

**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**



**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2017**

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS  
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**CITY OF RUSHFORD, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2017**

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**CITY OF RUSHFORD, MINNESOTA**

**CITY OFFICIALS  
AS OF DECEMBER 31, 2017**

Elected

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

Appointed

Tony Chladek	City Administrator
Kathy Zacher	Clerk-Treasurer

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**CITY OF RUSHFORD, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rushford, Minnesota, as of and for the year ended December 31, 2017, 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, 2017, and the respective changes in financial position and cash flows thereof, and the respective budgetary comparisons for the General Fund, EDA Revolving Loan Fund, Business Flood Recovery Loan Program Fund, Airport Fund, and Capital Improvements Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2016, from which such partial information was derived.

We have previously audited the City's 2016 financial statements and our report dated May 2, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

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

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

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

Honorable Mayor and Members  
of the City Council  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, 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  
April 26, 2018

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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, 2017.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Rushford, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$27,470,824 (*net position*). Of this amount, \$3,901,790 (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 \$1,035,821 primarily due to increased depreciation and an increase in flood loan forgiveness.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$623,550 or 91 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%. After a recent bond study, Standard & Poors recommended the City increase and maintain the general fund balance above \$500,000. A combination of increased levy, one-time revenue, and decreased expenses has helped the City reach this goal. Continued efforts will be taken to maintain the status.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$6,976,920. Approximately 72 percent of this total amount, or \$5,041,197 is nonspendable, restricted, or otherwise committed.
- The City of Rushford, Minnesota decreased total outstanding debt by \$2,868,292 during the current fiscal year retiring one refunding bond in an escrow account and leaving one refunding bond of which \$958,665 is 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, and library. The business-type activities of the City of Rushford, Minnesota includes the liquor, electric, water, and sewer funds. The government-wide financial statements can be found on pages 17-19 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rushford, Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rushford, Minnesota can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Rushford, Minnesota maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, EDA revolving loan fund, business flood recovery loan program fund, airport operations fund, capital improvements fund, and the 2009 Improvement Project fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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), airport fund (page 34), capital improvements fund (page 35), and the special revenue and selected capital project funds (pages 76-79) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 20-25 of this report.

**Proprietary funds.** The City of Rushford, Minnesota maintains one type of proprietary fund – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Rushford, Minnesota uses enterprise funds to account for its liquor, electric, water, and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the liquor, electric, water, and sewer funds, all of which are considered to be major funds of the City of Rushford, Minnesota. The basic proprietary fund financial statements can be found on pages 36-39 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-68 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 72-75 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 \$27,470,824 at the end of the most recent year.

A portion of the City of Rushford, Minnesota's net position (52 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 14,163,114	\$ 17,688,558	\$ 1,657,581	\$ 1,307,972	\$ 15,820,695	\$ 18,996,530
Capital assets	15,264,118	15,140,388	8,958,413	9,782,448	24,222,531	24,922,836
Total assets	<u>29,427,232</u>	<u>32,828,946</u>	<u>10,615,994</u>	<u>11,090,420</u>	<u>40,043,226</u>	<u>43,919,366</u>
Deferred outflows of resources	64,718	703,856	49,794	246,289	114,512	950,145
Long-term liabilities outstanding	8,157,861	11,172,227	3,719,939	4,321,305	11,877,800	15,493,532
Other liabilities	308,919	376,063	319,008	263,868	627,927	639,931
Total liabilities	<u>8,466,780</u>	<u>11,548,290</u>	<u>4,038,947</u>	<u>4,585,173</u>	<u>12,505,727</u>	<u>16,133,463</u>
Deferred inflows of resources	146,259	138,285	34,928	91,118	181,187	229,403
Net position:						
Net investment in capital assets	8,563,867	8,209,867	5,585,318	5,389,548	14,149,185	13,599,415
Restricted	8,959,003	12,059,893	460,846	769,252	9,419,849	12,829,145
Unrestricted	<u>3,356,041</u>	<u>1,576,467</u>	<u>545,749</u>	<u>501,618</u>	<u>3,901,790</u>	<u>2,078,085</u>
Total net position	<u>\$20,878,911</u>	<u>\$ 21,846,227</u>	<u>\$ 6,591,913</u>	<u>\$ 6,660,418</u>	<u>\$27,470,824</u>	<u>\$ 28,506,645</u>

An additional portion of the City of Rushford, Minnesota's net position, \$9,419,849 (34 percent) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$4,549,724 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$3,901,790 (14 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 \$967,316. 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 increased flood loan forgiveness.

**Business-type activities.** Business-type activities decreased the City of Rushford, Minnesota's net position by \$68,505.

A condensed version of the Statement of Activities follows:

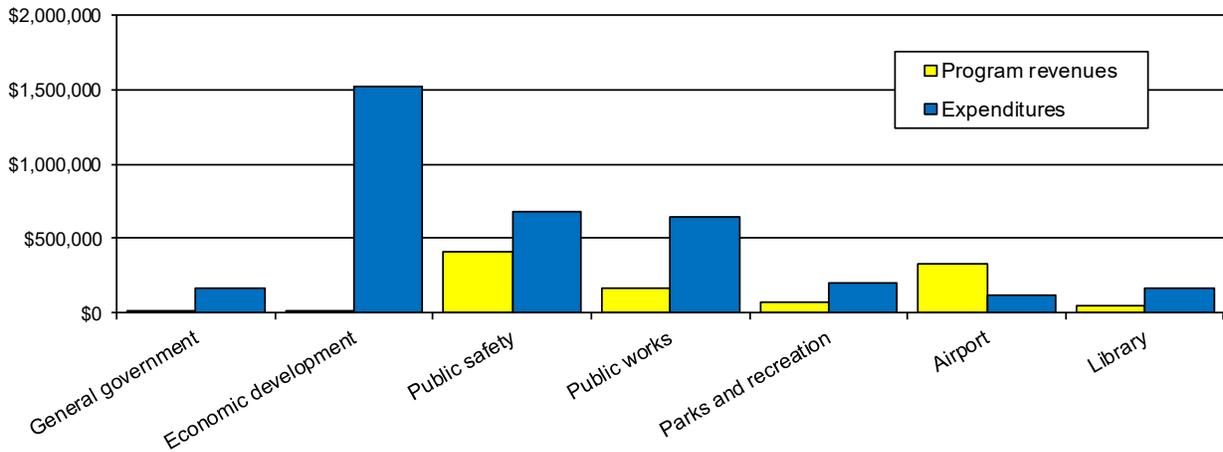
**City of Rushford, Minnesota's Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 392,284	\$ 372,951	\$ 3,083,611	\$ 2,919,804	\$ 3,475,895	\$ 3,292,755
Operating grants and contributions	152,214	143,008			152,214	143,008
Capital grants and contributions	492,424	443,784			492,424	443,784
General revenues:						
Property taxes	893,788	742,157			893,788	742,157
Tax increment revenues	15,193	14,033			15,193	14,033
Grants and contributions not restricted to specific programs						
Local government aid	589,633	589,176			589,633	589,176
Other	8,764	9,732			8,764	9,732
Miscellaneous	249,750	189,451	31,130	39,898	280,880	229,349
Total revenues	<u>2,794,050</u>	<u>2,504,292</u>	<u>3,114,741</u>	<u>2,959,702</u>	<u>5,908,791</u>	<u>5,463,994</u>
Expenses:						
General government	158,515	163,807			158,515	163,807
Economic development	1,516,452	910,089			1,516,452	910,089
Public safety	682,690	745,463			682,690	745,463
Public works	640,142	477,581			640,142	477,581
Parks and recreation	203,481	195,050			203,481	195,050
Airport	118,345	120,781			118,345	120,781
Library	165,826	163,049			165,826	163,049
Interest on long-term debt	234,779	392,562			234,779	392,562
Liquor			600,151	33,175	600,151	33,175
Utilities			2,624,231	2,547,816	2,624,231	2,547,816
Total expenses	<u>3,720,230</u>	<u>3,168,382</u>	<u>3,224,382</u>	<u>2,580,991</u>	<u>6,944,612</u>	<u>5,749,373</u>
Increase (Decrease) in net position before transfers	(926,180)	(664,090)	(109,641)	378,711	(1,035,821)	(285,379)
Transfers	(41,136)	134,000	41,136	(134,000)		
Change in net position	(967,316)	(530,090)	(68,505)	244,711	(1,035,821)	(285,379)
Net position - beginning	21,846,227	22,376,317	6,660,418	6,415,707	28,506,645	28,792,024
Net position, ending	<u>\$20,878,911</u>	<u>\$ 21,846,227</u>	<u>\$ 6,591,913</u>	<u>\$ 6,660,418</u>	<u>\$ 27,470,824</u>	<u>\$ 28,506,645</u>

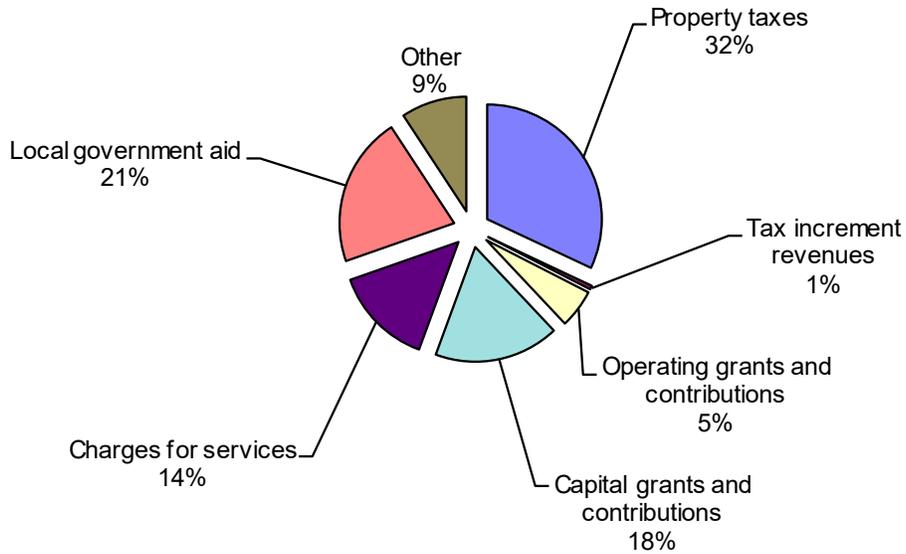
## CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



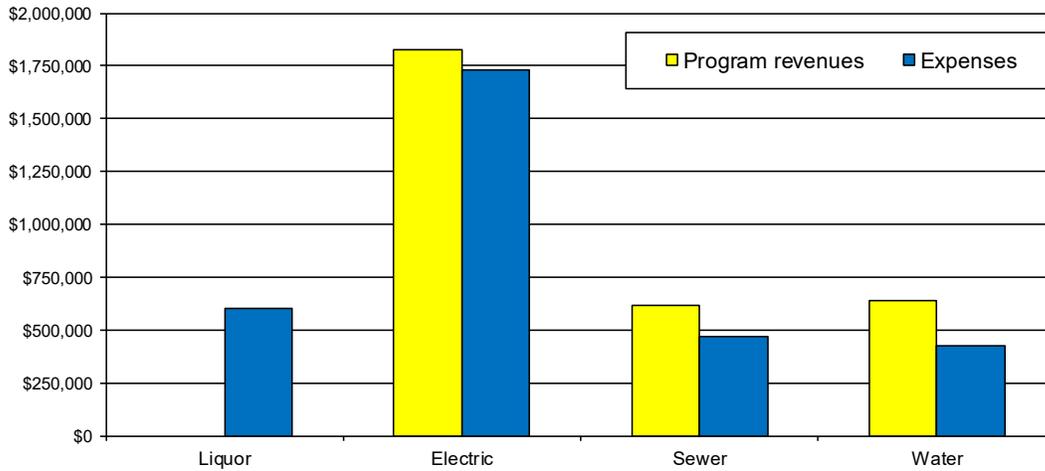
### Revenues by Source - Governmental Activities



