative Totals for December 31, 2014

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
ASSETS				
Cash and investments	\$ 4,553,452	\$ 782,827	\$ 5,336,279	\$ 4,728,001
Investments held by fiscal agent	2,243,354		2,243,354	
Receivables (net of allowance for uncollectibles)	848,115	92,021	940,136	670,278
Loans receivable	9,110,918		9,110,918	10,631,059
Accrued utility revenue		244,284	244,284	251,375
Internal balances	772,007	(772,007)		
Due from other governmental units	46,794	1,991	48,785	710,386
Restricted cash and investments	82,313	753,336	835,649	782,652
Prepaid items	9,363	4,874	14,237	15,038
Capital assets:				
Nondepreciable	4,440,196	1,419,671	5,859,867	5,042,739
Depreciable, net	9,290,777	8,748,233	18,039,010	18,268,131
Total Assets	<u>31,397,289</u>	<u>11,275,230</u>	<u>42,672,519</u>	<u>41,099,659</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	83,413	55,521	138,934	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 31,480,702</u>	<u>\$ 11,330,751</u>	<u>\$ 42,811,453</u>	<u>\$ 41,099,659</u>
LIABILITIES				
Accounts payable	184,813	133,047	317,860	399,554
Accrued interest payable	130,843	25,941	156,784	142,137
Accrued compensation and payroll taxes payable		16,141	16,141	14,860
Deposits payable		18,320	18,320	16,875
Accrued compensated absences	46,013	68,097	114,110	119,833
Unearned revenue	46,892		46,892	71,825
Noncurrent liabilities:				
Due within one year	251,965	468,144	720,109	651,550
Due in more than one year	7,934,423	3,725,272	11,659,695	9,589,259
Net pension liability	434,579	403,207	837,786	
Total Liabilities	<u>9,029,528</u>	<u>4,858,169</u>	<u>13,887,697</u>	<u>11,005,893</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	74,857	56,875	131,732	
NET POSITION				
Net investment in capital assets	5,544,585	5,202,481	10,747,066	11,535,890
Restricted	11,663,152	753,336	12,416,488	11,225,086
Unrestricted	5,168,580	459,890	5,628,470	7,332,790
Total Net Position	<u>22,376,317</u>	<u>6,415,707</u>	<u>28,792,024</u>	<u>30,093,766</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET PENSION				
	<u>\$ 31,480,702</u>	<u>\$ 11,330,751</u>	<u>\$ 42,811,453</u>	<u>\$ 41,099,659</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 158,373	\$ 97,341	\$	\$
Economic development	1,380,156		473	2,875
Public safety	645,051	278,735	99,734	
Public works	1,104,237			678,112
Parks and recreation	192,119	39,622	2,329	26,257
Airport	111,889	27,862		121,354
Library	154,370	10,670	33,022	(2,049)
Community center	3,685			
Interest and other charges	259,540			
Total governmental activities	4,009,420	454,230	135,558	826,549
Business-Type activities:				
Liquor	25,336			
Electric	1,601,200	1,712,330		
Sewer	481,730	533,357		
Water	445,504	570,056		
Total business-type activities	2,553,770	2,815,743		
Total	\$ 6,563,190	\$ 3,269,973	\$ 135,558	\$ 826,549

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

Change in net position

Net position - beginning, as originally stated
 Restatement due to change in accounting standards (Note 14)

Net position - Beginning, as restated

Net position - Ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2015	2014
\$ (61,032)		\$ (61,032)	\$ (135,483)
(1,376,808)		(1,376,808)	(1,905,783)
(266,582)		(266,582)	(306,066)
(426,125)		(426,125)	917,153
(123,911)		(123,911)	(131,043)
37,327		37,327	192,578
(112,727)		(112,727)	(112,174)
(3,685)		(3,685)	(5,698)
<u>(259,540)</u>		<u>(259,540)</u>	<u>(208,031)</u>
	(25,336)	(25,336)	(26,972)
	111,130	111,130	175,606
	51,627	51,627	(10,043)
	<u>124,552</u>	<u>124,552</u>	<u>526,503</u>
	<u>261,973</u>	<u>261,973</u>	<u>665,094</u>
<u>(2,593,083)</u>	<u>261,973</u>	<u>(2,331,110)</u>	<u>(1,029,453)</u>
739,888		739,888	736,581
13,941		13,941	12,392
6,431		6,431	2,130
588,287		588,287	584,311
76,389	5,577	81,966	87,528
341,632	32,623	374,255	143,042
			67,561
<u>(66,000)</u>	<u>66,000</u>		
<u>1,700,568</u>	<u>104,200</u>	<u>1,804,768</u>	<u>1,633,545</u>
<u>(892,515)</u>	<u>366,173</u>	<u>(526,342)</u>	<u>604,092</u>
23,663,702	6,430,064	30,093,766	29,489,674
<u>(394,870)</u>	<u>(380,530)</u>	<u>(775,400)</u>	
<u>23,268,832</u>	<u>6,049,534</u>	<u>29,318,366</u>	<u>29,489,674</u>
<u>\$ 22,376,317</u>	<u>\$ 6,415,707</u>	<u>\$ 28,792,024</u>	<u>\$ 30,093,766</u>

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CITY OF RUSHFORD, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2015

**CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
With Comparative Totals for December 31, 2014**

	Special Revenue Funds			Capital Projects Funds	
	101	203	204	406	502
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Capital Improvements	Hwy 43 Mill Street Project
ASSETS					
Cash and investments	\$ 466,930	\$ 845,722	\$ 69,324	\$ 857,278	\$ 84,066
Investments held by fiscal agent					
Restricted cash		41,010			
Accrued interest receivable					
Accounts receivable	2,553			30,310	
Contracts receivable					
Loans receivable		1,355,728	7,755,190		
Taxes receivable - delinquent	6,320			306	
Special assessments receivable:					
Deferred					
Delinquent					
Due from other funds				123,413	
Advances to other funds	170,892	175,000		33,559	
Due from other governmental units	7,617			369	
Prepaid items	5,326				
TOTAL ASSETS	\$ 659,638	\$ 2,417,460	\$ 7,824,514	\$ 1,045,235	\$ 84,066
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 12,354	\$	\$ 69,324	\$ 80,683	\$ 13,029
Due to other funds					
Unearned revenue	5,850				
Total Liabilities	18,204		69,324	80,683	13,029
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	6,320			307	
Special assessments					
EDA loans receivable		1,355,728			
Business flood loans receivable			7,755,190		
Total Deferred Inflows of Resources	6,320	1,355,728	7,755,190	307	
Fund Balance:					
Nonspendable:					
Prepaid items	5,326				
Note receivable					
Advances to other funds	170,892	175,000		33,559	
Restricted:					
Externally imposed by:					
Grantors:					
EDA revolving loans		886,732			
Creditors					
Contributors					
Committed				930,686	71,037
Assigned	41,633				
Unassigned	417,263				
Total Fund Balance	635,114	1,061,732		964,245	71,037
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 659,638	\$ 2,417,460	\$ 7,824,514	\$ 1,045,235	\$ 84,066

See Notes to the Financial Statements

Debt
Service Fund

350		Total Governmental Funds	
2009 Improvement Project	Other Governmental Funds	2015	2014
\$ 311,334	\$ 1,877,788	\$ 4,512,442	\$ 3,986,661
2,243,354		2,243,354	
	82,313	123,323	84,363
	29,658	62,521	183
	100,000	100,000	29,785
		9,110,918	10,631,059
2,902	5,304	14,832	14,119
325,196	345,566	670,762	520,706
			604
		123,413	930,117
274,203		653,654	873,804
3,511	35,297	46,794	325,155
	4,037	9,363	11,411
<u>\$ 3,160,500</u>	<u>\$ 2,479,963</u>	<u>\$ 17,671,376</u>	<u>\$ 17,407,967</u>

\$	\$ 9,423	\$ 184,813	\$ 123,326
	5,060	5,060	269,750
	41,042	46,892	67,233
	<u>55,525</u>	<u>236,765</u>	<u>460,309</u>

2,902	5,304	14,833	14,119
325,196	345,566	670,762	521,310
		1,355,728	1,338,078
		7,755,190	9,292,981
<u>328,098</u>	<u>350,870</u>	<u>9,796,513</u>	<u>11,166,488</u>

	4,037	9,363	11,411
	100,000	100,000	
274,203		653,654	873,804

		886,732	571,795
2,558,199	380,718	2,938,917	577,658
	82,313	82,313	84,363
		1,001,723	2,039,033
	1,506,500	1,548,133	1,419,862
		417,263	203,244
<u>2,832,402</u>	<u>2,073,568</u>	<u>7,638,098</u>	<u>5,781,170</u>

<u>\$ 3,160,500</u>	<u>\$ 2,479,963</u>	<u>\$ 17,671,376</u>	<u>\$ 17,407,967</u>
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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014

	Special Revenue Funds			Capital Projects Funds	
	101	203	204	406	502
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Capital Improvements	Hwy 43 Mill Street Projects
REVENUES					
Property taxes	\$ 304,715	\$	\$	\$ 15,153	\$
Tax increment revenues					
Lodging taxes	6,431				
Special assessments					
Licenses and permits	95,576				
Fines and forfeits	12,951				
Intergovernmental revenues	320,735			287,628	
Charges for services	39,272				
Interest income	334	8,184	39,454	2,748	1,489
Miscellaneous revenues	6,103	462	334,949	76,511	13,790
TOTAL REVENUES	786,117	8,646	374,403	382,040	15,279
EXPENDITURES					
Current					
General government	127,312				
Economic development		7,494	70,618		
Public safety	323,201				
Public works	94,967				
Parks and recreation	108,932				
Airport					
Library					
Community center					
Capital outlay				555,764	961,680
Debt service					
Issuance costs					
TOTAL EXPENDITURES	654,412	7,494	70,618	555,764	961,680
Excess (deficiency) of revenues over (under) expenditures	131,705	1,152	303,785	(173,724)	(946,401)
OTHER FINANCING SOURCES (USES)					
Issuance of debt				100,250	
Premium on issuance of debt					
Transfers in	50,000	303,785			
Transfers out	(200,000)	(15,000)	(303,785)	(20,000)	
Total other financing sources (uses)	(150,000)	288,785	(303,785)	80,250	
Net change in fund balances	(18,295)	289,937		(93,474)	(946,401)
FUND BALANCES, Beginning	653,409	771,795		1,057,719	1,017,438
FUND BALANCES, Ending	\$ 635,114	\$ 1,061,732	\$	\$ 964,245	\$ 71,037

See Notes to the Financial Statements

Debt Service Fund			
<u>350</u>			
2009 Improvement Project	Other Governmental Funds	Total Governmental Funds	
		2015	2014
\$ 127,487	\$ 292,422	\$ 739,777	\$ 740,315
	13,941	13,941	12,392
		6,431	2,130
33,650	188,921	222,571	62,837
		95,576	16,808
		12,951	15,816
	546,341	1,154,704	3,111,281
	286,016	325,288	292,178
448	12,083	64,740	68,055
10,300	282,950	725,065	515,982
<u>171,885</u>	<u>1,622,674</u>	<u>3,361,044</u>	<u>4,837,794</u>
		127,312	141,039
	86,568	164,680	800,044
	358,848	682,049	601,930
		94,967	128,822
		108,932	95,027
	142,060	142,060	321,841
	129,704	129,704	122,195
	3,685	3,685	5,698
	349,394	1,866,838	1,948,151
164,979	261,002	425,981	414,724
40,170		40,170	
<u>205,149</u>	<u>1,331,261</u>	<u>3,786,378</u>	<u>4,579,471</u>
<u>(33,264)</u>	<u>291,413</u>	<u>(425,334)</u>	<u>258,323</u>
2,240,000		2,340,250	1,283,325
8,012		8,012	
49,000	96,076	498,861	1,043,610
	(26,076)	(564,861)	(806,830)
<u>2,297,012</u>	<u>70,000</u>	<u>2,282,262</u>	<u>1,520,105</u>
2,263,748	361,413	1,856,928	1,778,428
568,654	1,712,155	5,781,170	4,002,742
<u>\$ 2,832,402</u>	<u>\$ 2,073,568</u>	<u>\$ 7,638,098</u>	<u>\$ 5,781,170</u>

**CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2015**

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

Total governmental fund balances (pages 20-21)		\$ 7,638,098
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 18,378,444	
Less: Accumulated depreciation	<u>(4,647,471)</u>	13,730,973
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 14,833	
Special assessments	670,762	
EDA loans receivable	1,355,728	
Business flood loan receivable	<u>7,755,190</u>	9,796,513
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	\$ (8,186,388)	
Net pension liability	(426,023)	
Compensated absences	(46,013)	
Accrued interest	<u>(130,843)</u>	<u>(8,789,267)</u>
Net position of governmental activities (page 17)		<u><u>\$ 22,376,317</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, 2015**

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

Net change in fund balances - total governmental funds (pages 22-23)		\$ 1,856,928
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	\$ 1,386,009	
Depreciation expense	<u>(575,628)</u>	810,381
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(65,916)
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.		
Property taxes	\$ 714	
Special assessments	149,452	
Business flood loan receivable	<u>(334,937)</u>	(184,771)
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		(1,202,854)
Certain expenditures in the governmental funds are not reported as expenses in the statement of activities.		
EDA loans issued, net of collections		17,650
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		(5,029)
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	\$ 280,719	
Issuance of long-term debt	(2,348,262)	
Change in net pension liability	(31,153)	
Amortization of bond discount	(1,862)	
Amortization of bond premium	472	
Change in accrued interest	<u>(18,818)</u>	<u>(2,118,904)</u>
Change in net position of governmental activities (pages 18 and 19)		<u>\$ (892,515)</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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
General Tax Levy	\$ 305,000	\$ 305,000	\$ 304,715	\$ (285)	\$ 304,900
Licenses and Permits					
Business	6,125	5,950	6,010	60	6,399
Nonbusiness	11,100	11,100	89,566	78,466	10,409
Total Licenses and Permits	17,225	17,050	95,576	78,526	16,808
Lodging Taxes	2,500	2,500	6,431	3,931	2,130
Intergovernmental Revenues					
Local government aid	299,270	299,270	299,270		279,270
Market value credit			76	76	41
Police aid	20,000	20,000	19,274	(726)	22,222
Snowmobile aids	21,000	28,717	28,717		18,902
Snowmobile trail assistance	(21,000)	(28,717)	(28,717)		(18,902)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	321,385	321,385	320,735	(650)	303,648
Fines and Forfeits	9,500	9,500	12,951	3,451	15,816
Charges For Services					
Swimming pool	32,500	36,500	36,902	402	33,007
Park usage fees	2,000	2,300	2,370	70	3,139
Total Charges For Services	34,500	38,800	39,272	472	36,146
Interest Income			334	334	380
Miscellaneous Revenues					
Other	6,000	6,000	6,103	103	10,933
TOTAL REVENUES	\$ 696,110	\$ 700,235	\$ 786,117	\$ 85,882	\$ 690,761

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 7,320	\$ 1,680	\$ 7,320
Meetings and conferences	2,000	2,000	387	1,613	1,529
General supplies	1,500	1,500	770	730	608
Printing and publishing	8,500	8,500	6,987	1,513	6,852
Professional services	5,500	5,500	311	5,189	2,920
Insurance	4,200	4,200	4,407	(207)	3,680
Dues, subscriptions and fees	4,200	4,200	4,368	(168)	4,230
Miscellaneous	1,100	1,100	560	540	560
Total Mayor and Council	36,000	36,000	25,110	10,890	27,699
Election Judges					
Salaries	1,200	800	429	371	1,685
Employee benefits and retirement	10	10	6	4	6
General supplies	1,510	810	690	120	12
Printing and publishing	500	500	357	143	
Miscellaneous	200	200	50	150	78
Total Election Judges	3,420	2,320	1,532	788	1,781
City Hall Administration					
Salaries	46,200	48,200	48,650	(450)	46,146
Employee benefits and retirement	10,300	10,300	9,700	600	9,158
Office supplies and expense	1,700	1,700	1,423	277	1,090
Meetings and conferences	150	150	35	115	135
General supplies	200	200	103	97	148
Telephone	2,800	2,800	2,605	195	2,664
Printing and publishing	1,550	1,550	1,280	270	1,878
Insurance	900	900	841	59	775
Repairs and maintenance	500	500		500	78
Radio maintenance	500	500	68	432	
Dues, subscriptions and fees	5,500	5,500	5,240	260	5,137
Miscellaneous			14	(14)	39
Total City Hall Administration	\$ 70,300	\$ 72,300	\$ 69,959	\$ 2,341	\$ 67,248

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 28,600	\$ 26,600	\$ 10,861	\$ 15,739	\$ 16,850
Assessor	4,100	4,100	4,016	84	3,966
Total Professional Services	<u>32,700</u>	<u>30,700</u>	<u>14,877</u>	<u>15,823</u>	<u>20,816</u>
Building and Planning					
General supplies	500	500	171	329	305
Professional services	200	200		200	
Consultant	5,000	5,000	4,983	17	10,556
Telephone	50	50	7	43	3
Printing and publishing	450	450	145	305	80
Total Building and Planning	<u>6,200</u>	<u>6,200</u>	<u>5,306</u>	<u>894</u>	<u>10,944</u>
Municipal Building					
General supplies	1,000	1,000	878	122	723
Insurance	2,100	2,000	1,792	208	1,778
Utilities	9,700	9,700	7,380	2,320	8,871
Repairs and maintenance	1,800	1,800	478	1,322	1,179
Total Municipal Building	<u>14,600</u>	<u>14,500</u>	<u>10,528</u>	<u>3,972</u>	<u>12,551</u>
Total General Government	<u>163,220</u>	<u>162,020</u>	<u>127,312</u>	<u>34,708</u>	<u>141,039</u>
Public Safety					
Police Protection					
Salaries	203,050	202,150	195,310	6,840	185,915
Employee benefits and retirement	34,000	35,500	34,924	576	32,558
Office supplies and expense	1,250	1,250	851	399	1,506
Meetings and conferences	3,000	3,000	3,394	(394)	3,698
Gas, oil and supplies	12,500	11,000	6,771	4,229	12,971
General supplies	3,500	3,500	3,936	(436)	3,699
Professional services	15,000	15,000	25,777	(10,777)	25,510
Telephone	3,400	3,400	3,903	(503)	3,420
Insurance	8,500	8,500	7,520	980	7,301
Utilities	3,200	3,200	2,368	832	2,627
Repairs and maintenance	5,200	5,200	1,017	4,183	5,896
Dues, subscriptions and fees	2,500	2,500	1,283	1,217	2,380
Miscellaneous	100	100	6,624	(6,524)	7,471
Total Police Protection	<u>\$ 295,200</u>	<u>\$ 294,300</u>	<u>\$ 293,678</u>	<u>\$ 622</u>	<u>\$ 294,952</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, 2015
With Comparative Totals for December 31, 2014

	<u>Budgeted Amounts</u>		2015	Variance with	2014
	Original		Actual	Final Budget	Actual
			Amounts	Positive	
				(Negative)	Amounts
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 6,924	\$ 6,924	\$ 6,924	\$	\$ 6,924
Building and Safety					
Professional services	20,550	16,500	15,916	584	13,274
Printing and publishing	200	200	131	69	190
Miscellaneous	250	200	113	87	175
Total Building and Safety	<u>21,000</u>	<u>16,900</u>	<u>16,160</u>	<u>740</u>	<u>13,639</u>
Civil Defense	<u>1,900</u>	<u>2,700</u>	<u>2,412</u>	<u>288</u>	<u>1,399</u>
Animal Control					
Salaries and wages	3,500	3,500	2,605	895	2,825
General supplies	80	80		80	
Insurance	80	80	37	43	56
Total Animal Control	<u>3,660</u>	<u>3,660</u>	<u>2,642</u>	<u>1,018</u>	<u>2,881</u>
Health and Welfare					
Weed and insect control	<u>2,800</u>	<u>2,800</u>	<u>1,385</u>	<u>1,415</u>	<u>1,888</u>
Total Public Safety	<u>\$ 331,484</u>	<u>\$ 327,284</u>	<u>\$ 323,201</u>	<u>\$ 4,083</u>	<u>\$ 321,683</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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 27,000	\$ 27,000	\$ 23,613	\$ 3,387	\$ 24,347
Employee benefits and retirement	4,400	4,400	3,852	548	4,121
Gas, oil and supplies	13,000	13,000	8,054	4,946	13,447
General supplies	10,000	10,350	8,294	2,056	9,174
Blacktop and surface materials	1,000	1,000	507	493	615
Professional services					305
Insurance	9,450	9,150	7,565	1,585	8,251
Repairs and maintenance	12,500	12,100	6,557	5,543	17,004
Miscellaneous	950	1,200	505	695	805
City garage expense	6,700	7,700	6,968	732	7,537
Street lighting	26,000	25,000	6,823	18,177	23,199
Total Highways, Streets and Alleys	111,000	110,900	72,738	38,162	108,805
Levee System					
Salaries	14,100	14,100	14,597	(497)	12,036
Employee benefits and retirement	2,400	2,400	2,503	(103)	2,286
Gas, oil and supplies	1,800	1,500	1,002	498	1,676
General supplies	300	600	632	(32)	268
Insurance	1,650	1,650	1,448	202	1,536
Utilities	2,000	2,000	1,473	527	1,793
Professional services	500	250		250	288
Repairs and maintenance	300	550	521	29	104
Miscellaneous	200	200	53	147	30
Total Levee System	23,250	23,250	22,229	1,021	20,017
Total Public Works	134,250	134,150	94,967	39,183	128,822
Parks and Recreation					
Park Department					
Salaries	14,100	14,100	14,597	(497)	12,036
Employee benefits and retirement	2,355	2,555	2,503	52	2,329
Gas and oil	1,800	1,600	1,089	511	1,635
General supplies	2,000	2,400	2,302	98	1,499
Telephone	75	75		75	149
Insurance	5,350	8,450	8,062	388	4,791
Utilities	5,050	5,050	4,233	817	5,022
Repairs and maintenance	4,700	4,300	4,439	(139)	4,751
Legal printing	100				
Miscellaneous	300	300	132	168	144
Total Park Department	\$ 35,830	\$ 38,830	\$ 37,357	\$ 1,473	\$ 32,356