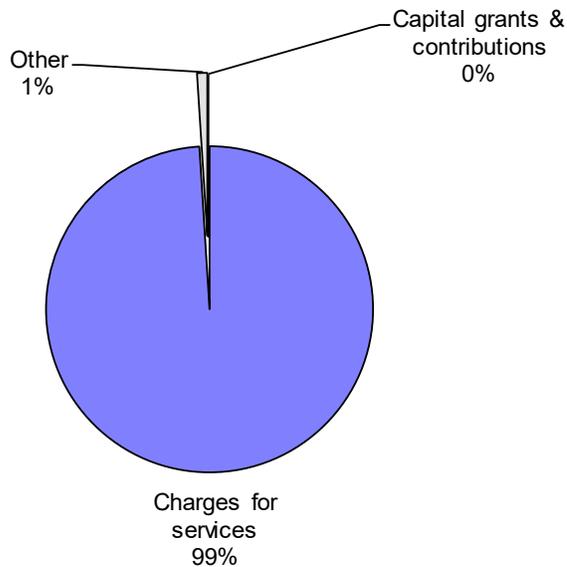
**CITY OF RUSHFORD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 – represents 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 – reports 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 \$6,976,920, a decrease of \$1,832,529. The City of Rushford, Minnesota ended the year with \$623,550 in *unassigned fund balance* and \$3,958,433 of governmental fund balance is *restricted* or *nonspendable*, \$1,082,764 has been *committed* by council action and \$1,391,868 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 \$623,550. 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 91 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$23,373 during the current fiscal year. Revenue was higher than anticipated and operating expenses were lower than anticipated. This increase in revenues was offset by the amount needed to cover the negative liquor fund balance and close out that fund causing an overall decrease in fund balance.

The EDA revolving loan fund's fund balance had a net increase of \$304,228 for the year after repayment of loans, transferring funds in from the business flood loan fund, and the payment received an 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 \$370,779 and transferred \$297,991 to the EDA Revolving Loan Fund.

The capital improvements fund increased its fund balance by \$5,914 for the year which is primarily due to unspent contributions for the Veteran's Memorial Park improvements that will be completed in 2018.

The levee improvement capital project fund increased its fund balance by \$46,337. 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 provided \$2,308,893 in grant funds for the majority of the cost of the improvement project and corrective actions needed. In 2017, an additional \$150,000 was allocated for which improvements will be finalized in the coming year. Levee mitigation and maintenance work continues with the assistance of DNR grant funding, levied funding and Electric Fund reimbursement of mitigation work on the levee system.

The fire department fund increased its total fund balance by \$14,730 in part due to revenue received from trading in the old pumper truck, and increased contract service fees for 2016/2017. This increase was offset by a final payment on the new truck and additional spending for upgrading protective firefighting equipment.

The library fund decreased its fund balance by \$19,795, due to spending down reserve funds when the Library's LGA allocation was reduced.

The ambulance fund increased its fund balance by \$89,939, in part due to additional revenues from the increased number of runs as well as a reduction of operating costs.

The airport fund increased its fund balance by \$18,803, 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 \$2,074,806 all of which is reserved for debt service. This fund balance decreased by \$2,047,603 from the prior year due to retirement of one crossover refunding bond and regular principal payments.

The economic development fund decreased its fund balance by \$31,305 for the year with expenses allocated for contracted and consultant services.

The Tax Increment Capital Project fund increased its fund balance by \$1,690 which is the result of the annual taxes on the TIF housing project.

**Proprietary funds.** The City of Rushford, Minnesota's proprietary funds statements found on pages 36-39 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets excluding amounts invested in capital in the respective proprietary funds are Electric – \$236,674 and Water – \$354,064. The Sewer Fund reported a deficit of \$44,989 due to their portion of the net pension liability and the Liquor Fund was closed. The increase (decrease) in net position in the respective proprietary funds are Liquor - \$(425,047), Electric - \$42,588, Water - \$197,179, and Sewer - \$116,775. The changes in net position are due to Liquor – selling the building and closing the fund, Electric – rebuilding funds for future capital projects, Water – rebuilding funds for future projects, Sewer – rebuilding funds for future capital projects.

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

Extensive repairs were necessary to the water system following the 2007 flood event, resulting in the need to close one well, plan for a new well and a new water treatment facility. Funding sources for these projects include FEMA funds, PFA grants, PFA loans, and increased water rates. The 2009 Improvement Project also identified revenues from the water fund to help offset debt service payments. Water utility rates were increased in 2014 approximately 5% as per the water rate schedule adopted in 2004 and amended in 2009. A rate study was conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which included water and sewer infrastructure rebuilds to be funded by PFA loans, assessments, and user fees. The new rate and rate structure were adopted February 2015 and included the implementation of the DNR conservation rate with various tiers charging higher fees for higher usage. The rate also provided for a more equitable rate configuration, eliminating the meter size fee for commercial customers. The automated water meter reading system provides for more timely revenue as well as more timely correction of any leaks or problems with the system. The City has begun monthly billing charges to all customers, which has increased cash flow, but also provides more timely usage information for each customer. Planning continues for the City's Well-Head Protection Plan and for future upgrades which may be necessary for the water reservoir, tower, and wells.

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

The liquor store has not been in operation since 2011. Most fixtures and equipment were sold at auction. In 2013, the City retained an architectural firm to plan to re-purpose the building into a city hall/council chamber, securing a pledge of low interest funding available through the RD/USDA. This project was not completed. Following an independent appraisal for the value and potential uses for the structure, the building, and remaining fixtures were marketed and sold through a local realtor in 2017.

Electric Utility rates have been studied due to the change in the City's power supply contract, with the entire rate structure being re-evaluated in May 2006 to create a more equitable classification for all customers, to offer energy saving incentives and to prepare for the expected increase in wholesale power costs. 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 have been necessary. New downtown street lighting was installed as part of the Highway 43/Mill Street Improvement project and was financed with Electric Utility Funds with assistance from the EDA Revolving Loan Fund. Consumer energy conservation efforts have helped keep the wholesale peak energy costs from increasing and rates have remained consistent for several years. System upgrades and capital projects to maintain the integrity and reliability of the system will be undertaken over the next several years. Increased efforts to inventory the utility system, identify necessary repairs, and initiate those repairs on a pay-as-you-go basis will improve the integrity of the electrical system. With the building of the new R-P School, the City initiated the construction of Feeder #5 to improve the load management and overall reliability of the system. Significant upgrades to the substation will also ensure greater dependability.

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

**General Fund Budgetary Highlights**

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

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

- Decrease in professional/contracted services
- Decrease in street lighting expense
- Decrease in fuel costs and maintenance costs
- Increase in revenue – Winona Health bond fee

**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, 2017, amounts to \$24,222,531 (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 decrease in the City of Rushford, Minnesota's reported investment in capital assets for the current fiscal year was \$700,305, after depreciation of \$1,344,151.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 1,192,453	\$ 1,233,353	\$ 105,460	\$ 105,460	\$ 1,297,913	\$ 1,338,813
Buildings	4,394,577	4,618,708	8,503,296	8,020,170	12,897,873	12,638,878
Machinery and equipment	1,616,139	1,019,120	349,657	342,607	1,965,796	1,361,727
Infrastructure	8,034,029	3,820,604			8,034,029	3,820,604
Construction in progress	26,920	4,448,603		1,314,211	26,920	5,762,814
Total	<u>\$ 15,264,118</u>	<u>\$ 15,140,388</u>	<u>\$ 8,958,413</u>	<u>\$ 9,782,448</u>	<u>\$24,222,531</u>	<u>\$24,922,836</u>

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

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

**Long-term debt.** At the end of the current fiscal year, the City of Rushford, Minnesota had \$10,924,051 in bonds and notes outstanding. Of this amount, \$10,716,051 comprises debt backed by the full faith and credit of the government and \$208,000 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			
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 7,185,000	\$ 9,545,000	\$	\$	\$ 7,185,000	\$ 9,545,000
GO Revenue bonds			3,043,619	3,402,145	3,043,619	3,402,145
Revenue bonds			208,000	329,000	208,000	329,000
Lease payable	26,822	37,045			26,822	37,045
Contract for deed	460,610	479,153			460,610	479,153
<b>Total</b>	<b>\$ 7,672,432</b>	<b>\$ 10,061,198</b>	<b>\$ 3,251,619</b>	<b>\$ 3,731,145</b>	<b>\$ 10,924,051</b>	<b>\$ 13,792,343</b>

The City's total bonds and notes payable decreased by \$2,868,292 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 7 (pages 55-56).

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

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

- Legislative changes to the new homestead exclusion, rather than the State paying a market value homestead credit to the City, shrank the value of the City's tax base by 13.48%, causing tax rates and taxes on most properties to increase in 2012 even though the City did not raise the levy. Taxes also generally shifted away from homestead to other properties. In subsequent years the new homestead exclusion format has allowed for more valid comparisons of tax capacity and tax rates.
- Rushford has a limited supply of affordable residential building space. Shifting demographics will play an important role in the overall housing needs in the City and will need to be considered carefully when reviewing potential housing developments or subdivisions.
- The City completed a Housing Market Study which revealed a projected increase of 6.7% from 2000-2010. Much of the growth has been and is predicted to continue to be from households with children in search of affordable housing within commuting distance of Rochester or Winona. There are few large employers in the area; therefore, many residents travel to their employment. The City and EDA have been aggressive in their efforts to find viable businesses, assist existing businesses, and expand the area marketplace. An update of the Housing Market Study was conducted post-flood in 2008 to help determine and plan for the community's long term housing needs. In 2014, the passing of the R-P School referendum and the subsequent building of a new school facility provides several opportunities for repurposing of buildings and lots to help meet the growing housing need in the area. The Destination Medical Center efforts in Rochester, MN will also impact housing needs in the outlying communities and planning is in place to be ready to help meet that need. A housing needs study was conducted in 2015 indicating a need for active adult senior housing as well as general-occupancy housing. The City continues to explore opportunities for partnering through TIF Housing Projects as well as traditional housing units. A TIF Housing Agreement was entered into in 2017 for six duplex units.

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

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

- The City of Rushford experienced a flood in August 2007 when six to seventeen inches of rain fell into the Root River and Rush Creek resulting in the impairment of the City's capital assets and the loss of City inventories. Over 50% of the City was flooded. The wastewater plant and two City wells were submerged under four feet of water. Of the 766 homes and businesses located in the City, 490 sustained damage, 79 of which were destroyed beyond recovery. Utilities were not provided to flood related homes and businesses during a two month period. In 2008, a majority of these homes and businesses were still not functioning at pre-flood capacity. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets. Insurance proceeds, federal grants, and contributions have been used to begin the process of replacing the capital assets and supplies lost in the flood. The impact of the 2007 flood has been reported as an extraordinary item in the financial statements. Utility funds have seen the impact of fewer residential customers and reduced customer usage. In 2014, the final adjustments were made on all FEMA work projects. Funding was allocated or unallocated in various affected funds and the action finalizes all FEMA financial responsibilities from the 2007 disaster event.
- Rushford's aging sewer and water infrastructure problems were exacerbated by the 2007 flood event warranting careful planning and financing in order to provide citizens with quality services at affordable rates. The need for repairs and upgrades to the infrastructure becomes more apparent each year since the flood. The 2009 Improvement Project, with the second phase being the 2011 Improvement Project will help bring residential services into compliance with sanitary sewer and water requirements. A combination of FEMA grants, bond levy, assessments and increased user fees are funding these projects. State and Federal mandates will also have a significant impact on that planning, especially when the mandates are unfunded. In 2012 the City began the planning process with Minnesota Department of Transportation for a joint effort for the replacement of Trunk Highway 43 from bridge-to-bridge within the City. The City took this opportunity to replace some of the oldest water and sewer infrastructure in the City to eliminate leaks, I&I and provide quality services to the residents and businesses along that corridor. At the end of 2014 all utility infrastructure was in place, with the remaining street restoration completed in 2015. In 2016, another Improvement Project was undertaken for two streets for a total rebuild of utilities and streets which was completed in 2017.
- The City has conducted a review of remaining streets and infrastructure to identify and prioritize future improvement projects. Availability of funding and desire to keep debt service at a manageable level will help to determine the timeline for these improvement projects. The City anticipates taking on a total reconstruction project for utilities and streets every two years until the oldest and most fragile infrastructure is replaced.
- At the end of 2008, the City received an allotment of \$47,909 in local government aid revenue without adequate notice to budget or plan for this shortfall in the 2009 budget cycle. In 2009, LGA was further reduced by \$39,094 and was further cut in 2010 by \$97,112. In 2011, a combination of State cuts in LGA and market value credit reductions totaled \$72,392. LGA funding for 2012 and 2013 remained consistent. Legislation changes in the LGA formula provided a slight increase for the 2014 fiscal year. LGA funding increased slightly in recent years, 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, 2017**

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**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**  
*With Comparative Totals for December 31, 2016*

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
<b>ASSETS</b>				
Cash and investments	\$ 5,750,675	\$ 971,817	\$ 6,722,492	\$ 5,834,153
Investments held by fiscal agent	958,665		958,665	3,116,425
Receivables (net of allowance for uncollectibles)	777,865	101,010	878,875	875,223
Loans receivable	6,379,363		6,379,363	8,052,947
Accrued utility revenue		245,431	245,431	247,674
Internal balances	125,000	(125,000)		
Due from other governmental units	72,700		72,700	1,967
Restricted cash and investments	84,383	460,846	545,229	852,488
Prepaid items	14,463	3,477	17,940	15,653
Capital assets:				
Nondepreciable	1,219,373	105,460	1,324,833	7,101,627
Depreciable, net	14,044,745	8,852,953	22,897,698	17,821,209
Total Assets	<u>29,427,232</u>	<u>10,615,994</u>	<u>40,043,226</u>	<u>43,919,366</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	64,718	49,794	114,512	950,145
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>\$ 29,491,950</u>	<u>\$ 10,665,788</u>	<u>\$ 40,157,738</u>	<u>\$ 44,869,511</u>
<b>LIABILITIES</b>				
Accounts payable	116,495	160,585	277,080	289,743
Accrued interest payable	107,186	20,026	127,212	169,684
Accrued compensation and payroll taxes payable		11,881	11,881	16,381
Deposits payable		20,954	20,954	19,311
Accrued compensated absences	53,524	62,802	116,326	114,943
Unearned revenue	31,714	42,760	74,474	29,869
Noncurrent liabilities:				
Due within one year	289,978	417,000	706,978	743,292
Due in more than one year	7,368,938	2,831,095	10,200,033	13,030,101
Net pension liability	498,945	471,844	970,789	1,720,139
Total Liabilities	<u>8,466,780</u>	<u>4,038,947</u>	<u>12,505,727</u>	<u>16,133,463</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	146,259	34,928	181,187	229,403
<b>NET POSITION</b>				
Net investment in capital assets	8,563,867	5,585,318	14,149,185	13,599,415
Restricted	8,959,003	460,846	9,419,849	12,829,145
Unrestricted	3,356,041	545,749	3,901,790	2,078,085
Total Net Position	<u>20,878,911</u>	<u>6,591,913</u>	<u>27,470,824</u>	<u>28,506,645</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET PENSION</b>				
	<u>\$ 29,491,950</u>	<u>\$ 10,665,788</u>	<u>\$ 40,157,738</u>	<u>\$ 44,869,511</u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 158,515	\$ 14,914	\$	\$
Economic development	1,516,452		10,375	2,875
Public safety	682,690	299,787	109,038	
Public works	640,142			159,787
Parks and recreation	203,481	42,886	371	29,282
Airport	118,345	27,457		299,333
Library	165,826	7,240	32,430	1,147
Interest and other charges	234,779			
Total governmental activities	<u>3,720,230</u>	<u>392,284</u>	<u>152,214</u>	<u>492,424</u>
Business-Type activities:				
Liquor	600,151			
Electric	1,728,628	1,829,229		
Sewer	471,653	619,191		
Water	423,950	635,191		
Total business-type activities	<u>3,224,382</u>	<u>3,083,611</u>		
Total	<u>\$ 6,944,612</u>	<u>\$ 3,475,895</u>	<u>\$ 152,214</u>	<u>\$ 492,424</u>

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

Change in net position  
Net position - Beginning  
Net position - Ending

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2017	2016
\$ (143,601)		\$ (143,601)	\$ (144,312)
(1,503,202)		(1,503,202)	(900,050)
(273,865)		(273,865)	(366,304)
(480,355)		(480,355)	(116,637)
(130,942)		(130,942)	(89,280)
208,445		208,445	(77,693)
(125,009)		(125,009)	(121,801)
(234,779)		(234,779)	(392,562)
<u>(2,683,308)</u>		<u>(2,683,308)</u>	<u>(2,208,639)</u>
	(600,151)	(600,151)	(33,175)
	100,601	100,601	102,815
	147,538	147,538	126,103
	<u>211,241</u>	<u>211,241</u>	<u>143,070</u>
	(140,771)	(140,771)	338,813
<u>(2,683,308)</u>	<u>(140,771)</u>	<u>(2,824,079)</u>	<u>(1,869,826)</u>
893,788		893,788	742,157
15,193		15,193	14,033
4,416		4,416	8,060
589,633		589,633	589,176
8,764		8,764	9,732
75,525	6,293	81,818	95,422
169,809	24,837	194,646	125,867
(41,136)	41,136		
<u>1,715,992</u>	<u>72,266</u>	<u>1,788,258</u>	<u>1,584,447</u>
(967,316)	(68,505)	(1,035,821)	(285,379)
<u>21,846,227</u>	<u>6,660,418</u>	<u>28,506,645</u>	<u>28,792,024</u>
<u>\$ 20,878,911</u>	<u>\$ 6,591,913</u>	<u>\$ 27,470,824</u>	<u>\$ 28,506,645</u>

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**CITY OF RUSHFORD, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**CITY OF RUSHFORD, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2017**  
*With Comparative Totals for December 31, 2016*

	Special Revenue Funds			
	101	203	204	612
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Airport Operations
<b>ASSETS</b>				
Cash and investments	\$ 671,536	\$ 1,540,592	\$ 69,884	\$ 98,011
Investments held by fiscal agent				
Restricted cash				
Accounts receivable	2,315			519
Contracts receivable				
Loans receivable		1,829,639	4,549,724	
Taxes receivable - delinquent	5,171			38
Special assessments receivable - deferred				
Due from other funds				
Advances to other funds		125,000		
Due from other governmental units	2,547			65,000
Prepaid items	9,567	20		140
<b>TOTAL ASSETS</b>	<b>\$ 691,136</b>	<b>\$ 3,495,251</b>	<b>\$ 4,619,608</b>	<b>\$ 163,708</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 11,755	\$	\$ 69,884	\$ 29,141
Due to other funds				
Unearned revenue				11,301
Total Liabilities	11,755		69,884	40,442
<b>Deferred Inflows of Resources</b>				
Unavailable revenue:				
Property taxes	5,171			38
Special assessments				
EDA loans receivable		1,829,639		
Business flood loans receivable			4,549,724	
Total Deferred Inflows of Resources	5,171	1,829,639	4,549,724	38
<b>Fund Balance:</b>				
Nonspendable:				
Prepaid items	9,567	20		140
Note receivable				
Advances to other funds		125,000		
Restricted:				
Externally imposed by:				
Grantors:				
Regulators				
EDA revolving loans		1,540,592		
Creditors				
Contributors				
Committed				
Assigned	41,093			123,088
Unassigned	623,550			
Total Fund Balance	674,210	1,665,612		123,228
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 691,136</b>	<b>\$ 3,495,251</b>	<b>\$ 4,619,608</b>	<b>\$ 163,708</b>

**See Notes to the Financial Statements**

Capital Projects Fund	Debt Service Fund		Total Governmental Funds	
406	350	Other	2017	2016
Capital Improvements	2009 Project	Governmental Funds		
\$ 1,001,568	\$ 652,157	\$ 1,716,927	\$ 5,750,675	\$ 4,949,565
		958,665	958,665	3,116,425
		84,383	84,383	108,330
1,300		53,201	57,335	53,047
		61,908	61,908	81,258
			6,379,363	8,052,947
351	2,235	5,205	13,000	25,055
	243,409	402,213	645,622	622,593
79,695			79,695	24,105
			125,000	642,483
201	1,996	2,956	72,700	1,117
		4,736	14,463	11,768
<u>\$ 1,083,115</u>	<u>\$ 899,797</u>	<u>\$ 3,290,194</u>	<u>\$ 14,242,809</u>	<u>\$ 17,688,693</u>
\$	\$	\$ 5,715	\$ 116,495	\$ 148,645
		79,695	79,695	135
		20,413	31,714	29,869
		<u>105,823</u>	<u>227,904</u>	<u>178,649</u>
351	2,235	5,205	13,000	25,055
	243,409	402,213	645,622	622,593
			1,829,639	1,827,420
			4,549,724	6,225,527
<u>351</u>	<u>245,644</u>	<u>407,418</u>	<u>7,037,985</u>	<u>8,700,595</u>
		4,736	14,463	11,768
		61,908	61,908	81,258
			125,000	642,483
		57,367	57,367	55,677
			1,540,592	1,211,384
	654,153	1,420,567	2,074,720	3,848,334
		84,383	84,383	83,236
1,082,764			1,082,764	1,095,418
		1,227,687	1,391,868	1,313,385
		(79,695)	543,855	466,506
<u>1,082,764</u>	<u>654,153</u>	<u>2,776,953</u>	<u>6,976,920</u>	<u>8,809,449</u>
<u>\$ 1,083,115</u>	<u>\$ 899,797</u>	<u>\$ 3,290,194</u>	<u>\$ 14,242,809</u>	<u>\$ 17,688,693</u>

**CITY OF RUSHFORD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**  
**With Comparative Totals for December 31, 2016**