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 31,500	\$ 31,500	\$ 30,086	\$ 1,414	\$ 26,690
Employee benefits and retirement	2,500	2,500	2,310	190	2,042
Meetings and conferences	850	1,350	1,528	(178)	1,601
General supplies	7,200	7,200	6,308	892	6,635
Telephone	550	550	433	117	321
Printing and publishing	150	150	137	13	167
Insurance	4,750	4,250	4,068	182	4,150
Utilities	10,500	13,000	12,759	241	14,068
Repairs and maintenance	1,700	1,700	1,152	548	727
Miscellaneous	850	850	730	120	830
Total Swimming Pool	60,550	63,050	59,511	3,539	57,231
Tourism	5,000	5,000	3,080	1,920	2,494
Tree Board					
Salaries	1,500	1,500	1,500		1,500
General supplies	1,310	1,310	970	340	1,245
Contractual services	2,500	6,500	6,238	262	146
Insurance			261	(261)	40
Miscellaneous	15	15	15		15
Total Tree Board	5,325	9,325	8,984	341	2,946
Total Parks and Recreation	106,705	116,205	108,932	7,273	95,027
TOTAL EXPENDITURES	735,659	739,659	654,412	85,247	686,571
Excess (deficiency) of revenues over (under) expenditures	(39,549)	(39,424)	131,705	171,129	4,190
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	50,000	50,000		50,000
Transfers out		(200,000)	(200,000)		
Total other financing sources (uses)	50,000	(150,000)	(150,000)		50,000
Net change in fund balances	10,451	(189,424)	(18,295)	171,129	54,190
FUND BALANCE, January 1	653,409	653,409	653,409		599,219
FUND BALANCE, December 31	\$ 663,860	\$ 463,985	\$ 635,114	\$ 171,129	\$ 653,409

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$ 6,000	\$ 6,000	\$ 8,184	\$ 2,184	\$ 2,839
Miscellaneous Revenues					
Loan principal	25,000	25,000	462	(24,538)	3,643
Other					1,016
Total miscellaneous revenues	25,000	25,000	462	(24,538)	4,659
TOTAL REVENUES	31,000	31,000	8,646	(22,354)	7,498
EXPENDITURES					
Economic Development					
Professional services	21,500	6,500	6,909	(409)	18,546
Dues, subscriptions and fees	1,000	1,000	560	440	889
Supplies			25	(25)	
Revolving loans					465,572
TOTAL EXPENDITURES	22,500	7,500	7,494	6	485,007
Excess (deficit) of revenues over (under) expenditures	8,500	23,500	1,152	(22,348)	(477,509)
OTHER FINANCING SOURCES (USES)					
Transfers in			303,785	303,785	345,994
Transfers out		(15,000)	(15,000)		(11,000)
Total other financing sources (uses)		(15,000)	288,785	303,785	334,994
Net change in fund balances	8,500	8,500	289,937	281,437	(142,515)
FUND BALANCES, BEGINNING	771,795	771,795	771,795		914,310
FUND BALANCES, ENDING	\$ 780,295	\$ 780,295	\$ 1,061,732	\$ 281,437	\$ 771,795

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Loan repayments	\$ 334,947	\$ 334,947	\$ 334,949	\$ 2	\$ 369,590
Interest income	39,462	39,462	39,454	(8)	45,072
TOTAL REVENUES	374,409	374,409	374,403	(6)	414,662
EXPENDITURES					
Loan principal refund	69,324	69,324	69,324		68,635
Other	1,300	1,300	1,294	6	33
TOTAL EXPENDITURES	70,624	70,624	70,618	6	68,668
Excess (deficiency) of revenues over (under) expenditures	303,785	303,785	303,785		345,994
OTHER FINANCING USES					
Transfers out	(303,785)	(303,785)	(303,785)		(345,994)
Net change in fund balances					
FUND BALANCES, Beginning					
FUND BALANCES, Ending	\$	\$	\$	\$	\$

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
CAPITAL IMPROVEMENTS FUND (406)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 25,090	\$ 15,090	\$ 15,153	\$ 63	\$ 15,052
Intergovernmental revenues					
Local government aid	253,941	253,941	253,941		250,000
Small cities assistance			26,257	26,257	
Grants			7,430	7,430	412,184
Interest income			2,748	2,748	2,425
Miscellaneous			76,511	76,511	56,014
TOTAL REVENUES	279,031	269,031	382,040	113,009	735,675
EXPENDITURES					
Capital outlay	258,500	258,500	555,764	(297,264)	265,511
TOTAL EXPENDITURES	258,500	258,500	555,764	(297,264)	265,511
Excess (deficiency) of revenues over (under) expenditures	20,531	10,531	(173,724)	(184,255)	470,164
OTHER FINANCING SOURCES (USES)					
Lease proceeds			100,250	100,250	
Transfers in					516,018
Transfers out	(20,000)	(20,000)	(20,000)		(20,000)
Total other financing sources (uses)	(20,000)	(20,000)	80,250	100,250	496,018
Net change in fund balances	531	(9,469)	(93,474)	(84,005)	966,182
FUND BALANCES, Beginning	1,057,719	1,057,719	1,057,719		91,537
FUND BALANCES, Ending	\$ 1,058,250	\$ 1,048,250	\$ 964,245	\$ (84,005)	\$ 1,057,719

See Notes to the Financial Statements

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**CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2015
With Comparative Totals for December 31, 2014**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets						
Cash and cash equivalents	\$	\$ 617,799	\$ 165,028	\$	\$ 782,827	\$ 741,340
Accounts receivable		59,915	17,088	14,251	91,254	103,117
Accrued utility revenue		168,369	34,503	41,412	244,284	251,375
Special assessments-delinquent		390	167	210	767	1,764
Due from other governmental units		1,862		129	1,991	385,231
Advance to other funds						300,000
Prepaid items		1,188	1,454	2,232	4,874	3,627
Total Current Assets		849,523	218,240	58,234	1,125,997	1,786,454
Property and Equipment						
Property, plant and equipment	777,644	3,783,304	5,699,692	5,301,022	15,561,662	15,393,615
Less: Accumulated depreciation	148,349	2,141,854	2,233,418	2,184,348	6,707,969	6,152,068
Property and Equipment, Net	629,295	1,641,450	3,466,274	3,116,674	8,853,693	9,241,547
Construction work in process		339,076	577,818	397,317	1,314,211	1,082,815
Total Property and Equipment	629,295	1,980,526	4,044,092	3,513,991	10,167,904	10,324,362
Other Assets						
Restricted cash and cash equivalents		77,260	277,258	398,818	753,336	698,289
Deferred Outflows of Resources						
Deferred outflows from pension activity		25,359	13,102	17,060	55,521	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 629,295	\$ 2,932,668	\$ 4,552,692	\$ 3,988,103	\$ 12,102,758	\$ 12,809,105
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
Current Liabilities						
Accounts payable	\$ 148	\$ 122,045	\$ 2,802	\$ 8,052	\$ 133,047	\$ 276,228
Due to other funds				118,353	118,353	660,367
Unearned revenue						4,592
Current maturities of bonds payable		70,000	230,000	168,144	468,144	424,731
Accrued interest		7,443	12,063	6,435	25,941	30,112
Accrued sales tax		16,141			16,141	14,860
Customer deposits		18,320			18,320	16,875
Total Current Liabilities	148	233,949	244,865	300,984	779,946	1,427,765
Noncurrent Liabilities						
Notes payable, net of current maturities, and unamortized discount		229,127	2,005,813	1,490,332	3,725,272	3,698,623
Advance from other funds	170,892	175,000		307,762	653,654	1,173,804
Accrued compensated absences		31,994	16,206	19,897	68,097	78,849
Net pension liability		184,163	95,149	123,895	403,207	
Total Noncurrent Liabilities	170,892	620,284	2,117,168	1,941,886	4,850,230	4,951,276
Deferred Inflows of Resources						
Deferred inflows from pension activity		25,978	13,421	17,476	56,875	
Net Position						
Net investment in capital assets	458,403	1,506,399	1,808,279	1,429,400	5,202,481	4,666,837
Restricted		77,260	277,258	398,818	753,336	698,289
Unrestricted	(148)	468,798	91,701	(100,461)	459,890	1,064,938
Total Net Position	458,255	2,052,457	2,177,238	1,727,757	6,415,707	6,430,064
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 629,295	\$ 2,932,668	\$ 4,552,692	\$ 3,988,103	\$ 12,102,758	\$ 12,809,105

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses
and Changes in Retained Earnings
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2015	2014
Operating Revenues						
Sales	\$	\$ 1,712,330	\$ 570,056	\$ 533,357	\$ 2,815,743	\$ 2,890,268
Operating Expenses						
Cost of sales and production		1,159,703			1,159,703	1,202,559
Distribution expense		145,985	311,963	402,459	860,407	915,186
General administration		278,558	98,975	59,322	436,855	388,525
Liquor store operating expenses	25,336				25,336	26,972
Total Operating Expenses	25,336	1,584,246	410,938	461,781	2,482,301	2,533,242
Operating Income (Loss)	(25,336)	128,084	159,118	71,576	333,442	357,026
Nonoperating Revenue and (Expense)						
Loss on disposal of capital assets						(2,388)
Other income (expense)	(8)	18,030	(32,543)	(18,748)	(33,269)	353,076
Income (Loss) Before Extraordinary Item and Transfers	(25,344)	146,114	126,575	52,828	300,173	707,714
Extraordinary gain (loss)						207,987
Transfers in				500,000	500,000	
Transfers out		(385,000)	(16,000)	(33,000)	(434,000)	(236,780)
Change in Net Position	(25,344)	(238,886)	110,575	519,828	366,173	678,921
Net Position, Beginning, as originally stated	483,599	2,465,148	2,156,461	1,324,856	6,430,064	5,751,143
Restatement (Note 14)		(173,805)	(89,798)	(116,927)	(380,530)	
Net Position, as restated	483,599	2,291,343	2,066,663	1,207,929	6,049,534	5,751,143
Net Position, Ending	\$ 458,255	\$ 2,052,457	\$ 2,177,238	\$ 1,727,757	\$ 6,415,707	\$ 6,430,064

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2015	2014
Cash Flows From Operating Activities						
Cash received from customers	\$	\$ 1,727,507	\$ 574,946	\$ 530,094	\$ 2,832,547	\$ 2,876,640
Cash paid to employees for services		(208,977)	(107,377)	(164,504)	(480,858)	(449,244)
Cash paid to suppliers	(4,397)	(1,332,698)	(108,283)	(128,857)	(1,574,235)	(1,398,630)
Net Cash Provided By (Used In) Operating Activities	(4,397)	185,832	359,286	236,733	777,454	1,028,766
Cash Flows From Noncapital Financing Activities						
Decrease (Increase) in due from other funds	4,405	(25,000)	(311,580)	(229,989)	(562,164)	547,431
Grant aid received		(1,862)	385,231	(130)	383,239	458,079
Other income (expense)		34,542	794		35,336	37,956
Transfers in/out		(85,000)	(16,000)	(33,000)	(134,000)	(236,780)
Net Cash Provided By Noncapital Financing Activities	4,405	(77,320)	58,445	(263,119)	(277,589)	806,686
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of debt			171,451	350,666	522,117	12,011
Principal payment on long-term debt		(70,000)	(225,638)	(157,591)	(453,229)	(410,705)
Purchase of capital assets		(148,167)	(147,721)	(103,555)	(399,443)	(1,217,583)
Interest paid on debt		(20,885)	(36,369)	(21,099)	(78,353)	(81,333)
Net Cash Used In Capital and Related Financing Activities		(239,052)	(238,277)	68,421	(408,908)	(1,697,610)
Cash Flows From Investing Activities						
Interest earnings on investments	(8)	3,155	1,229	1,201	5,577	4,889
Net Cash Provided By (Used In) Investing Activities	(8)	3,155	1,229	1,201	5,577	4,889
Net Increase (Decrease) In Cash and Cash Equivalents		(127,385)	180,683	43,236	96,534	142,731
Cash and Cash Equivalents - January 1		822,444	261,603	355,582	1,439,629	1,296,898
Cash and Cash Equivalents - December 31	\$	\$ 695,059	\$ 442,286	\$ 398,818	\$ 1,536,163	\$ 1,439,629
Shown on the Balance Sheet as:						
Cash and investments	\$	\$ 617,799	\$ 165,028	\$	\$ 782,827	\$ 741,340
Restricted cash and investments		77,260	277,258	398,818	753,336	698,289
Total	\$	\$ 695,059	\$ 442,286	\$ 398,818	\$ 1,536,163	\$ 1,439,629

See Notes to the Financial Statements

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

	Enterprise Funds				Totals	
	<u>609</u> Liquor Fund	<u>604</u> Electric Department	<u>601</u> Water Department	<u>602</u> Sewer Department	2015	2014
Operating Income (Loss)	\$ (25,336)	\$ 128,084	\$ 159,118	\$ 71,576	\$ 333,442	\$ 357,026
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	20,895	138,667	210,481	187,032	557,075	553,309
Change in net pension liability		10,977	5,670	7,385	24,032	
Other income (loss)						170
(Increase) Decrease In:						
Accounts receivable		9,544	1,969	1,347	12,860	(19,185)
Other accounts receivable		8,780	2,921	(4,610)	7,091	5,224
Merchandise inventory						
Prepaid insurance		(564)	(318)	(365)	(1,247)	(239)
Increase (Decrease) In:						
Accounts payable	44	(105,293)	(17,707)	(18,944)	(141,900)	124,804
Accrued wages		(1,216)	(2,848)	(6,688)	(10,752)	7,494
Unearned revenue		(4,592)			(4,592)	148
Customer deposits		1,445			1,445	15
Net Cash Provided By (Used In) Operating Activities	\$ (4,397)	\$ 185,832	\$ 359,286	\$ 236,733	\$ 777,454	\$ 1,028,766
Summary of Non Cash Transactions						
Sewer fund advance forgiven in electric fund	\$	\$ (300,000)	\$	\$ 300,000	\$	\$
Sewer fund advance forgiven by general fund				200,000	200,000	

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015.

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 *Hwy 43 Mill Street Project fund* accounts for the accumulation of financial resources for the payment of construction costs related to the Hwy 43 Mill Street project.

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

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 with the current year presentation.

F. *Budgets and Budgetary Accounting*

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, and 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, 2015, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$671,975.

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.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2015, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash on Hand</u>	
Change funds	\$ 18
Deposits	6,073,587
Deposits with SELCO	82,313
Certificates of deposit	16,010
Investments held with fiscal agent	<u>2,243,354</u>
Total	<u>\$ 8,415,282</u>

Recorded on the Statement of Net Position as follows:

Cash and investments	\$ 5,295,269
Restricted cash and investments	<u>3,120,013</u>
Total	<u>\$ 8,415,282</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

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.

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. At December 31, 2015, there were no individual investments greater than 5 percent of the City's total investments.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service Funds
2011	\$ 325,196
2012	176,550
2014	169,016
Total	<u>\$ 670,762</u>

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

4. Due From Other Governmental Units

Fund Type	Fillmore County	State of Minnesota	Federal Government	Total
General	\$ 7,617	\$	\$	\$ 7,617
Special Revenue	3,295	5,437	18,965	27,697
Capital Project	369	3,206		3,575
Debt Service	7,905			7,905
Enterprise	1,991			1,991
Totals	<u>\$ 21,177</u>	<u>\$ 8,643</u>	<u>\$ 18,965</u>	<u>\$ 48,785</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Loans, Leases, and Notes Receivable

Business Flood Recovery Program

In 2007, the City established the Business Flood Recovery Loan Program with the proceeds of a \$17,500,000 grant from the Minnesota Department of Employment and Economic Development. Under this program, the City issued the following types of loans totaling \$17,250,000:

Category 1 Loans – Loans to flood-damaged businesses which are up to 90% forgivable based on the borrower attaining certain job retention goals. These loans have terms ranging from 10 to 20 years at 1% interest and are forgivable beginning after five years at the rate of 20% per year. All payments are deferred for the first three years of the loan with no interest.

Category 1-A Loans – Loans to flood-damaged businesses repayable at interest rates of 1% to 4% over terms ranging from 10 to 20 years. All loans are subject to the borrower satisfying certain job retention goals. All payments are deferred for the first two years of the loan.

Category 2 Loans – Loans to businesses that did not necessarily have any adverse effect by the flood but did have a business plan and commitment that would ultimately result in new job creation or demonstrated new expanded economic activity in the City, repayable over 7 to 10 years with interest ranging from for 1% to 4%. These loans are subject to job retention goals and payments are deferred for the first year of the loan term.

A summary of business flood recovery loans is as follows:

Business Flood Recovery Loans:	2015	2014
Category 1 Loans:		
Forgivable portion	\$ 3,383,484	\$ 4,586,337
Non-Forgivable portion	1,955,568	2,072,617
Category 1-A Loans	1,308,850	1,392,958
Category 2 Loans	1,107,288	1,241,069
Total	\$ 7,755,190	\$ 9,292,981

Following is a summary of the notes receivable outstanding at December 31, 2015 and 2014:

	Original Note	Interest Rate	Receivable Balance	
			2015	2014
Notes Receivable-2010	\$ 393,039	4.25%	\$ 421,931	\$ 403,844
Notes Receivable-2010	19,849	5.00%	14,090	14,090
Notes Receivable-2011	31,883	0.05%	31,515	31,491
Notes Receivable-2012	149,000	4.25%	149,000	149,000
Notes Receivable-2013	94,653	5.00%	94,192	94,653
Notes Receivable-2013	500,000	2.00%	500,000	500,000
Notes Receivable-2013	145,000	4.50%	145,000	145,000
Total Notes Receivable			\$ 1,355,728	\$ 1,338,078

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	\$	\$	\$ 1,239,853
Construction in progress	<u>2,614,611</u>	<u>1,286,833</u>	<u>701,101</u>	<u>3,200,343</u>
Total capital assets, not being depreciated	<u>3,854,464</u>	<u>1,286,833</u>	<u>701,101</u>	<u>4,440,196</u>
Capital assets, being depreciated:				
Buildings and Improvements	6,478,609	233,212		6,711,821
Infrastructure	4,519,456	91,157		4,610,613
Machinery and equipment	<u>2,466,218</u>	<u>475,908</u>	<u>326,312</u>	<u>2,615,814</u>
Total capital assets, being depreciated	<u>13,464,283</u>	<u>800,277</u>	<u>326,312</u>	<u>13,938,248</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,736,433	238,971		1,975,404
Infrastructure	777,726	203,964		981,690
Machinery and equipment	<u>1,818,080</u>	<u>132,693</u>	<u>260,396</u>	<u>1,690,377</u>
Total accumulated depreciation	<u>4,332,239</u>	<u>575,628</u>	<u>260,396</u>	<u>4,647,471</u>
Total capital assets, being depreciated, net	<u>9,132,044</u>	<u>224,649</u>	<u>65,916</u>	<u>9,290,777</u>
Governmental activities capital assets, net	<u><u>\$ 12,986,508</u></u>	<u><u>\$ 1,511,482</u></u>	<u><u>\$ 767,017</u></u>	<u><u>\$ 13,730,973</u></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	1,082,815	231,396		1,314,211
Total capital assets, not being depreciated	<u>1,188,275</u>	<u>231,396</u>		<u>1,419,671</u>
Capital assets, being depreciated:				
Buildings and improvements	14,464,882	157,598		14,622,480
Machinery and equipment	823,273	10,449		833,722
Total capital assets, being depreciated	<u>15,288,155</u>	<u>168,047</u>		<u>15,456,202</u>
Less accumulated depreciation for:				
Buildings and improvements	5,724,679	509,508		6,234,187
Machinery and equipment	427,389	46,393		473,782
Total accumulated depreciation	<u>6,152,068</u>	<u>555,901</u>		<u>6,707,969</u>
Total capital assets, being depreciated, net	<u>9,136,087</u>	<u>(387,854)</u>		<u>8,748,233</u>
Business-type activities capital assets, net	<u>\$ 10,324,362</u>	<u>\$ (156,458)</u>	<u>\$</u>	<u>\$ 10,167,904</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 16,916
Public safety	76,438
Public works	307,953
Airport	82,202
Library	19,825
Park and recreation	<u>72,294</u>
Total depreciation expense - governmental activities	<u>\$575,628</u>
Business-Type Activities:	
Electric	\$ 137,493
Water	210,481
Sewer	187,032
Liquor	<u>20,895</u>
Total depreciation expense - business-type activities	<u>\$555,901</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2015 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:						
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	\$ 65,000	\$	\$ 65,000	\$	\$
2009B Improvement Bonds (1)	3.00% - 4.50%	2,440,000		100,000	2,340,000	105,000
2011A Improvement Bonds	1.55% - 4.60%	1,140,000		45,000	1,095,000	45,000
2012A Tax Abatement Bonds	1.10% - 4.00%	695,000			695,000	25,000
2014A Improvement Bonds	1.90% - 4.10%	1,300,000			1,300,000	50,000
2015A GO Improvement Crossover Refunding	2.00% - 3.00%		2,240,000		2,240,000	
Lease Payable - Street Sweeper	2.75%		100,250	53,900	46,350	9,305
Compensated Absences		40,984	5,029		46,013	
Less: Unamortized Discount		(36,177)		(1,862)	(34,315)	
Plus: Unamortized Premium			8,012	472	7,540	
Notes payable:						
Contract for deed - land	5.00%	513,632		16,819	496,813	17,660
Governmental Activities						
Long-term Liabilities		<u>6,158,439</u>	<u>2,353,291</u>	<u>279,329</u>	<u>8,232,401</u>	<u>251,965</u>
BUSINESS-TYPE ACTIVITIES (1)						
Bonds and Notes Payable:						
General Obligation Revenue Note:						
1999 Water Department	3.04%	242,000		46,000	196,000	47,000
1996A Sewer Department	3.43%	216,401		69,731	146,670	72,144
2008 Water Department	1.35%	949,000		67,000	882,000	68,000
2010 Water Department	1.00%	918,000		57,000	861,000	58,000
2011 Sewer Department	1.077%	1,249,000		72,000	1,177,000	73,000
2014 Water Department	1.00%		171,451	12,638	158,813	13,000
2014 Sewer Department	1.00%		350,666	15,860	334,806	23,000
Revenue Bonds:						
2007A Water Revenue Bonds	4.25%	181,000		43,000	138,000	44,000
2009A Electric Revenue Refunding	2.40 - 4.10%	375,000		70,000	305,000	70,000
Compensated Absences		78,849		10,752	68,097	
Less: Unamortized Discount		(7,047)		(1,174)	(5,873)	
Business-type Activities						
Long-term Liabilities		<u>4,202,203</u>	<u>522,117</u>	<u>462,807</u>	<u>4,261,513</u>	<u>468,144</u>
Total		<u>\$ 10,360,642</u>	<u>\$ 2,875,408</u>	<u>\$ 742,136</u>	<u>\$ 12,493,914</u>	<u>\$ 720,109</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, 2015, 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								
2016	\$ 200,000	\$ 231,623	\$ 25,000	\$ 18,725	\$	\$	\$ 26,965	\$ 26,712
2017	210,000	226,361	25,000	18,450			28,766	24,912
2018	350,000	219,255	25,000	18,094			29,978	23,700
2019	360,000	210,286	25,000	17,656			31,244	22,435
2020	360,000	200,677	25,000	17,219			26,979	21,110
2021-2025	2,030,000	831,505	155,000	76,413			124,542	87,961
2026-2030	2,435,000	447,254	185,000	55,270			158,950	53,552
2031-2035	1,030,000	65,541	230,000	23,125			115,739	11,763
Totals	\$ 6,975,000	\$ 2,432,502	\$ 695,000	\$ 244,951	\$	\$	\$ 543,163	\$ 272,145
Business-Type Activities								
2016	\$	\$	\$	\$	\$ 468,143	\$ 71,237	\$	\$
2017					479,527	58,240		
2018					417,000	47,157		
2019					373,000	37,613		
2020					245,000	30,044		
2021-2025					1,266,000	107,985		
2026-2030					950,619	33,787		
Totals	\$	\$	\$	\$	\$ 4,199,289	\$ 386,063	\$	\$