	Special Revenue Funds			
	101	203	204	612
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Airport Operations
<b>REVENUES</b>				
Property taxes	\$ 334,625	\$	\$	\$ 121
Tax increment revenues				
Lodging taxes	4,416			
Special assessments				
Licenses and permits	13,149			
Fines and forfeits	6,096			
Intergovernmental revenues	337,322			304,333
Charges for services	42,536			27,457
Interest income	1,550	10,365	29,627	207
Miscellaneous revenues	48,110	13,735	341,152	1,261
<b>TOTAL REVENUES</b>	<b>787,804</b>	<b>24,100</b>	<b>370,779</b>	<b>333,379</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	129,151			
Economic development	7,017	2,863	72,788	
Public safety	320,838			
Public works	114,128			
Parks and recreation	114,907			
Airport				314,576
Library				
Capital outlay				
Debt service				
Issuance costs				
<b>TOTAL EXPENDITURES</b>	<b>686,041</b>	<b>2,863</b>	<b>72,788</b>	<b>314,576</b>
Excess (deficiency) of revenues over (under) expenditures	101,763	21,237	297,991	18,803
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt				
Premium on issuance of debt				
Transfers in	59,585	297,991		
Transfers out	(184,721)	(15,000)	(297,991)	
Total other financing sources (uses)	(125,136)	282,991	(297,991)	
Net change in fund balances	(23,373)	304,228		18,803
<b>FUND BALANCES, Beginning</b>	<b>697,583</b>	<b>1,361,384</b>		<b>104,425</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 674,210</b>	<b>\$ 1,665,612</b>	<b>\$</b>	<b>\$ 123,228</b>

See Notes to the Financial Statements



**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, 2017**

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

Total governmental fund balances (pages 20-21)	\$	6,976,920	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental funds - capital assets	\$	21,012,121	
Less: Accumulated depreciation		<u>(5,748,003)</u>	15,264,118
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds:			
Property taxes	\$	13,000	
Special assessments		645,622	
EDA loans receivable		1,829,639	
Business flood loan receivable		<u>4,549,724</u>	7,037,985
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	\$	(7,658,916)	
Net pension liability		(580,486)	
Compensated absences		(53,524)	
Accrued interest		<u>(107,186)</u>	<u>(8,400,112)</u>
Net position of governmental activities (page 17)	\$		<u><u>20,878,911</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, 2017**

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

Net change in fund balances - total governmental funds (pages 22-23)		\$ (1,832,529)
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	\$ 933,753	
Depreciation expense	<u>(764,687)</u>	169,066
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(45,336)
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.		
Property taxes	\$ (12,055)	
Special assessments	23,029	
Business flood loan receivable	<u>(341,142)</u>	(330,168)
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		(1,334,661)
Certain expenditures in the governmental funds are not reported as expenses in the statement of activities.		
EDA loans issued, net of collections		2,219
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		(2,388)
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	\$ 2,388,766	
Change in net pension liability	(20,776)	
Amortization of bond discount	(1,862)	
Amortization of bond premium	1,126	
Change in accrued interest	<u>39,227</u>	<u>2,406,481</u>
Change in net position of governmental activities (pages 18 and 19)		<u>\$ (967,316)</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, 2017  
With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>General Tax Levy</b>	\$ 330,000	\$ 330,000	\$ 334,625	\$ 4,625	\$ 291,644
<b>Licenses and Permits</b>					
Business	6,010	5,885	7,105	1,220	6,086
Nonbusiness	11,100	11,100	6,044	(5,056)	11,644
Total Licenses and Permits	17,110	16,985	13,149	(3,836)	17,730
<b>Lodging Taxes</b>	6,000	6,000	4,416	(1,584)	8,060
<b>Intergovernmental Revenues</b>					
Local government aid	310,000	310,000	310,000		310,000
Market value credit			79	79	82
Police aid	23,000	25,000	25,128	128	22,988
Snowmobile aids	19,000	17,957	17,957		9,451
Snowmobile trail assistance	(19,000)	(17,957)	(17,957)		(9,451)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	335,115	337,115	337,322	207	335,185
<b>Fines and Forfeits</b>	9,500	6,000	6,096	96	11,674
<b>Charges For Services</b>					
Swimming pool	35,500	35,500	37,138	1,638	35,842
Park usage fees	2,000	4,000	5,398	1,398	3,508
Total Charges For Services	37,500	39,500	42,536	3,036	39,350
<b>Interest Income</b>		500	1,550	1,050	987
<b>Miscellaneous Revenues</b>					
Other	3,115	6,115	48,110	41,995	7,162
<b>TOTAL REVENUES</b>	\$ 738,340	\$ 742,215	\$ 787,804	\$ 45,589	\$ 711,792

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, 2017**  
*With Comparative Totals for December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 9,000	\$ 9,000	\$ 7,700	\$ 1,300	\$ 7,900
Meetings and conferences	2,000	3,500	3,350	150	2,012
General supplies	1,500	1,500	218	1,282	663
Printing and publishing	8,500	8,500	7,847	653	8,170
Professional services	4,700	3,200		3,200	270
Insurance	4,500	4,500	3,582	918	3,380
Dues, subscriptions and fees	4,300	4,300	3,544	756	3,094
Miscellaneous	1,100	1,100	589	511	604
Total Mayor and Council	35,600	35,600	26,830	8,770	26,093
<b>Election Judges</b>					
Salaries	1,600	1,600	483	1,117	1,554
Employee benefits and retirement			6	(6)	23
General supplies	1,450	1,450		1,450	77
Printing and publishing	500	500	296	204	
Miscellaneous	250	250		250	137
Total Election Judges	3,800	3,800	785	3,015	1,791
<b>City Hall Administration</b>					
Salaries	51,600	51,600	51,598	2	46,407
Employee benefits and retirement	10,300	10,300	10,161	139	9,081
Office supplies and expense	1,700	1,700	917	783	985
Meetings and conferences	150	150	42	108	35
General supplies	200	200	72	128	6
Telephone	3,200	2,000	1,593	407	1,784
Printing and publishing	2,000	2,000	1,528	472	1,452
Insurance	950	950	802	148	753
Radio maintenance	1,000	1,000	108	892	
Dues, subscriptions and fees	6,000	6,000	4,475	1,525	5,841
Miscellaneous	50	50		50	
Total City Hall Administration	\$ 77,150	\$ 75,950	\$ 71,296	\$ 4,654	\$ 66,344

**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, 2017**  
**With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>General Government (Continued)</b>					
<b>Professional Services</b>					
Legal and audit	\$ 21,700	\$ 18,700	\$ 14,448	\$ 4,252	\$ 14,032
Assessor	4,350	4,350	4,183	167	4,116
Total Professional Services	26,050	23,050	18,631	4,419	18,148
<b>Building and Planning</b>					
General supplies	400	400	40	360	85
Consultant	3,000	3,000		3,000	3,225
Professional services	200	200		200	
Telephone	50	50		50	
Printing and publishing	450	450		450	
Total Building and Planning	4,100	4,100	40	4,060	3,310
<b>Municipal Building</b>					
General supplies	1,000	1,000	759	241	818
Insurance	2,100	2,100	1,733	367	1,632
Utilities	10,000	10,000	7,573	2,427	7,902
Repairs and maintenance	1,800	2,300	1,504	796	1,939
Total Municipal Building	14,900	15,400	11,569	3,831	12,291
Total General Government	161,600	157,900	129,151	28,749	127,977
<b>Public Safety</b>					
<b>Police Protection</b>					
Salaries	215,500	214,500	204,450	10,050	208,901
Employee benefits and retirement	40,500	38,500	36,371	2,129	37,512
Office supplies and expense	1,000	1,000	176	824	380
Meetings and conferences	3,000	3,000	2,352	648	1,473
Gas, oil and supplies	10,000	10,000	8,229	1,771	5,727
General supplies	4,000	5,000	4,697	303	3,193
Professional services	15,500	13,500	12,066	1,434	7,177
Telephone	5,200	6,000	5,713	287	5,526
Insurance	9,000	9,800	8,889	911	7,890
Utilities	3,200	2,850	2,288	562	2,225
Repairs and maintenance	3,900	3,900	2,347	1,553	2,460
Dues, subscriptions and fees	2,500	2,500	1,578	922	2,799
Miscellaneous	100	5,100	5,352	(252)	2,240
Total Police Protection	\$ 313,400	\$ 315,650	\$ 294,508	\$ 21,142	\$ 287,503

**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, 2017**  
*With Comparative Totals for December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Public Safety (Continued)</b>					
<b>Ambulance</b>					
Per capita charges	\$ 8,600	\$ 8,655	\$ 8,655	\$	\$ 8,655
<b>Building and Safety</b>					
Professional services	21,600	14,600	13,119	1,481	24,181
Printing and publishing	200	200	96	104	240
Miscellaneous	200	200	40	160	71
Total Building and Safety	22,000	15,000	13,255	1,745	24,492
<b>Civil Defense</b>	2,825	2,100	1,084	1,016	2,150
<b>Animal Control</b>					
Salaries and wages	3,000	3,000	2,835	165	2,595
General supplies	50	50	43	7	59
Insurance	70	75	52	23	40
Total Animal Control	3,120	3,125	2,930	195	2,694
<b>Health and Welfare</b>					
Weed and insect control	3,300	3,300	406	2,894	3,222
Total Public Safety	\$ 353,245	\$ 347,830	\$ 320,838	\$ 26,992	\$ 328,716

**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, 2017**  
**With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Public Works</b>					
<b>Highways, Streets and Alleys</b>					
Salaries	\$ 35,500	\$ 35,500	\$ 32,262	\$ 3,238	\$ 33,786
Employee benefits and retirement	5,655	5,655	5,008	647	5,262
Gas, oil and supplies	5,500	6,000	5,760	240	4,873
General supplies	12,750	11,750	8,698	3,052	11,346
Blacktop and surface materials	3,000	3,000	1,754	1,246	2,051
Insurance	8,400	9,700	9,104	596	7,803
Repairs and maintenance	12,500	11,500	8,951	2,549	12,201
Miscellaneous	1,595	1,595	376	1,219	325
City garage	7,800	7,800	6,431	1,369	6,579
Street lighting	10,000	9,000	7,001	1,999	7,195
Total Highways, Streets and Alleys	102,700	101,500	85,345	16,155	91,421
<b>Levee System</b>					
Salaries	18,800	19,000	18,825	175	17,945
Employee benefits and retirement	3,355	3,355	3,297	58	3,137
Gas, oil and supplies	1,500	1,500	1,298	202	1,057
General supplies	1,500	1,500	804	696	989
Insurance	1,600	1,900	1,632	268	1,513
Utilities	2,000	2,000	1,584	416	1,603
Repairs and maintenance	1,250	1,250	1,237	13	1,130
Miscellaneous	50	50	106	(56)	68
Total Levee System	30,055	30,555	28,783	1,772	27,442
Total Public Works	132,755	132,055	114,128	17,927	118,863
<b>Parks and Recreation</b>					
<b>Park Department</b>					
Salaries	18,800	18,800	18,825	(25)	17,945
Employee benefits and retirement	3,155	3,355	3,334	21	3,137
Professional services					150
Gas and oil	1,100	1,400	1,291	109	1,145
General supplies	2,500	4,000	4,356	(356)	3,047
Telephone					9
Insurance	7,200	8,550	8,243	307	8,096
Utilities	4,845	5,500	5,406	94	4,589
Repairs and maintenance	5,700	6,500	4,732	1,768	4,957
Miscellaneous	200	200	120	80	179
Total Park Department	\$ 43,500	\$ 48,305	\$ 46,307	\$ 1,998	\$ 43,254