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Improvements Fund	\$ 123,413	
Levee Improvement Project Fund		5,060
Subtotal Governmental Funds	<u>123,413</u>	<u>5,060</u>
Sewer Fund		118,353
Subtotal Enterprise Funds		<u>118,353</u>
Totals	<u>\$ 123,413</u>	<u>\$ 123,413</u>
	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 170,892	\$
Special Revenue Funds:		
EDA Revolving Loan	175,000	
Capital Projects Fund:		
Capital improvements	33,559	
Debt Service Fund:		
2009 Improvement Project Fund	274,203	
Enterprise Funds:		
Liquor Fund		170,892
Electric Fund		175,000
Sewer Fund		<u>307,762</u>
Total	<u>\$ 653,654</u>	<u>\$ 653,654</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	\$ 200,000
Special Revenue Funds:		
Fire Fund	20,000	
Business Flood Recovery Loan Program		303,785
EDA Revolving Loan	303,785	15,000
Community Center	26,076	
Capital Project Funds:		
Capital improvements		20,000
Economic development	15,000	26,076
Levee Improvement Project	35,000	
Debt Service		
2009 Improvement Project Fund	49,000	
Enterprise Funds:		
Electric Fund		385,000
Water Fund		16,000
Sewer Fund	500,000	33,000
Total Transfers	<u>\$ 998,861</u>	<u>\$ 998,861</u>

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

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	\$ 7,755,190	\$	\$	\$ 7,755,190
EDA Revolving Loan Fund:				
Restricted for EDA loans	886,732			886,732
Restricted for future debt service:				
2009 Improvement Project Debt Service Fund			2,558,199	2,558,199
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		82,313		82,313
Restricted for future debt service:				
2004 G.O. TIF Refunding Debt Service Fund			46,597	46,597
2011 Improvement Project Debt Service Fund			72,819	72,819
2012 Tax Abatement Debt Service Fund			12,852	12,852
2014A Improvement Project Debt Service Fund			241,827	241,827
EDA Land Purchase Debt Service Fund			6,623	6,623
Total Governmental Activities	8,641,922	82,313	2,938,917	11,663,152
<u>Major Proprietary Funds:</u>				
Electric Utility Fund:				
Restricted for future debt service			77,260	77,260
Water Utility Fund:				
Restricted for future debt service			277,258	277,258
Sewer Utility Fund:				
Restricted for future debt service			201,969	201,969
Wastewater system replacement			196,849	196,849
Total Business-Type Activities			753,336	753,336
Total Restricted Net Position	\$ 8,641,922	\$ 82,313	\$ 3,692,253	\$ 12,416,488

	Capital Improvements Fund	Hwy 43 Mill Street Project Fund	Total
Committed Fund Balance:			
Future and ongoing capital improvement construction projects and equipment purchases	\$ 930,686	\$ 71,037	\$ 1,001,723

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 (GERF) – All full-time and certain part-time employees of the City of Rushford are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. 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 Fund (PEPFF) – The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association 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% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% 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. GERF Benefits

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% of average salary for each of the first ten years of service and 2.7% 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% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF 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. GERS Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERS for the year ended December 31, 2015, were \$53,524. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City's was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$31,370. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. GERS Pension Costs

At December 31, 2015, the City reported a liability of \$621,902 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0120% at the end of the measurement period and 0.0136% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$64,108 for its proportionate share of the GERS's pension expense.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

At December 31, 2015, the City reported its proportionate share of the GERS'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	\$	\$ 31,354
Difference between projected and actual investment earnings	58,873	
Changes in proportion		56,370
Contributions paid to PERA subsequent to the measurement date	26,762	
Total	<u>\$ 85,635</u>	<u>\$ 87,724</u>

Included in deferred outflows of resources related to pensions is \$26,762 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. 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
2016	\$ (14,523)
2017	(14,523)
2018	(14,524)
2019	14,719

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$215,884 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.019% at the end of the measurement period and 0.020% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$35,402 for its proportionate share of the PEPFF's pension expense. The City also recognized \$1,710 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF 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, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 35,009
Difference between projected and actual investment earnings	37,614	
Changes in proportion		9,000
Contributions paid to PERA subsequent to the measurement date	<u>15,685</u>	
Total	<u>\$ 53,299</u>	<u>\$ 44,009</u>

Included in deferred outflows of resources related to pensions is \$15,685 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2016	\$ 601
2017	601
2018	601
2019	603
2020	(8,801)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%	Per year
Active Member Payroll Growth	3.50%	Per year
Investment Rate of Return	7.90%	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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%

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
City's proportionate share of the GERF net pension liability	\$ 977,851	\$ 621,902	\$ 327,943
City's proportionate share of the PEPFF net pension liability	420,761	215,884	46,621
Total	<u>\$ 1,398,612</u>	<u>\$ 837,786</u>	<u>\$ 374,564</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

11. Defined Contribution Pension Plan - Volunteer Fire Relief Association

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

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

Volunteers of the fire department pay annual dues of \$1 each. During 2015, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2015 and as of December 31, 2015 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 2015 totaling \$34,414 together with an additional contribution of \$3,279 the City.

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Commitments and Contingencies

Risk Management - The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2015.

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 2015. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

13. Extraordinary Item

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

Insurance proceeds, federal grants, and contributions were used to replace the capital assets and supplies lost in the flood. The continuing impact of the flood has been reported as an extraordinary item in the financial statements. In 2014, the City received its final settlement of funds related to the 2007 flood from FEMA.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Change in Accounting Standards

During the Year Ended December 31, 2015, the City implemented Governmental Accounting Standards (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Restatement of all prior periods presented is not practical, therefore the cumulative effect of applying this statement is reported as a restatement of beginning net position for the current period.

Following is a reconciliation of the previously reported December 31, 2014 balances with the amounts reported on the December 31, 2015 financial statements:

	Net Position December 31, 2014, as Previously Reported	Restatement for Net Pension Liability	Net Position December 31, 2014, as Restated
Governmental Activities	\$ 23,663,702	\$ (394,870)	\$ 23,268,832
Business-Type Activities	\$ 6,430,064	\$ (380,530)	\$ 6,049,534
Proprietary Funds:			
Water Fund	\$ 2,156,461	\$ (89,798)	\$ 2,066,663
Sewer Fund	1,324,856	(116,927)	1,207,929
Electric Fund	2,465,148	(173,805)	2,291,343
Liquor Fund	483,599		483,599
Total Proprietary Funds	\$ 6,430,064	\$ (380,530)	\$ 6,049,534

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CITY OF RUSHFORD, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

CITY OF RUSHFORD, MINNESOTA
Schedules of City Contributions
December 31, 2015

Schedule of City Contributions
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	\$	\$ 699,432	7.4%
2015	51,936	51,936		721,564	7.2%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of City Contributions
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	\$	\$ 185,916	13.9%
2015	27,532	27,532		195,310	14.1%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF RUSHFORD, MINNESOTA
Schedules of Proportionate Share of Net Pension Liability
December 31, 2015

Schedule of Proportionate Share of Net Pension Liability
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	721,564	86.2%	78.2%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of Proportionate Share of Net Pension Liability
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	195,310	110.5%	86.6%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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CITY OF RUSHFORD, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2015

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2015

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, 2015**

	Special Revenue					Total
	<u>614/615</u>	<u>211</u>	<u>607</u>	<u>213</u>	<u>612</u>	
	Fire Department	Library	Ambulance	Community Center	Airport Operations	
ASSETS						
Cash and investments	\$ 840,041	\$ 141,452	\$ 186,986	\$	\$ 68,891	\$ 1,237,370
Restricted cash		82,313				82,313
Accounts receivable	221		21,444		233	21,898
Contracts receivable						
Special assessments receivable - deferred						
Prepaid items	2,472	227	1,219		80	3,998
Taxes receivable - delinquent	585	1,738			109	2,432
Due from other governmental units	733	2,440			24,524	27,697
TOTAL ASSETS	\$ 844,052	\$ 228,170	\$ 209,649	\$	\$ 93,837	\$ 1,375,708
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 389	\$ 991	\$ 1,626	\$	\$ 1,747	\$ 4,753
Due to other funds						
Unearned revenue	14,444		16,323		10,275	41,042
Total Liabilities	14,833	991	17,949		12,022	45,795
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	585	1,738			109	2,432
Special assessments						
Total Deferred Inflows of Resources	585	1,738			109	2,432
Fund Balance						
Nonspendable:						
Prepaid items	2,472	227	1,219		80	3,998
Note receivable						
Restricted:						
Externally imposed by:						
Creditors						
Contributors		82,313				82,313
Assigned	826,162	142,901	190,481		81,626	1,241,170
Total Fund Balance	828,634	225,441	191,700		81,706	1,327,481
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 844,052	\$ 228,170	\$ 209,649	\$	\$ 93,837	\$ 1,375,708

Debt Service					Capital Project				
<u>378</u>	<u>351</u>	<u>352</u>	<u>370</u>	<u>360</u>		<u>202</u>	<u>405</u>	<u>470</u>	
2004	2011	2014A	2012	EDA	Total	Economic	Tax	Levee	Total
G.O. TIF	Improvement	Improvement	Abatement	Land		Development	Increment	Improvement	
Refunding Bonds	Project	Project	Bonds	Purchase				Project	
\$ 46,597	\$ 71,533	\$ 240,254	\$ 12,368	\$ 5,572	\$ 376,324	\$ 209,979	\$ 54,115	\$	\$ 1,877,788
								7,760	82,313
						100,000			29,658
	176,550	169,016			345,566				100,000
						39			345,566
	757	881	338	839	2,815	46		11	4,037
	1,286	1,573	484	1,051	4,394			3,206	5,304
									35,297
<u>\$ 46,597</u>	<u>\$ 250,126</u>	<u>\$ 411,724</u>	<u>\$ 13,190</u>	<u>\$ 7,462</u>	<u>\$ 729,099</u>	<u>\$ 310,064</u>	<u>\$ 54,115</u>	<u>\$ 10,977</u>	<u>\$ 2,479,963</u>
\$	\$	\$	\$	\$	\$	\$ 1,405	\$	\$ 3,265	\$ 9,423
								5,060	5,060
									41,042
						1,405		8,325	55,525
	757	881	338	839	2,815	46		11	5,304
	176,550	169,016			345,566				345,566
	177,307	169,897	338	839	348,381	46		11	350,870
						39			4,037
						100,000			100,000
46,597	72,819	241,827	12,852	6,623	380,718				380,718
									82,313
						208,574	54,115	2,641	1,506,500
46,597	72,819	241,827	12,852	6,623	380,718	308,613	54,115	2,641	2,073,568
<u>\$ 46,597</u>	<u>\$ 250,126</u>	<u>\$ 411,724</u>	<u>\$ 13,190</u>	<u>\$ 7,462</u>	<u>\$ 729,099</u>	<u>\$ 310,064</u>	<u>\$ 54,115</u>	<u>\$ 10,977</u>	<u>\$ 2,479,963</u>

**CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015**

	Special Revenue					
	<u>614/615</u>	<u>211</u>	<u>607</u>	<u>213</u>	<u>612</u>	
	Fire	Library	Ambulance	Community	Airport	Total
	Department	Library	Ambulance	Center	Operations	Total
REVENUES						
Property tax	\$ 30,064	\$ 87,920	\$	\$ 2	\$ 5,117	\$ 123,103
Tax increments						
Intergovernmental	51,410	53,022	7,500		131,354	243,286
Charges for services	77,127		181,027		27,862	286,016
Special assessments						
Interest income	9,188	285	1,486	(18)	220	11,161
Miscellaneous	21,415	10,670	4,897		3,163	40,145
TOTAL REVENUES	<u>189,204</u>	<u>151,897</u>	<u>194,910</u>	<u>(16)</u>	<u>167,716</u>	<u>703,711</u>
EXPENDITURES						
Public safety	110,534		248,314			358,848
Airport					142,060	142,060
Library		129,704				129,704
Community center				3,685		3,685
Debt service						
Capital outlay		21,496				21,496
Economic development						
TOTAL EXPENDITURES	<u>110,534</u>	<u>151,200</u>	<u>248,314</u>	<u>3,685</u>	<u>142,060</u>	<u>655,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,670</u>	<u>697</u>	<u>(53,404)</u>	<u>(3,701)</u>	<u>25,656</u>	<u>47,918</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	20,000			26,076		46,076
Transfer out						
Total other financing sources (uses)	<u>20,000</u>			<u>26,076</u>		<u>46,076</u>
Net change in fund balances	98,670	697	(53,404)	22,375	25,656	93,994
FUND BALANCES, Beginning	<u>729,964</u>	<u>224,744</u>	<u>245,104</u>	<u>(22,375)</u>	<u>56,050</u>	<u>1,233,487</u>
FUND BALANCES, Ending	<u>\$ 828,634</u>	<u>\$ 225,441</u>	<u>\$ 191,700</u>	<u>\$</u>	<u>\$ 81,706</u>	<u>\$ 1,327,481</u>

Debt Service					Capital Project				
<u>378</u>	<u>351</u>	<u>352</u>	<u>370</u>	<u>360</u>		<u>202</u>	<u>405</u>	<u>470</u>	
2004	2011	2014A	2012	EDA	Total	Economic	Tax	Levee	Total
G.O. TIF	Improvement	Improvement	Abatement	Land		Development	Increment	Improvement	
Refunding Bonds	Project	Project	Bonds	Purchase				Project	
\$ 902	\$ 41,933	\$ 63,718	\$ 19,718	\$ 42,971	\$ 169,242	\$ 77	\$ 13,941	\$	\$ 292,422
						5,000		298,055	13,941
									546,341
					188,921				286,016
	35,129	153,792				455	132	(15)	188,921
120	84	138	12	(4)	350	242,805			12,083
									282,950
<u>1,022</u>	<u>77,146</u>	<u>217,648</u>	<u>19,730</u>	<u>42,967</u>	<u>358,513</u>	<u>248,337</u>	<u>14,073</u>	<u>298,040</u>	<u>1,622,674</u>
									358,848
									142,060
									129,704
									3,685
66,219	85,873	47,546	18,863	42,501	261,002	75	12,547	315,276	261,002
						86,568			349,394
									86,568
<u>66,219</u>	<u>85,873</u>	<u>47,546</u>	<u>18,863</u>	<u>42,501</u>	<u>261,002</u>	<u>86,643</u>	<u>12,547</u>	<u>315,276</u>	<u>1,331,261</u>
<u>(65,197)</u>	<u>(8,727)</u>	<u>170,102</u>	<u>867</u>	<u>466</u>	<u>97,511</u>	<u>161,694</u>	<u>1,526</u>	<u>(17,236)</u>	<u>291,413</u>
									96,076
						15,000		35,000	(26,076)
						(26,076)			
									70,000
						(11,076)		35,000	
(65,197)	(8,727)	170,102	867	466	97,511	150,618	1,526	17,764	361,413
111,794	81,546	71,725	11,985	6,157	283,207	157,995	52,589	(15,123)	1,712,155
<u>\$ 46,597</u>	<u>\$ 72,819</u>	<u>\$ 241,827</u>	<u>\$ 12,852</u>	<u>\$ 6,623</u>	<u>\$ 380,718</u>	<u>\$ 308,613</u>	<u>\$ 54,115</u>	<u>\$ 2,641</u>	<u>\$ 2,073,568</u>

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND (614 & 615)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts			Variance with	2014 Actual Amounts
	Original	Final	General	Mill Rate	Total	Final Budget Positive (Negative)	
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 30,064	\$	\$ 30,064	\$ 64	\$ 30,026
Intergovernmental Revenues							
Fire relief aid	18,000	34,400	34,414		34,414	14	30,921
Volunteer retention stipend			13,000		13,000	13,000	
County & grant aid	2,500	2,500	3,996		3,996	1,496	4,943
Total Intergovernmental revenues	20,500	36,900	51,410		51,410	14,510	35,864
Charges For Services							
Township contributions	59,092	59,092		59,092	59,092		59,092
Fire calls, contracts and water hauling	11,800	11,800	18,035		18,035	6,235	15,816
Total Charges For Services	70,892	70,892	18,035	59,092	77,127	6,235	74,908
Interest Income							
	4,500	4,500	2,974	6,214	9,188	4,688	11,948
Miscellaneous Revenues							
Donations	17,500	17,500	21,415		21,415	3,915	20,260
TOTAL REVENUES	143,392	159,792	123,898	65,306	189,204	29,412	173,006
EXPENDITURES							
Public Safety							
Salaries	13,000	17,500	17,898		17,898	(398)	15,815
Fire relief aid	21,050	37,650	37,693		37,693	(43)	34,040
Volunteer retention stipend			13,000		13,000	(13,000)	
Office supplies	400	400	155		155	245	204
Meeting and conferences	9,000	9,000	8,206		8,206	794	10,420
General supplies	9,350	8,350	6,166		6,166	2,184	7,837
Professional services	950	950	950		950		950
Telephone	1,000	1,000	818		818	182	828
Insurance	10,400	9,600	8,799		8,799	801	8,696
Utilities	5,000	5,000	4,155		4,155	845	4,628
Benefit dances	900	900	1,238		1,238	(338)	1,211
Repairs and maintenance	3,750	3,300	561	1,898	2,459	841	1,953
Dues, subscriptions and fees	1,400	1,400	1,346		1,346	54	1,495
Miscellaneous	11,100	10,100	5,106	1,666	6,772	3,328	10,665
Capital outlay	17,000	17,000	204	675	879	16,121	21,637
TOTAL EXPENDITURES	104,300	122,150	106,295	4,239	110,534	11,616	120,379
Excess revenues over expenditures	39,092	37,642	17,603	61,067	78,670	41,028	52,627
OTHER FINANCING SOURCES							
Transfers in	20,000	20,000	20,000		20,000		26,825
Total other financing sources	20,000	20,000	20,000		20,000		26,825
Net change in fund balance	59,092	57,642	37,603	61,067	98,670	41,028	79,452
FUND BALANCES, BEGINNING	729,964	729,964	307,299	422,665	729,964		650,512
FUND BALANCES, ENDING	\$ 789,056	\$ 787,606	\$ 344,902	\$ 483,732	\$ 828,634	\$ 41,028	\$ 729,964

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 88,000	\$ 88,000	\$ 87,920	\$ (80)	\$ 88,011
Intergovernmental Revenues					
County apportionment and other revenue	30,000	30,000	33,022	3,022	33,274
Local government aid	20,000	20,000	20,000		20,000
Total Intergovernmental Revenues	50,000	50,000	53,022	3,022	53,274
Interest Income					
	50	50	285	235	343
Miscellaneous Revenues					
Refund of capital campaign donations					182
Fines, books and other	5,000	5,000	10,670	5,670	5,198
Total Miscellaneous Revenues	5,000	5,000	10,670	5,670	5,380
TOTAL REVENUES	143,050	143,050	151,897	8,847	147,008
EXPENDITURES					
Library					
Salaries	93,300	93,300	88,821	4,479	85,373
Employee benefits and retirement	14,150	14,150	13,262	888	12,318
Office supplies	1,000	1,000	601	399	423
General supplies	3,000	3,000	3,314	(314)	2,258
Professional services	750	750	750		750
Telephone	750	1,000	1,008	(8)	770
Insurance	2,000	2,000	1,694	306	1,603
Utilities	2,400	2,400	1,782	618	2,250
Repairs and maintenance	1,100	2,200	1,304	896	664
Dues, subscriptions and fees	1,600	1,600	1,782	(182)	1,036
Contracted equipment	6,700	4,400	4,384	16	3,894
Computer line fee	6,800	7,500	7,499	1	6,952
Programs and training	3,150	3,650	3,503	147	3,904
Capital outlay	19,500	22,500	21,496	1,004	17,499
TOTAL EXPENDITURES	156,200	159,450	151,200	8,250	139,694
Excess (deficit) of revenues over (under) expenditures	(13,150)	(16,400)	697	17,097	7,314
FUND BALANCES, BEGINNING	224,744	224,744	224,744		217,430
FUND BALANCES, ENDING	\$ 211,594	\$ 208,344	\$ 225,441	\$ 17,097	\$ 224,744

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Volunteer retention stipend			3,000	3,000	
Federal grants and aids					11,082
Total Intergovernmental revenues	4,500	4,500	7,500	3,000	15,582
Charges For Services					
Fees from runs	155,000	155,000	164,703	9,703	143,556
City and township contracts	16,324	16,324	16,324		16,324
Total Charges For Services	171,324	171,324	181,027	9,703	159,880
Interest Income					
	500	500	1,486	986	1,633
Miscellaneous Revenues					
Other	5,300	5,300	4,897	(403)	6,361
Total Miscellaneous revenues	5,300	5,300	4,897	(403)	6,361
TOTAL REVENUES	181,624	181,624	194,910	13,286	183,456
EXPENDITURES					
Public Safety					
Salaries	64,606	64,606	59,073	5,533	58,858
Employee benefits and retirement	8,000	8,000	7,231	769	6,997
Volunteer retention stipend			3,000	(3,000)	
Office supplies	950	950	564	386	607
Meeting and conferences	15,500	12,000	9,154	2,846	10,738
Gas, oil and supplies	5,000	5,000	3,626	1,374	5,192
General supplies	11,150	12,350	11,771	579	11,722
Professional services	1,300	1,300	1,300		1,200
Telephone	1,200	1,200	935	265	1,128
Insurance	5,550	5,350	4,969	381	4,939
Utilities	3,800	3,800	2,964	836	3,054
Repairs and maintenance	3,250	6,750	5,625	1,125	3,366
Dues, subscriptions and fees	8,000	7,500	6,467	1,033	6,799
Miscellaneous	4,200	4,200	2,181	2,019	2,505
Bad debt					1,002
Capital outlay	3,000	132,454	129,454	3,000	41,761
TOTAL EXPENDITURES	135,506	265,460	248,314	17,146	159,868
Excess of revenues over expenditures	46,118	(83,836)	(53,404)	30,432	23,588
FUND BALANCES, BEGINNING	245,104	245,104	245,104		221,516
FUND BALANCES, ENDING	\$ 291,222	\$ 161,268	\$ 191,700	\$ 30,432	\$ 245,104

**CITY OF RUSHFORD, MINNESOTA
COMMUNITY CENTER FUND (213)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$	\$	\$ 2	\$ 2	\$ 2
Intergovernmental Revenues					
Local government aid					20,000
Interest Income (Expense)			(18)	(18)	(89)
TOTAL REVENUES			(16)	(16)	19,913
EXPENDITURES					
General Government					
Contractual services	16,000	16,000	225	15,775	540
Insurance	1,200	1,200	1,210	(10)	1,012
Utilities	2,800	2,800	2,250	550	4,146
TOTAL EXPENDITURES	20,000	20,000	3,685	16,315	5,698
Excess (deficit) of revenues over (under) expenditures	(20,000)	(20,000)	(3,701)	16,299	14,215
OTHER FINANCING SOURCES					
Transfer in		26,100	26,076	(24)	
Net change in fund balance	(20,000)	6,100	22,375	16,275	14,215
FUND BALANCES, BEGINNING	(22,375)	(22,375)	(22,375)		(36,590)
FUND BALANCES, ENDING	\$ (42,375)	\$ (16,275)	\$	\$ 16,275	\$ (22,375)

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 5,000	\$ 5,000	\$ 5,117	\$ 117	\$ 212
Intergovernmental Revenues					
State grants	273,250	367,250	121,354	(245,896)	273,422
Local government aid	10,000	10,000	10,000		10,000
Total Intergovernmental revenues	283,250	377,250	131,354	(245,896)	283,422
Charges for Services					
Land leases	12,400	12,400	12,565	165	7,113
Hangar rentals	13,320	13,320	13,620	300	12,700
Fuel and utilities	1,300	1,300	1,677	377	1,431
Total Charges For Services	27,020	27,020	27,862	842	21,244
Interest Income					
			220	220	123
Miscellaneous Revenues					
			3,163	3,163	938
TOTAL REVENUES	315,270	409,270	167,716	(241,554)	305,939
EXPENDITURES					
Airport					
Salaries	5,800	5,800	5,800		5,500
General supplies	1,500	1,700	2,029	(329)	49
Fuel	1,800	1,000	794	206	1,562
Professional services	700	1,300	1,610	(310)	700
Insurance	10,000	9,400	8,617	783	8,495
Utilities	4,850	4,850	4,037	813	4,389
Repairs and maintenance	5,200	5,300	2,441	2,859	1,329
Dues, subscriptions and fees	1,600	1,600	1,389	211	1,905
Taxes on property	550	900	839	61	544
Miscellaneous	500	500		500	339
Capital outlay	275,000	135,000	114,504	20,496	297,029
TOTAL EXPENDITURES	307,500	167,350	142,060	25,290	321,841
Excess (deficit) of revenues over (under) expenditures	7,770	241,920	25,656	(216,264)	(15,902)
FUND BALANCES, BEGINNING	56,050	56,050	56,050		71,952
FUND BALANCES, ENDING	\$ 63,820	\$ 297,970	\$ 81,706	\$ (216,264)	\$ 56,050

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, 2015
With Comparative Totals for December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$	\$	\$ 77	\$ 77	\$ 16
Local government aid	5,000	5,000	5,000		5,000
Interest income			455	455	221
LMC share of settlement					25,000
Sale of land and building			239,700	239,700	15,000
Miscellaneous			3,105	3,105	757
TOTAL REVENUES	5,000	5,000	248,337	243,337	45,994
EXPENDITURES					
Economic Development					
Salaries	16,000	16,000	16,000		16,000
Employee benefits and retirement	150	150	83	67	75
General supplies	950	950	744	206	711
Professional service	9,300	9,300	4,022	5,278	36,280
Telephone	1,000	1,000	931	69	1,038
Utilities			968	(968)	270
Insurance	1,500	2,000	2,039	(39)	1,347
License, dues and subscriptions	4,000	5,000	5,002	(2)	1,956
Settlement					150,000
Miscellaneous	900	900	481	419	286
Capital outlay	5,000	5,000	75	4,925	95
Micro grant program	2,000	2,000	2,004	(4)	6,480
Contracted services	41,200	57,200	54,294	2,906	31,926
TOTAL EXPENDITURES	82,000	99,500	86,643	12,857	246,464
Excess (deficiency) of revenues over (under) expenditures	(77,000)	(94,500)	161,694	256,194	(200,470)
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	15,000	15,000		11,000
Transfers out		(26,100)	(26,076)	24	
Total other financing sources (uses)	15,000	(11,100)	(11,076)	24	11,000
Net change in fund balances	(62,000)	(105,600)	150,618	256,218	(189,470)
FUND BALANCES, Beginning	157,995	157,995	157,995		347,465
FUND BALANCES, Ending	\$ 95,995	\$ 52,395	\$ 308,613	\$ 256,218	\$ 157,995

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CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

DECEMBER 31, 2015

**CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Net Position
December 31, 2015 and 2014**

	2015	2014
ASSETS		
Property and Equipment		
Building	\$ 766,148	\$ 766,148
Furniture and equipment	11,496	11,496
Total	777,644	777,644
Less: Accumulated depreciation	148,349	127,454
Net Property, Plant and Equipment	629,295	650,190
TOTAL ASSETS	\$ 629,295	\$ 650,190
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 148	\$ 104
Due to other funds		445
Advances from other funds	170,892	166,042
Total Liabilities	171,040	166,591
Net Position	458,255	483,599
TOTAL LIABILITIES AND NET POSITION	\$ 629,295	\$ 650,190

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014

	2015	2014
Operating Expenses		
Utilities	\$ 1,902	\$ 3,044
Supplies		370
Contracted services	288	313
Telephone	445	435
Insurance	1,806	1,794
Depreciation	20,895	21,016
Total Operating Expenses	25,336	26,972
 Operating Income (Loss)	 (25,336)	 (26,972)
Nonoperating Revenue and (Expense)		
Interest expense	(8)	(164)
Rental income		170
Total Nonoperating Revenue and (Expense)	(8)	6
Net Loss before Extraordinary Item	(25,344)	(26,966)
 Extraordinary item		11,966
Change in Net Position	(25,344)	(15,000)
Net Position, Beginning of Year	483,599	498,599
Net Position, End of Year	\$ 458,255	\$ 483,599

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (604)
ELECTRIC DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014**

	2015		Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,839,000	\$ 1,712,330	\$ (126,670)	\$ 1,823,745
Operating Expenses				
Cost of Production				
Purchased power	1,252,000	1,159,703	92,297	1,202,559
Distribution				
Salaries	7,000	2,479	4,521	5,791
Gas, oil and supplies	1,500	501	999	1,581
General supplies	2,000	1,228	772	958
Repairs and maintenance	12,550	2,515	10,035	32,707
Professional services	25,000	595	24,405	1,442
Depreciation and amortization	138,667	138,667		135,618
Total Distribution	186,717	145,985	40,732	178,097
General Administration				
Salaries	206,000	205,282	718	196,611
Employee benefits and retirement	32,000	42,003	(10,003)	28,430
Office supplies and expense	1,200	1,224	(24)	900
Professional services	5,450	5,373	77	4,499
Postage	7,000	3,584	3,416	4,398
Printing and publishing	1,100	627	473	565
Insurance	11,000	10,777	223	6,449
Dues, subscriptions and fees	5,800	5,215	585	5,749
Miscellaneous	31,625	4,473	27,152	3,929
Total General Administration	301,175	278,558	22,617	251,530
Total Operating Expenses	1,739,892	1,584,246	155,646	1,632,186
Operating Income	99,108	128,084	28,976	191,559
Nonoperating Revenue and (Expense)				
Interest expense	(20,886)	(19,667)	1,219	(16,348)
Interest income	1,000	3,155	2,155	3,818
Penalty income	16,000	14,487	(1,513)	14,340
Service fee - refuse billings	4,000	7,750	3,750	3,486
Compost site fees	2,000	2,713	713	2,783
Loss on disposal of assets				(2,388)
Miscellaneous income	9,800	9,592	(208)	10,581
Total Other Income (Expense)	11,914	18,030	6,116	16,272
Net Income Before Transfers	111,022	146,114	35,092	207,831
Extraordinary item				(56,977)
Transfers out	(385,000)	(385,000)		(50,000)
Change in Net Position	(273,978)	(238,886)	35,092	100,854
Net Position, Beginning, as originally stated	2,465,148	2,465,148		2,364,294
Restatement (Note 14)		(173,805)	(173,805)	
Net Position, as restated	2,465,148	2,291,343	(173,805)	2,364,294
Net Position, Ending	\$ 2,191,170	\$ 2,052,457	\$ (138,713)	\$ 2,465,148

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (601)
WATER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014**

	2015		Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 552,000	\$ 570,056	\$ 18,056	\$ 585,708
Operating Expenses				
Distribution				
Salaries	75,150	66,535	8,615	67,186
Utilities and fuel oil	26,300	22,088	4,212	27,052
Gas, oil and supplies	11,500	5,677	5,823	8,453
General supplies	1,500	835	665	684
Repairs and maintenance	4,500	2,785	1,715	10,247
Professional services	10,000	2,721	7,279	5,737
Depreciation and amortization	210,481	210,481		210,286
Sewage and water testing	950	841	109	853
Total Distribution	<u>340,381</u>	<u>311,963</u>	<u>28,418</u>	<u>330,498</u>
General Administration				
Salaries	39,100	37,994	1,106	36,724
Employee benefits and retirement	16,955	22,047	(5,092)	15,203
Office supplies and expense	600	463	137	449
Professional services	5,500	5,410	90	9,211
Postage	150	125	25	132
Printing and publishing	900	793	107	775
Insurance	6,750	6,615	135	6,468
Dues, subscriptions and fees	4,200	4,001	199	4,192
Miscellaneous	4,650	21,527	(16,877)	1,801
Total General Administration	<u>78,805</u>	<u>98,975</u>	<u>(20,170)</u>	<u>74,955</u>
Total Operating Expenses	<u>419,186</u>	<u>410,938</u>	<u>8,248</u>	<u>405,453</u>
Operating Income	<u>132,814</u>	<u>159,118</u>	<u>26,304</u>	<u>180,255</u>
Nonoperating Revenue and (Expense)				
Interest expense	(36,369)	(34,566)	1,803	(38,983)
Interest income		1,229	1,229	925
Grants				385,231
Miscellaneous income	500	794	294	8,623
Total Other Income (Expense)	<u>(35,869)</u>	<u>(32,543)</u>	<u>3,326</u>	<u>355,796</u>
Net Income Before Transfers	<u>96,945</u>	<u>126,575</u>	<u>29,630</u>	<u>536,051</u>
Extraordinary item				(177,113)
Transfers out	(16,000)	(16,000)		(91,607)
Change in Net Position	<u>80,945</u>	<u>110,575</u>	<u>29,630</u>	<u>267,331</u>
Net Position, Beginning, as originally stated	<u>2,156,461</u>	<u>2,156,461</u>		<u>1,889,130</u>
Restatement (Note 14)		(89,798)	(89,798)	
Net Position, as restated	<u>2,156,461</u>	<u>2,066,663</u>	<u>(89,798)</u>	<u>1,889,130</u>
Net Position, Ending	<u>\$ 2,237,406</u>	<u>\$ 2,177,238</u>	<u>\$ (60,168)</u>	<u>\$ 2,156,461</u>