**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, 2017  
With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Parks and Recreation (Continued)</b>					
<b>Swimming Pool</b>					
Salaries	\$ 33,000	\$ 31,000	\$ 29,476	\$ 1,524	\$ 31,670
Employee benefits and retirement	2,550	2,550	2,259	291	2,429
Meetings and conferences	2,000	2,000	756	1,244	2,111
General supplies	7,500	7,500	6,071	1,429	6,458
Telephone	550	550	312	238	505
Printing and publishing	300	300	178	122	276
Insurance	4,600	5,100	4,475	625	3,813
Utilities	14,200	14,200	11,601	2,599	12,500
Repairs and maintenance	1,550	1,550	875	675	959
Miscellaneous	750	750	472	278	540
Total Swimming Pool	67,000	65,500	56,475	9,025	61,261
<b>Tree Board</b>					
Salaries	1,800	1,800	1,800		1,700
General supplies	2,300	2,300	701	1,599	788
Contractual services	3,885	9,500	9,560	(60)	5,038
Insurance	100	100	49	51	62
Miscellaneous	15	15	15		15
Total Tree Board	8,100	13,715	12,125	1,590	7,603
Total Parks and Recreation	118,600	127,520	114,907	12,613	112,118
<b>Economic Development</b>					
Tourism	7,500	8,400	7,017	1,383	11,649
<b>TOTAL EXPENDITURES</b>	<b>773,700</b>	<b>773,705</b>	<b>686,041</b>	<b>87,664</b>	<b>699,323</b>
Excess (deficiency) of revenues over (under) expenditures	(35,360)	(31,490)	101,763	133,253	12,469
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	50,000	50,000	59,585	9,585	50,000
Transfers out		(184,721)	(184,721)		
Total other financing sources (uses)	50,000	(134,721)	(125,136)	9,585	50,000
Net change in fund balances	14,640	(166,211)	(23,373)	142,838	62,469
<b>FUND BALANCE, January 1</b>	<b>697,583</b>	<b>697,583</b>	<b>697,583</b>		<b>635,114</b>
<b>FUND BALANCE, December 31</b>	<b>\$ 712,223</b>	<b>\$ 531,372</b>	<b>\$ 674,210</b>	<b>\$ 142,838</b>	<b>\$ 697,583</b>

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, 2017**  
*With Comparative Totals for December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Loan repayments	\$ 25,000	\$ 25,000	\$ 10,365	\$ (14,635)	\$ 10,060
Interest Income	4,500	4,500	13,735	9,235	13,691
<b>TOTAL REVENUES</b>	<b>29,500</b>	<b>29,500</b>	<b>24,100</b>	<b>(5,400)</b>	<b>23,751</b>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Professional services	6,500	5,000	2,678	2,322	1,458
Miscellaneous	1,000		185	(185)	122
<b>TOTAL EXPENDITURES</b>	<b>7,500</b>	<b>5,000</b>	<b>2,863</b>	<b>2,137</b>	<b>1,580</b>
Excess (deficit) of revenues over (under) expenditures	22,000	24,500	21,237	(3,263)	22,171
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		297,991	297,991		292,481
Transfers out	(15,000)	(15,000)	(15,000)		(15,000)
Total other financing sources (uses)	(15,000)	282,991	282,991		277,481
Net change in fund balances	7,000	307,491	304,228	(3,263)	299,652
<b>FUND BALANCES, BEGINNING</b>	<b>1,361,384</b>	<b>1,361,384</b>	<b>1,361,384</b>		<b>1,061,732</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 1,368,384</b>	<b>\$ 1,668,875</b>	<b>\$ 1,665,612</b>	<b>\$ (3,263)</b>	<b>\$ 1,361,384</b>

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS FLOOD RECOVERY LOAN PROGRAM FUND (204)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
**With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Loan repayments	\$ 325,000	\$ 329,000	\$ 341,152	\$ 12,152	\$ 329,051
Interest income	33,000	35,000	29,627	(5,373)	35,611
<b>TOTAL REVENUES</b>	<b>358,000</b>	<b>364,000</b>	<b>370,779</b>	<b>6,779</b>	<b>364,662</b>
<b>EXPENDITURES</b>					
Loan principal refund	69,243	69,243	69,884	(641)	69,243
Other	3,000	3,000	2,904	96	2,938
<b>TOTAL EXPENDITURES</b>	<b>72,243</b>	<b>72,243</b>	<b>72,788</b>	<b>(545)</b>	<b>72,181</b>
Excess (deficiency) of revenues over (under) expenditures	285,757	291,757	297,991	6,234	292,481
<b>OTHER FINANCING USES</b>					
Transfers out			(297,991)	(297,991)	(292,481)
Net change in fund balances	285,757	291,757		(291,757)	
<b>FUND BALANCES, Beginning</b>					
<b>FUND BALANCES, Ending</b>	<b>\$ 285,757</b>	<b>\$ 291,757</b>	<b>\$</b>	<b>\$ (291,757)</b>	<b>\$</b>

See Notes to the Financial Statements

**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, 2017**  
*With Comparative Totals for December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$	\$	\$ 121	\$ 121	\$ 4,835
<b>Intergovernmental Revenues</b>					
State grants	299,246	299,246	299,333	87	16,249
Local government aid	5,000	5,000	5,000		5,000
Total Intergovernmental revenues	304,246	304,246	304,333	87	21,249
<b>Charges for Services</b>					
Land leases	12,400	12,400	12,666	266	12,835
Hangar rentals	13,320	13,320	13,205	(115)	12,507
Fuel and utilities	1,300	1,300	1,586	286	1,497
Total Charges For Services	27,020	27,020	27,457	437	26,839
<b>Interest Income</b>					
			207	207	259
<b>Miscellaneous Revenues</b>					
		1,000	1,261	261	6,933
<b>TOTAL REVENUES</b>	331,266	332,266	333,379	1,113	60,115
<b>EXPENDITURES</b>					
<b>Airport</b>					
Salaries	7,000	7,000	7,000		6,200
General supplies	2,000	2,000	456	1,544	719
Fuel	1,000	1,000	970	30	989
Professional services	1,500	1,150	600	550	641
Insurance	9,000	9,250	8,542	708	7,911
Utilities	5,025	5,025	4,344	681	4,261
Repairs and maintenance	4,300	4,450	2,184	2,266	1,587
Dues, subscriptions and fees	1,600	1,600	789	811	588
Taxes on property	900	900	814	86	858
Miscellaneous	500	500		500	6,825
Capital outlay	295,500	297,000	288,877	8,123	6,817
<b>TOTAL EXPENDITURES</b>	328,325	329,875	314,576	15,299	37,396
Excess of revenues over expenditures	2,941	2,391	18,803	16,412	22,719
FUND BALANCES, BEGINNING	104,425	104,425	104,425		81,706
FUND BALANCES, ENDING	\$ 107,366	\$ 106,816	\$ 123,228	\$ 16,412	\$ 104,425

**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, 2017**  
**With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 29,517	\$ 29,517	\$ 29,489	\$ (28)	\$ 7,642
Intergovernmental revenues					
Local government aid	244,176	244,176	244,633	457	243,910
Small cities assistance		16,732	16,732		
Grants					2,570
Interest income			4,163	4,163	2,967
Donations			12,550	12,550	65,668
Sale of assets			58,550	58,550	
Miscellaneous			14,655	14,655	17,779
<b>TOTAL REVENUES</b>	<b>273,693</b>	<b>290,425</b>	<b>380,772</b>	<b>90,347</b>	<b>340,536</b>
<b>EXPENDITURES</b>					
Capital outlay	254,000	254,000	307,855	(53,855)	335,239
<b>TOTAL EXPENDITURES</b>	<b>254,000</b>	<b>254,000</b>	<b>307,855</b>	<b>(53,855)</b>	<b>335,239</b>
Excess (deficiency) of revenues over (under) expenditures	19,693	36,425	72,917	36,492	5,297
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt					121,063
Premium on issuance of debt					1,245
Transfers in					5,000
Transfers out	(20,000)	(20,000)	(67,003)	(47,003)	(20,000)
Total other financing sources (uses)	(20,000)	(20,000)	(67,003)	(47,003)	107,308
Net change in fund balances	(307)	16,425	5,914	(10,511)	112,605
<b>FUND BALANCES, Beginning</b>	<b>1,076,850</b>	<b>1,076,850</b>	<b>1,076,850</b>		<b>964,245</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 1,076,543</b>	<b>\$ 1,093,275</b>	<b>\$ 1,082,764</b>	<b>\$ (10,511)</b>	<b>\$ 1,076,850</b>

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
**December 31, 2017**  
*With Comparative Totals for December 31, 2016*

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$	\$ 477,661	\$ 420,999	\$ 73,157	\$ 971,817	\$ 859,494
Accounts receivable		57,374	27,077	13,799	98,250	93,270
Accrued utility revenue		154,740	42,802	47,889	245,431	247,674
Special assessments-delinquent		1,603	536	621	2,760	
Due from other governmental units						850
Prepaid items		620	1,142	1,715	3,477	3,885
Total Current Assets		691,998	492,556	137,181	1,321,735	1,205,173
<b>Property and Equipment</b>						
Property, plant and equipment		4,507,704	6,316,511	5,762,135	16,586,350	15,726,322
Less: Accumulated depreciation		2,399,416	2,660,800	2,567,721	7,627,937	7,258,085
Property and Equipment, Net		2,108,288	3,655,711	3,194,414	8,958,413	8,468,237
Construction work in process						1,314,211
Total Property and Equipment		2,108,288	3,655,711	3,194,414	8,958,413	9,782,448
<b>Other Assets</b>						
Restricted cash and cash equivalents		84,818	266,129	109,899	460,846	769,252
<b>Deferred Outflows of Resources</b>						
Deferred outflows from pension activity		23,131	11,724	14,939	49,794	246,289
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$</b>	<b>\$ 2,908,235</b>	<b>\$ 4,426,120</b>	<b>\$ 3,456,433</b>	<b>\$ 10,790,788</b>	<b>\$ 12,003,162</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>						
<b>Current Liabilities</b>						
Accounts payable	\$	\$ 147,316	\$ 3,238	\$ 10,031	\$ 160,585	\$ 141,098
Due to other funds						23,970
Current maturities of bonds payable		80,000	240,000	97,000	417,000	479,526
Accrued interest		4,818	9,381	5,827	20,026	23,271
Accrued sales tax		11,881			11,881	16,381
Unearned revenue		36,403	2,536	3,821	42,760	
Customer deposits		20,954			20,954	19,311
Total Current Liabilities		301,372	255,155	116,679	673,206	703,557
<b>Noncurrent Liabilities</b>						
Notes payable, net of current maturities, and unamortized discount		76,476	1,531,813	1,222,806	2,831,095	3,246,921
Advance from other funds		125,000			125,000	642,483
Accrued compensated absences		25,616	15,474	21,712	62,802	63,807
Net pension liability		215,513	111,346	144,985	471,844	594,858
Total Noncurrent Liabilities		442,605	1,658,633	1,389,503	3,490,741	4,548,069
<b>Deferred Inflows of Resources</b>						
Deferred inflows from pension activity		15,954	8,241	10,733	34,928	91,118
<b>Net Position</b>						
Net investment in capital assets		1,826,812	1,883,898	1,874,608	5,585,318	5,389,548
Restricted		84,818	266,129	109,899	460,846	769,252
Unrestricted		236,674	354,064	(44,989)	545,749	501,618
Total Net Position		2,148,304	2,504,091	1,939,518	6,591,913	6,660,418
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$</b>	<b>\$ 2,908,235</b>	<b>\$ 4,426,120</b>	<b>\$ 3,456,433</b>	<b>\$ 10,790,788</b>	<b>\$ 12,003,162</b>

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for December 31, 2016*

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2017	2016
<b>Operating Revenues</b>						
Sales	\$	\$ 1,829,229	\$ 635,191	\$ 619,191	\$ 3,083,611	\$ 2,919,804
<b>Operating Expenses</b>						
Cost of sales and production		1,203,811			1,203,811	1,174,513
Distribution expense		234,747	322,014	397,557	954,318	916,768
General administration		279,173	75,200	57,795	412,168	391,482
Liquor store operating expenses	45,033				45,033	33,175
Total Operating Expenses	45,033	1,717,731	397,214	455,352	2,615,330	2,515,938
Operating Income (Loss)	(45,033)	111,498	237,977	163,839	468,281	403,866
<b>Nonoperating Revenue and (Expense)</b>						
Other income (expense)	(555,150)	16,090	(24,798)	(14,064)	(577,922)	(25,155)
<b>Income (Loss) Before Transfers</b>	(600,183)	127,588	213,179	149,775	(109,641)	378,711
Transfers in	184,721				184,721	
Transfers out	(9,585)	(85,000)	(16,000)	(33,000)	(143,585)	(134,000)
<b>Change in Net Position</b>	(425,047)	42,588	197,179	116,775	(68,505)	244,711
<b>Net Position, Beginning</b>	425,047	2,105,716	2,306,912	1,822,743	6,660,418	6,415,707
<b>Net Position, Ending</b>	\$	\$ 2,148,304	\$ 2,504,091	\$ 1,939,518	\$ 6,591,913	\$ 6,660,418

**See Notes to the Financial Statements**

**CITY OF RUSHFORD, MINNESOTA  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows  
 For the Year Ended December 31, 2017  
 With Comparative Totals for December 31, 2016**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2017	2016
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$	\$ 1,882,114	\$ 617,848	\$ 622,555	\$ 3,122,517	\$ 2,916,156
Cash paid to employees for services		(214,553)	(102,405)	(139,924)	(456,882)	(457,241)
Cash paid to suppliers	(27,432)	(1,345,377)	(73,104)	(109,445)	(1,555,358)	(1,462,567)
Net Cash Provided By (Used In) Operating Activities	(27,432)	322,184	442,339	373,186	1,110,277	996,348
<b>Cash Flows From Noncapital Financing Activities</b>						
Increase (decrease) in due from other funds	(184,721)	(25,000)		(331,732)	(541,453)	(105,554)
Grant aid received		850			850	1,141
Other income (expense)		25,717	150	896	26,763	36,523
Transfers in (out)	175,136	(85,000)	(16,000)	(33,000)	41,136	(134,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	(9,585)	(83,433)	(15,850)	(363,836)	(472,704)	(201,890)
<b>Cash Flows From Capital and Related Financing Activities</b>						
Cash received from sale of building	37,049				37,049	
Principal payments on long-term debt		(75,000)	(234,000)	(170,526)	(479,526)	(468,144)
Purchase of capital assets		(263,425)	(27,457)	(47,485)	(338,367)	(169,383)
Interest paid on debt		(14,135)	(28,109)	(16,861)	(59,105)	(70,759)
Net Cash Provided By (Used In) Capital and Related Financing Activities	37,049	(352,560)	(289,566)	(234,872)	(839,949)	(708,286)
<b>Cash Flows From Investing Activities</b>						
Interest earnings on investments	(32)	3,196	1,788	1,341	6,293	6,411
Net Cash Provided By (Used In) Investing Activities	(32)	3,196	1,788	1,341	6,293	6,411
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>						
		(110,613)	138,711	(224,181)	(196,083)	92,583
<b>Cash and Cash Equivalents - January 1</b>		673,092	548,417	407,237	1,628,746	1,536,163
<b>Cash and Cash Equivalents - December 31</b>	\$	\$ 562,479	\$ 687,128	\$ 183,056	\$ 1,432,663	\$ 1,628,746
<b>Shown on the Balance Sheet as:</b>						
Cash and investments	\$	\$ 477,661	\$ 420,999	\$ 73,157	\$ 971,817	\$ 859,494
Restricted cash and investments		84,818	266,129	109,899	460,846	769,252
Total	\$	\$ 562,479	\$ 687,128	\$ 183,056	\$ 1,432,663	\$ 1,628,746

**See Notes to the Financial Statements**

**Combining Reconciliation of Operating Income  
To Net Cash Provided By (Used In) Operating Activities**

	Enterprise Funds				Totals	
	609	604	601	602	2017	2016
	Liquor Fund	Electric Department	Water Department	Sewer Department		
<b>Operating Income (Loss)</b>	\$ (45,033)	\$ 111,498	\$ 237,977	\$ 163,839	\$ 468,281	\$ 403,866
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	17,757	148,724	217,892	196,265	580,638	556,014
Loss on disposal of assets		15			15	
Change in net pension liability		7,771	4,170	5,350	17,291	35,126
(Increase) Decrease In:						
Accounts receivable		3,609	(11,455)	106	(7,740)	(1,249)
Other accounts receivable		11,230	(8,424)	(563)	2,243	(3,390)
Prepaid insurance		178	118	112	408	989
Increase (Decrease) In:						
Accounts payable	(156)	2,110	372	3,417	5,743	8,291
Accrued wages		(997)	(847)	839	(1,005)	(4,290)
Unearned revenue		36,403	2,536	3,821	42,760	
Customer deposits		1,643			1,643	991
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (27,432)</b>	<b>\$ 322,184</b>	<b>\$ 442,339</b>	<b>\$ 373,186</b>	<b>\$ 1,110,277</b>	<b>\$ 996,348</b>
<b>Summary of Non Cash Transactions</b>						
Capital asset additions included in accounts payable	\$	\$ 9,244	\$	\$	\$ 9,244	\$

**See Notes to the Financial Statements**

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**CITY OF RUSHFORD, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

# CITY OF RUSHFORD, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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The City of Rushford, Minnesota was first incorporated in 1854 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 2017.

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)

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

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##### B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

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

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)

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

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

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

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

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)

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

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

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)**

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

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*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)

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

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##### 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)

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

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##### D. *Assets, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)*

##### *Net Position / Fund Balance (Continued)*

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

##### E. *Comparative Data*

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform to the current year presentation.

##### F. *Budgets and Budgetary Accounting*

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, and certain Capital Projects Funds.

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

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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##### G. Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities of Good Shepherd Lutheran Services 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, 2017, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$588,416.

To provide for previous bond refunding and financial assistance to private-sector entities to save costs on interest of healthcare facilities of Winona Health Services, (a non-profit organization), the City of Rushford, Minnesota issued \$8,000,000 of Healthcare Facilities Refunding Revenue Note dated April 24, 2017. These notes are special limited obligations of the City, payable solely from income sources of the non-profit corporation. The notes do not constitute a debt or pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements. At December 31, 2017, remaining notes outstanding totaled \$7,718,009.

##### 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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### I. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of deferred outflow which is pension related and reported on the statement of net position.

##### J. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types of deferred inflows. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported on the statement of net position.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Cash and Investments**

*Summary of Cash and Investments*

As of December 31, 2017, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Change funds	None	N/A	\$ 169
Deposits	None	N/A	7,183,169
Deposits with SELCO	None	N/A	84,383
State and local government securities	August 2018	N/A	958,665
Total Cash and Investments			<u>\$ 8,226,386</u>
			\$ 6,722,492
Cash and investments			958,665
Investments held with fiscal agent			545,229
Restricted cash and investments			<u>\$ 8,226,386</u>
Cash and Investments per Statement of Net Position			<u>\$ 8,226,386</u>

*Investments Authorized by Minnesota Statutes*

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

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of U.S. banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer into the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

*Collateralization of Cash Deposits*

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name. Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**2. Cash and Investments (Continued)**

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Interest Rate Risk

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

Credit Risk

The City's investment policy limits its investment choices to only those investments permitted by Minnesota Statute. The City's investment ratings are from Standard & Poor Investor Service.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>of Total</u>
State and local government securities	N/A	100%

Fair Value Measurements

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

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

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

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Cash and Investments (Continued)**

*Fair Value Measurements (Continued)*

	At December 31, 2017			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
State and local government securities	\$ 958,665	\$	\$ 958,665	\$

	At December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
State and local government securities	\$ 3,116,425	\$	\$ 3,116,425	\$

**3. Deferred Special Assessments Receivable**

Year of Assessment:	Debt Service
	Funds
2011	\$ 243,409
2012	131,308
2014	150,314
2016	120,591
Total	<u>\$ 645,622</u>

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

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Due From Other Governmental Units**

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<u>Fund Type</u>	<u>Fillmore County</u>	<u>State of Minnesota</u>	<u>Federal Government</u>	<u>Total</u>
General	\$ 2,244	\$ 303	\$	\$ 2,547
Special Revenue	809	65,000		65,809
Capital Project	371			371
Debt Service	3,973			3,973
Totals	<u>\$ 7,397</u>	<u>\$ 65,303</u>	<u>\$</u>	<u>\$ 72,700</u>

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**5. Loans, Leases, and Notes Receivable**

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Business Flood Recovery Program

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

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

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

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

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

A summary of business flood recovery loans is as follows:

Business Flood Recovery Loans:	2017	2016
Category 1 Loans:		
Forgivable portion	\$ 848,232	\$ 2,182,893
Non-Forgivable portion	1,723,690	1,840,163
Category 1-A Loans	1,127,280	1,219,887
Category 2 Loans	850,522	982,584
Total	\$ 4,549,724	\$ 6,225,527

Following is a summary of the notes receivable outstanding at December 31, 2017 and 2016:

	Original Note	Interest Rate	Receivable Balance	
			2017	2016
Notes Receivable-2010	\$ 393,039	4.25%	\$ 450,472	\$ 440,418
Notes Receivable-2010	19,849	5.00%	14,090	14,090
Notes Receivable-2011	31,883	0.05%	29,425	30,417
Notes Receivable-2012	149,000	4.25%	149,000	149,000
Notes Receivable-2013	94,653	5.00%	104,320	94,192
Notes Receivable-2013	500,000	2.00%	500,000	500,000
Notes Receivable-2013	145,000	4.50%	145,000	145,000
Notes Receivable-2014	25,000	3.00%		25,000
Notes Receivable-2014	427,742	2.00%	436,298	427,742
Notes Receivable-2014	1,561	5.50%	1,034	1,561
Total Notes Receivable			\$ 1,829,639	\$ 1,827,420

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Capital Assets**

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,233,353	\$	\$ 40,900	\$ 1,192,453
Construction in progress	4,448,603	11,838	4,433,521	26,920
Total capital assets, not being depreciated	5,681,956	11,838	4,474,421	1,219,373
Capital assets, being depreciated:				
Buildings and Improvements	6,843,917	29,866	12,378	6,861,405
Infrastructure	5,016,181	4,514,791		9,530,972
Machinery and equipment	2,697,958	851,679	149,266	3,400,371
Total capital assets, being depreciated	14,558,056	5,396,336	161,644	19,792,748
Less accumulated depreciation for:				
Buildings and Improvements	2,225,209	250,444	8,825	2,466,828
Infrastructure	1,195,577	301,366		1,496,943
Machinery and equipment	1,678,838	212,877	107,483	1,784,232
Total accumulated depreciation	5,099,624	764,687	116,308	5,748,003
Total capital assets, being depreciated, net	9,458,432	4,631,649	45,336	14,044,745
Governmental activities capital assets, net	\$ 15,140,388	\$ 4,643,487	\$ 4,519,757	\$ 15,264,118

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Capital Assets (Continued)**

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress	1,314,211		1,314,211	
Total capital assets, not being depreciated	1,419,671		1,314,211	105,460
Capital assets, being depreciated:				
Buildings and improvements	14,764,118	1,605,370	781,883	15,587,605
Machinery and equipment	856,744	56,452	19,911	893,285
Total capital assets, being depreciated	15,620,862	1,661,822	801,794	16,480,890
Less accumulated depreciation for:				
Buildings and improvements	6,743,948	530,062	189,701	7,084,309
Machinery and equipment	514,137	49,402	19,911	543,628
Total accumulated depreciation	7,258,085	579,464	209,612	7,627,937
Total capital assets, being depreciated, net	8,362,777	1,082,358	592,182	8,852,953
Business-type activities capital assets, net	\$ 9,782,448	\$ 1,082,358	\$ 1,906,393	\$ 8,958,413