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (602)
SEWER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2015
With Comparative Totals for December 31, 2014**

	2015		Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 492,200	\$ 492,406	\$ 206	\$ 441,867
Revenues related to Rushford Village	44,000	40,951	(3,049)	38,948
Total Operating Revenues	<u>536,200</u>	<u>533,357</u>	<u>(2,843)</u>	<u>480,815</u>
Operating Expenses				
Distribution				
Salaries	134,800	128,278	6,522	121,917
Utilities and fuel oil	57,200	50,025	7,175	55,453
Gas, oil and supplies	2,500	693	1,807	1,328
General supplies	5,500	5,073	427	5,257
Professional services	35,000	16,405	18,595	25,588
Repairs and maintenance	10,800	7,556	3,244	3,526
Depreciation	187,032	187,032		186,389
Sewage and water testing	7,800	7,397	403	7,133
Total Distribution	<u>440,632</u>	<u>402,459</u>	<u>38,173</u>	<u>406,591</u>
General Administration				
Salaries	30,600	29,538	1,062	28,509
Employee benefits and retirement	4,555	4,510	45	4,409
Professional services	8,000	5,446	2,554	10,738
Printing and publishing	1,300	886	414	703
Insurance	13,600	12,898	702	11,868
Dues, subscriptions and fees	3,400	3,059	341	3,286
Miscellaneous	3,100	2,985	115	2,527
Total General Administration	<u>64,555</u>	<u>59,322</u>	<u>5,233</u>	<u>62,040</u>
Total Operating Expenses	<u>505,187</u>	<u>461,781</u>	<u>43,406</u>	<u>468,631</u>
Operating Income	<u>31,013</u>	<u>71,576</u>	<u>40,563</u>	<u>12,184</u>
Nonoperating Revenue and (Expense)				
Interest expense	(21,099)	(19,949)	1,150	(22,227)
Interest income		1,201	1,201	310
Miscellaneous income	200		(200)	531
Total Other Income (Expense)	<u>(20,899)</u>	<u>(18,748)</u>	<u>2,151</u>	<u>(21,386)</u>
Net Income Before Extraordinary Item and Transfers	<u>10,114</u>	<u>52,828</u>	<u>42,714</u>	<u>(9,202)</u>
Extraordinary item				430,111
Transfers in	500,000	500,000		
Transfers out	(33,000)	(33,000)		(95,173)
Change in Net Position	<u>477,114</u>	<u>519,828</u>	<u>42,714</u>	<u>325,736</u>
Net Position, Beginning, as originally stated	<u>1,324,856</u>	<u>1,324,856</u>		<u>999,120</u>
Restatement (Note 14)		(116,927)	(116,927)	
Net Position, as restated	<u>1,324,856</u>	<u>1,207,929</u>	<u>(116,927)</u>	<u>999,120</u>
Net Position, Ending	<u>\$ 1,801,970</u>	<u>\$ 1,727,757</u>	<u>\$ (74,213)</u>	<u>\$ 1,324,856</u>

**CITY OF RUSHFORD, MINNESOTA
PFA WATER LOAN OF 1999, 2008, 2010 AND 2014
LOAN RETIREMENT DEBT SERVICE FUND
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2015 and 2014**

	2015	2014
Revenues	\$ 256,301	\$ 186,517
Expenditures		
Principal	182,638	166,000
Interest	30,427	32,156
Total expenditures	213,065	198,156
Excess Revenues	43,236	(11,639)
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	43,236	(11,639)
Fund Balance, January 1	355,582	367,221
Fund Balance, December 31	\$ 398,818	\$ 355,582

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CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2015

CHANGE FUNDS	<u>\$ 18</u>
CHECKING ACCOUNTS	
<i>Merchants Bank</i>	
General checking account	262,090
Sweep account	4,541,794
<i>Rushford State Bank:</i>	
General checking account	<u>774,930</u>
TOTAL CHECKING ACCOUNTS	<u>5,578,814</u>
SAVINGS ACCOUNTS	
<i>Merchants Bank:</i>	
Money market funds account	<u>494,773</u>
DEPOSITS HELD BY FISCAL AGENTS	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	82,313
Investment held with fiscal agent	<u>2,243,354</u>
TOTAL DEPOSITS HELD BY FISCAL AGENTS	<u>2,325,667</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS	<u><u>\$ 8,399,272</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2015

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Rushford State Bank</i> Certificate	3.65%	<u>\$ 16,010</u>
TOTAL INVESTMENTS		<u>16,010</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS		<u>8,399,272</u>
TOTAL CASH AND INVESTMENTS, December 31, 2015		<u><u>\$ 8,415,282</u></u>

CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2015

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 72,143	\$ 4,417	\$ 76,560
2017	74,527	1,922	76,449
TOTAL	\$ 146,670	\$ 6,339	\$ 153,009

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 47,000	\$ 5,958	\$ 52,958
2017	48,000	4,530	52,530
2018	50,000	3,070	53,070
2019	51,000	1,550	52,550
TOTAL	\$ 196,000	\$ 15,108	\$ 211,108

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 70,000	\$ 12,260	\$ 82,260
2017	75,000	9,636	84,636
2018	80,000	6,560	86,560
2019	80,000	3,280	83,280
TOTAL	\$ 305,000	\$ 31,736	\$ 336,736

\$400,000 SERIES 2007A
 WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 44,000	\$ 5,865	\$ 49,865
2017	46,000	3,995	49,995
2018	48,000	2,040	50,040
TOTAL	\$ 138,000	\$ 11,900	\$ 149,900

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 68,000	\$ 11,924	\$ 79,924
2017	69,000	11,005	80,005
2018	70,000	10,072	80,072
2019	71,000	9,126	80,126
2020	72,000	8,166	80,166
2021	73,000	7,192	80,192
2022	74,000	6,205	80,205
2023	75,000	5,205	80,205
2024	76,000	4,191	80,191
2025	77,000	3,163	80,163
2026	78,000	2,122	80,122
2027	79,000	1,068	80,068
TOTAL	\$ 882,000	\$ 79,439	\$ 961,439

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 58,000	\$ 8,610	\$ 66,610
2017	58,000	8,030	66,030
2018	59,000	7,450	66,450
2019	59,000	6,860	65,860
2020	60,000	6,270	66,270
2021	60,000	5,670	65,670
2022	61,000	5,070	66,070
2023	62,000	4,460	66,460
2024	62,000	3,840	65,840
2025	63,000	3,220	66,220
2026	64,000	2,590	66,590
2027	64,000	1,950	65,950
2028	65,000	1,310	66,310
2029	66,000	660	66,660
TOTAL	\$ 861,000	\$ 65,990	\$ 926,990

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 73,000	\$ 12,848	\$ 85,848
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	\$ 1,177,000	\$ 105,426	\$ 1,282,426

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 13,000	\$ 2,698	\$ 15,698
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	\$ 158,813	\$ 23,888	\$ 182,701

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 23,000	\$ 6,657	\$ 29,657
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	\$ 334,806	\$ 46,237	\$ 381,043

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
2016	\$ 105,000	\$ 91,323	\$ 196,323
2017	110,000	87,961	197,961
2018	115,000	84,305	199,305
2019	120,000	80,336	200,336
2020	120,000	76,136	196,136
2021	130,000	71,696	201,696
2022	135,000	66,825	201,825
2023	140,000	61,494	201,494
2024	145,000	55,794	200,794
2025	150,000	49,894	199,894
2026	160,000	43,494	203,494
2027	165,000	36,588	201,588
2028	175,000	29,254	204,254
2029	180,000	21,488	201,488
2030	190,000	13,275	203,275
2031	200,000	4,500	204,500
TOTAL	\$2,340,000	\$ 874,363	\$ 3,214,363

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 25,000	\$ 18,725	\$ 43,725
2017	25,000	18,450	43,450
2018	25,000	18,094	43,094
2019	25,000	17,656	42,656
2020	25,000	17,219	42,219
2021	30,000	16,663	46,663
2022	30,000	15,988	45,988
2023	30,000	15,313	45,313
2024	30,000	14,615	44,615
2025	35,000	13,835	48,835
2026	35,000	12,995	47,995
2027	35,000	12,094	47,094
2028	35,000	11,131	46,131
2029	40,000	10,100	50,100
2030	40,000	8,950	48,950
2031	40,000	7,750	47,750
2032	45,000	6,475	51,475
2033	45,000	4,900	49,900
2034	50,000	3,000	53,000
2035	50,000	1,000	51,000
TOTAL	\$ 695,000	\$ 244,951	\$ 939,951

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 45,000	\$ 39,590	\$ 84,590
2017	50,000	38,640	88,640
2018	50,000	37,490	87,490
2019	50,000	36,190	86,190
2020	50,000	34,790	84,790
2021	55,000	33,215	88,215
2022	55,000	31,455	86,455
2023	55,000	29,585	84,585
2024	60,000	27,540	87,540
2025	60,000	25,320	85,320
2026	65,000	22,943	87,943
2027	65,000	20,408	85,408
2028	70,000	17,670	87,670
2029	70,000	14,730	84,730
2030	75,000	11,610	86,610
2031	80,000	8,200	88,200
2032	80,000	4,600	84,600
2033	60,000	1,380	61,380
TOTAL	\$ 1,095,000	\$ 435,355	\$ 1,530,355

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2015**

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 17,660	\$ 24,840	\$ 42,500
2017	18,543	23,958	42,501
2018	19,470	23,030	42,500
2019	20,443	22,058	42,501
2020	21,466	21,034	42,500
2021	22,539	19,962	42,501
2022	23,666	18,834	42,500
2023	24,849	17,652	42,501
2024	26,092	16,408	42,500
2025	27,396	15,105	42,501
2026	28,766	13,734	42,500
2027	30,204	12,297	42,501
2028	31,715	10,785	42,500
2029	33,300	9,201	42,501
2030	34,965	7,535	42,500
2031	36,714	5,787	42,501
2032	38,549	3,951	42,500
2033	40,476	2,025	42,501
TOTAL	\$ 496,813	\$ 268,196	\$ 765,009

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 50,000	\$ 43,635	\$ 93,635
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	\$ 1,300,000	\$ 544,897	\$ 1,844,897

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2015**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$	\$ 57,075	\$ 57,075
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	\$ 577,887	\$ 2,817,887

**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, 2015, 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 4, 2016.

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. 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 2015-001 described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rushford, Minnesota's financial statements are free 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, Schafn and Associates, Ltd.

Rochester, Minnesota
May 4, 2016

**CITY OF RUSHFORD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2015-001 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:

Mayor Chris Hallum 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.

**CITY OF RUSHFORD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

**2013-001
2014-001**

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.

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2016.

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.

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

- The City was under collateralized with regard to the City cash deposits at December 31, 2015 as required by Minnesota State Statute. This under collateralization has been corrected and the City is properly collateralized as of May 4, 2016.

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, Schaffer and Associates, Ltd.

Rochester, Minnesota
May 4, 2016