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 19,961
Public safety	129,357
Public works	424,740
Airport	92,646
Library	23,955
Park and recreation	74,028
	\$ 764,687
<b>Business-Type Activities:</b>	
Electric	\$ 147,550
Water	217,892
Sewer	196,265
Liquor	17,757
	\$ 579,464

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Long-Term Debt**

A summary of changes in long-term debt during 2017 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>						
Bonds and Notes Payable:						
General obligation bonds:						
2009B Improvement Bonds (1)	3.00% - 4.50%	\$ 2,235,000	\$	\$ 2,235,000	\$	\$
2011A Improvement Bonds	1.55% - 4.60%	1,050,000		50,000	1,000,000	50,000
2012A Tax Abatement Bonds	1.10% - 4.00%	670,000		25,000	645,000	25,000
2014A Improvement Bonds	1.90% - 4.10%	1,250,000		50,000	1,200,000	50,000
2015A GO Improvement Crossover Refunding	2.00% - 3.00%	2,240,000			2,240,000	135,000
2016A GO Improvement Crossover Refunding	2.00% - 3.00%	2,100,000			2,100,000	
Lease Payable - Street Sweeper	2.75%	37,045		10,223	26,822	10,508
Compensated Absences		51,136	2,388		53,524	
Net Pension Liability		1,125,281		626,336	498,945	
Less: Unamortized Discount		(32,452)		(1,862)	(30,590)	
Plus: Unamortized Premium		18,200		1,126	17,074	
Notes payable:						
Contract for deed - land	5.00%	479,153		18,543	460,610	19,470
Governmental Activities						
Long-term Liabilities		11,223,363	2,388	3,014,366	8,211,385	289,978
<b>BUSINESS-TYPE ACTIVITIES (1)</b>						
Bonds and Notes Payable:						
General Obligation Revenue Note:						
1999 Water Department	3.04%	149,000		48,000	101,000	50,000
1996A Sewer Department	3.43%	74,526		74,526		
2008 Water Department	1.35%	814,000		69,000	745,000	70,000
2010 Water Department	1.00%	803,000		58,000	745,000	59,000
2011 Sewer Department	1.077%	1,104,000		73,000	1,031,000	74,000
2014 Water Department	1.00%	145,813		13,000	132,813	13,000
2014 Sewer Department	1.00%	311,806		23,000	288,806	23,000
Revenue Bonds:						
2007A Water Revenue Bonds	4.25%	94,000		46,000	48,000	48,000
2009A Electric Revenue Refunding	2.40 - 4.10%	235,000		75,000	160,000	80,000
Compensated Absences		63,807		1,005	62,802	
Net Pension Liability		594,858		123,014	471,844	
Less: Unamortized Discount		(4,698)		(1,174)	(3,524)	
Business-type Activities						
Long-term Liabilities		4,385,112		602,371	3,782,741	417,000
Total		\$ 15,608,475	\$ 2,388	\$ 3,616,737	\$ 11,994,126	\$ 706,978

(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, 2017, 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
<b>Governmental Activities</b>								
2018	\$ 235,000	\$ 181,200	\$ 25,000	\$ 18,094	\$	\$	\$ 29,978	\$ 23,700
2019	405,000	174,550	25,000	17,656			31,244	22,435
2020	400,000	165,891	25,000	17,219			26,979	21,110
2021	420,000	156,699	30,000	16,663			22,539	19,962
2022	430,000	147,072	30,000	15,988			23,666	18,834
2023-2027	2,310,000	568,921	165,000	68,851			137,307	75,196
2028-2032	1,965,000	230,660	200,000	44,406			175,243	37,259
2033-2035	375,000	18,401	145,000	8,900			40,476	2,025
<b>Totals</b>	<b>\$ 6,540,000</b>	<b>\$ 1,643,394</b>	<b>\$ 645,000</b>	<b>\$ 207,776</b>	<b>\$</b>	<b>\$</b>	<b>\$ 487,432</b>	<b>\$ 220,521</b>
<b>Business-Type Activities</b>								
2018	\$	\$	\$	\$	\$ 417,000	\$ 47,157	\$	\$
2019					373,000	37,613		
2020					245,000	30,044		
2021					248,000	27,271		
2022					251,000	24,464		
2023-2027					1,286,813	79,143		
2028-2030					430,806	10,894		
<b>Totals</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 3,251,619</b>	<b>\$ 256,586</b>	<b>\$</b>	<b>\$</b>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**8. Individual Fund Disclosures**

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The amounts due to and from other funds at December 31, 2017, at the individual fund level are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Improvements Fund	\$ 79,695	\$
Hwy 43 Mill Street Project		<u>79,695</u>
Totals	<u>\$ 79,695</u>	<u>\$ 79,695</u>

The amounts advanced to and from other funds at December 31, 2017, at the individual fund level are summarized below:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
EDA Revolving Loan	\$ 125,000	\$
Electric Fund		<u>125,000</u>
Total	<u>\$ 125,000</u>	<u>\$ 125,000</u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**8. Individual Fund Disclosures (Continued)**

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	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 59,585	\$ 184,721
Special Revenue Funds:		
Fire Fund	20,000	
Business Flood Recovery Loan Program		297,991
EDA Revolving Loan	297,991	15,000
Capital Project Funds:		
Capital improvements		67,003
Economic development	15,000	
Burr Oak Hillcrest Imp. Project	47,003	
Levee Improvement Project	35,000	
Debt Service:		
2009 Improvement Project Fund	49,000	
Enterprise Funds:		
Liquor Fund	184,721	9,585
Electric Fund		85,000
Water Fund		16,000
Sewer Fund		33,000
Total Transfers	<u>\$ 708,300</u>	<u>\$ 708,300</u>

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

At December 31, 2017, the following fund had a deficit balance.

Capital Projects:		
Hwy 43 Mill Street Project	\$	79,695

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Fund Balance and Net Position**

	<u>Restricted Net Position Imposed By</u>			<u>Total</u>
	<u>Grantors</u>	<u>Contributors</u>	<u>Creditors</u>	
<u>Major Governmental Funds:</u>				
Business Flood Recovery Loan Program Fund:				
Restricted for future EDA loans	\$ 4,549,724	\$	\$	\$ 4,549,724
EDA Revolving Loan Fund:				
Restricted for EDA loans	1,540,592			1,540,592
Restricted for future debt service:				
2009 Improvement Project Debt Service Fund			899,797	899,797
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		85,792		85,792
Restricted for future debt service:				
2004 G.O. TIF Refunding Debt Service Fund			46,873	46,873
2011 Improvement Project Debt Service Fund			174,074	174,074
2012 Tax Abatement Debt Service Fund			43,668	43,668
Tax increment			57,367	57,367
2014A Improvement Project Debt Service Fund			371,558	371,558
2016 Improvement Project Debt Service Fund			1,167,836	1,167,836
TIF Housing 2017			13,245	13,245
EDA Land Purchase Debt Service Fund			8,477	8,477
Total Governmental Activities	<u>6,090,316</u>	<u>85,792</u>	<u>2,782,895</u>	<u>8,959,003</u>
<u>Major Proprietary Funds:</u>				
Electric Utility Fund:				
Restricted for future debt service			84,818	84,818
Water Utility Fund:				
Restricted for future debt service			266,129	266,129
Sewer Utility Fund:				
Restricted for future debt service			109,899	109,899
Total Business-Type Activities			<u>460,846</u>	<u>460,846</u>
Total Restricted Net Position	<u>\$ 6,090,316</u>	<u>\$ 85,792</u>	<u>\$ 3,243,741</u>	<u>\$ 9,419,849</u>
			<u>Capital Improvements Fund</u>	
Committed Fund Balance:				
Future and ongoing capital improvement construction projects and equipment purchases			\$ 1,082,764	

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 10. Defined Benefit Pension Plans - Statewide

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##### 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

All full-time and certain part-time employees of the City of Rushford, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

##### 2. Public Employees Police and Fire Plan

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

##### Benefits Provided

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

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

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

##### 1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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## CITY OF RUSHFORD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 10. Defined Benefit Pension Plans – Statewide (Continued)

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##### 2. Police and Fire Plan Benefits

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

##### Contributions

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

##### 1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$54,955. The City's contributions were equal to the required contributions as set by state statute.

##### 2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$29,732. The City's contributions were equal to the required contributions as set by state statute.

##### Pension Costs

##### 1. General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$727,768 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,130. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0114 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$31,882 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$264 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans – Statewide (Continued)**

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 23,034
Changes in actuarial assumptions	46,806	
Difference between projected and actual investment earnings	5,292	
Changes in proportion		30,839
Contributions paid to PERA subsequent to the measurement date	27,117	
Total	\$ 79,215	\$ 53,873

\$27,117 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2018	\$ 5,961
2019	35,201
2020	(12,046)
2021	(30,891)

**2. Police and Fire Fund Pension Costs**

At December 31, 2017 the City reported a liability of \$243,021 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the City's proportionate share was 0.018 percent which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016. The City also recognized \$1,620 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017 the City recognized pension expense of \$(44,617) for its proportionate share of the Police and Fire Plan's pension expense.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans – Statewide (Continued)**

At December 31, 2017, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 64,252
Changes in actuarial assumptions	8,118	
Difference between projected and actual investment earnings	11,288	
Changes in proportion		63,062
Contributions paid to PERA subsequent to the measurement date	15,891	
Total	<u>\$ 35,297</u>	<u>\$ 127,314</u>

\$15,891 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2018	\$ 1,073
2019	1,074
2020	(8,329)
2021	(22,719)
2022	(79,007)

Aggregate Pension Costs

Pension expense recognized by the City for the year ended December 31, 2017 is as follows:

GERF	\$31,882
PEPFF	<u>(44,617)</u>
Total	<u><u>\$(12,735)</u></u>

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**10. Defined Benefit Pension Plans – Statewide (Continued)**

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Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2016. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

There following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP- 2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**10. Defined Benefit Pension Plans – Statewide (Continued)**

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*Actuarial Assumptions (continued)*

Police and Fire Fund (continued)

- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

*Discount Rate*

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans – Statewide (Continued)**

*Pension Liability Sensitivity*

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

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's proportionate share of the GERF net pension liability	\$ 1,128,823	\$ 727,768	\$ 399,433
City's proportionate share of the PEPFF net pension liability	<u>457,680</u>	<u>243,021</u>	<u>65,809</u>
Total Net Pension Liability	<u>\$ 1,586,503</u>	<u>\$ 970,789</u>	<u>\$ 465,242</u>

*Pension Plan Fiduciary Net Position*

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

## CITY OF RUSHFORD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 11. Defined Contribution Pension Plan - Volunteer Fire Relief Association

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

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

During 2017, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2017 and as of December 31, 2017 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 2017 totaling \$30,791 together with an additional contribution of \$3,088 the City.

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

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#### 12. Commitments and Contingencies

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Risk Management - The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2017.

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 2017. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

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**CITY OF RUSHFORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**13. Tax Abatement – Pay-As-You-Go Tax Increment**

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The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through a pay-as-you-go tax increment financing program. Any parcel of property in the City could qualify for tax abatement under this program. The City negotiates tax increment financing agreements on an individual basis generally with the purpose of promoting economic development within the City.

The City has made no commitments, other than tax abatement, under the agreements. Under the program, the City agrees to abate real estate taxes based on the increased property value from improvements on the subject property. Generally, the agreements require 90% of the property tax increments collected to be returned to the property owner as reimbursement of certain improvement costs. The remaining 10% is retained by the City for administrative costs.

The City has one pay-as-you-go tax increment financing districts. For the year ended December 31, 2017, the City paid tax increments totaling \$13,674 related to these agreements.

**CITY OF RUSHFORD, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2017**

**CITY OF RUSHFORD, MINNESOTA**  
**Schedules of City Pension Contributions**  
**December 31, 2017**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 51,627	\$ 51,627	\$	\$ 712,097	7.25%
2015	51,936	51,936		692,480	7.50%
2016	52,484	52,484		699,787	7.50%
2017	54,955	54,955		732,733	7.50%
2018					
2019					
2020					
2021					
2022					
2023					

**PERA Public Employees Police and Fire Fund Pension Plan**  
**Last Ten Years (presented prospectively)**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 25,854	\$ 25,854	\$	\$ 168,980	15.30%
2015	27,532	27,532		169,951	16.20%
2016	31,631	31,631		195,253	16.20%
2017	29,732	29,732		183,531	16.20%
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF RUSHFORD, MINNESOTA**  
**Schedules of City and Non-Employer Proportionate Share of Net Pension Liability**  
**December 31, 2017**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0136%	\$ 638,860	\$ 699,432	91.3%	78.7%
2015	0.0120%	621,902	702,288	88.6%	78.2%
2016	0.0113%	917,504	696,133	131.8%	68.9%
2017	0.0114%	727,768	716,260	101.6%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

**PERA Public Employees Police and Fire Fund Pension Plan**  
**Last Ten Years (presented prospectively)**

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	0.020%	\$ 216,008	\$ 185,916	116.2%	87.1%
2015	0.019%	215,884	169,466	127.4%	86.6%
2016	0.020%	802,635	182,602	439.6%	63.9%
2017	0.018%	243,021	189,392	128.3%	85.4%
2018					
2019					
2020					
2021					
2022					
2023					

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**CITY OF RUSHFORD, MINNESOTA**  
**COMBINING AND INDIVIDUAL FUND STATEMENTS**  
**DECEMBER 31, 2017**

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**CITY OF RUSHFORD, MINNESOTA**

**NONMAJOR FUNDS**

**DECEMBER 31, 2017**

**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, 2017**

	Special Revenue			Debt Service			
	211 Library	607 Ambulance	614/615 Fire Department	378	351	352	370
				2004	2011	2014A	2012
				G.O. TIF Refunding Bonds	Improvement Project	Improvement Project	Abatement Bonds
<b>ASSETS</b>							
Cash and investments	\$ 107,230	\$ 344,560	\$ 506,245	\$ 46,873	\$ 41,386	\$ 219,981	\$ 42,572
Investments held by fiscal agent							
Restricted cash	84,383						
Accounts receivable		40,391	5,050				
Contracts receivable							
Taxes receivable - delinquent	1,409		468		675	826	697
Special assessments receivable - deferred					131,308	150,314	
Due from other governmental units	605		204		705	437	399
Prepaid items	258	1,342	3,074				
<b>TOTAL ASSETS</b>	<b>\$ 193,885</b>	<b>\$ 386,293</b>	<b>\$ 515,041</b>	<b>\$ 46,873</b>	<b>\$ 174,074</b>	<b>\$ 371,558</b>	<b>\$ 43,668</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 346	\$ 1,847	\$ 1,293	\$	\$	\$	\$
Due to other funds							
Unearned revenue		20,413					
Total Liabilities	346	22,260	1,293				
<b>Deferred Inflows of Resources</b>							
Unavailable revenue:							
Property taxes	1,409		468		675	826	697
Special assessments					131,308	150,314	
Total Deferred Inflows of Resources	1,409		468		131,983	151,140	697
<b>Fund Balance</b>							
Nonspendable:							
Prepaid items	258	1,342	3,074				
Note receivable							
Restricted:							
Externally imposed by:							
Regulators							
Creditors				46,873	42,091	220,418	42,971
Contributors	84,383						
Assigned	107,489	362,691	510,206				
Unassigned							
Total Fund Balance	192,130	364,033	513,280	46,873	42,091	220,418	42,971
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 193,885</b>	<b>\$ 386,293</b>	<b>\$ 515,041</b>	<b>\$ 46,873</b>	<b>\$ 174,074</b>	<b>\$ 371,558</b>	<b>\$ 43,668</b>

Capital Project

<u>353</u> 2016 Improvement Project	<u>382</u> 2016 Sweeper	<u>379</u> TIF Housing 2017	<u>360</u> EDA Land Purchase	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>501</u> Burr Oak Hillcrest Imp. Project	<u>502</u> Hwy 43 Mill Street Project	<u>470</u> Levee Improvement Project	Total
\$ 88,429 958,665	\$ 10	13,245	\$ 7,515	\$ 184,033	\$ 57,367	\$	\$	\$ 57,481	\$ 1,716,927 958,665 84,383 53,201 7,760 61,908
83 120,591 68	116		670	61,908 231				30	5,205 402,213
	76		292	170 62					2,956 4,736
<u>\$ 1,167,836</u>	<u>\$ 202</u>	<u>\$ 13,245</u>	<u>\$ 8,477</u>	<u>\$ 246,404</u>	<u>\$ 57,367</u>	<u>\$</u>	<u>\$</u>	<u>\$ 65,271</u>	<u>\$ 3,290,194</u>
				\$ 2,006	\$	\$	\$ 79,695	\$ 223	\$ 5,715 79,695 20,413
				2,006			79,695	223	105,823
83 120,591 120,674	116		670	231				30	5,205 402,213 407,418
	116		670	231				30	407,418
				62 61,908					4,736 61,908
1,047,162		13,245	7,807		57,367				57,367 1,420,567 84,383
	86			182,197				65,018	1,227,687
							(79,695)		(79,695)
<u>1,047,162</u>	<u>86</u>	<u>13,245</u>	<u>7,807</u>	<u>244,167</u>	<u>57,367</u>	<u></u>	<u>(79,695)</u>	<u>65,018</u>	<u>2,776,953</u>
<u>\$ 1,167,836</u>	<u>\$ 202</u>	<u>\$ 13,245</u>	<u>\$ 8,477</u>	<u>\$ 246,404</u>	<u>\$ 57,367</u>	<u>\$</u>	<u>\$</u>	<u>\$ 65,271</u>	<u>\$ 3,290,194</u>

**CITY OF RUSHFORD, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017**

	Special Revenue			Debt Service			
	<u>211</u>	<u>607</u>	<u>614/615</u>	<u>378</u>	<u>351</u>	<u>352</u>	<u>370</u>
	Library	Ambulance	Fire Department	2004 G.O. TIF Refunding Bonds	2011 Improvement Project	2014A Improvement Project	2012 Abatement Bonds
<b>REVENUES</b>							
Property tax	\$ 90,425	\$	\$ 30,474	\$	\$ 46,092	\$ 65,395	\$ 59,443
Tax increments							
Intergovernmental	42,430	6,000	44,991				
Charges for services		199,873	86,159				
Special assessments					25,554	18,945	
Interest income	305	1,529	3,364	140	27	537	33
Miscellaneous	8,387	5,435	46,339				
<b>TOTAL REVENUES</b>	<b>141,547</b>	<b>212,837</b>	<b>211,327</b>	<b>140</b>	<b>71,673</b>	<b>84,877</b>	<b>59,476</b>
<b>EXPENDITURES</b>							
Public safety		122,898	99,792				
Library	138,744						
Debt service					88,888	93,180	43,449
Capital outlay	22,598		116,805				
Economic development							
<b>TOTAL EXPENDITURES</b>	<b>161,342</b>	<b>122,898</b>	<b>216,597</b>		<b>88,888</b>	<b>93,180</b>	<b>43,449</b>
Excess (deficiency) of revenues over (under) expenditures	(19,795)	89,939	(5,270)	140	(17,215)	(8,303)	16,027
<b>OTHER FINANCING SOURCES</b>							
Transfers in			20,000				
Total other financing sources (uses)			20,000				
Net change in fund balances	(19,795)	89,939	14,730	140	(17,215)	(8,303)	16,027
<b>FUND BALANCES, Beginning</b>	<b>211,925</b>	<b>274,094</b>	<b>498,550</b>	<b>46,733</b>	<b>59,306</b>	<b>228,721</b>	<b>26,944</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 192,130</b>	<b>\$ 364,033</b>	<b>\$ 513,280</b>	<b>\$ 46,873</b>	<b>\$ 42,091</b>	<b>\$ 220,418</b>	<b>\$ 42,971</b>

Capital Project									
<u>353</u> 2016 Improvement Project	<u>382</u> 2016 Sweeper	<u>379</u> TIF Housing 2017	<u>360</u> EDA Land Purchase	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>501</u> Burr Oak Hillcrest Imp. Project	<u>502</u> Hwy 43 Mill Street Project	<u>470</u> Levee Improvement Project	Total
\$ 9,876	\$ 11,395	\$	\$ 43,682	\$ 24,822	\$ 15,193	\$	\$	\$ 213	\$ 381,817
							5,685	20,000	15,193
									119,106
									286,032
76,338		20	(55)	3,201	171	87	19	72	120,837
5,938	(4)	24,000		7,363			4,800		15,384
<u>92,152</u>	<u>11,391</u>	<u>24,020</u>	<u>43,627</u>	<u>35,386</u>	<u>15,364</u>	<u>87</u>	<u>10,504</u>	<u>20,285</u>	<u>1,034,693</u>
									222,690
									138,744
45,441	11,177	10,775	42,502		13,674	99,217	150,471	8,948	335,412
				81,691					411,713
<u>45,441</u>	<u>11,177</u>	<u>10,775</u>	<u>42,502</u>	<u>81,691</u>	<u>13,674</u>	<u>99,217</u>	<u>150,471</u>	<u>8,948</u>	<u>81,691</u>
<u>45,441</u>	<u>11,177</u>	<u>10,775</u>	<u>42,502</u>	<u>81,691</u>	<u>13,674</u>	<u>99,217</u>	<u>150,471</u>	<u>8,948</u>	<u>1,190,250</u>
46,711	214	13,245	1,125	(46,305)	1,690	(99,130)	(139,967)	11,337	(155,557)
				15,000		47,003		35,000	117,003
				15,000		47,003		35,000	117,003
46,711	214	13,245	1,125	(31,305)	1,690	(52,127)	(139,967)	46,337	(38,554)
1,000,451	(128)		6,682	275,472	55,677	52,127	60,272	18,681	2,815,507
<u>\$ 1,047,162</u>	<u>\$ 86</u>	<u>\$ 13,245</u>	<u>\$ 7,807</u>	<u>\$ 244,167</u>	<u>\$ 57,367</u>	<u>\$</u>	<u>\$ (79,695)</u>	<u>\$ 65,018</u>	<u>\$ 2,776,953</u>

**CITY OF RUSHFORD, MINNESOTA**  
**LIBRARY FUND (211)**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
**With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property taxes collected	\$ 89,000	\$ 89,000	\$ 90,425	\$ 1,425	\$ 88,115
<b>Intergovernmental Revenues</b>					
County apportionment and other revenue	30,000	30,000	32,430	2,430	33,024
Local government aid	10,000	10,000	10,000		10,000
Total Intergovernmental Revenues	40,000	40,000	42,430	2,430	43,024
<b>Interest Income</b>	50	50	305	255	341
<b>Miscellaneous Revenues</b>					
Donations			1,147	1,147	923
Fines, books and other	5,000	5,000	7,240	2,240	7,301
Total Miscellaneous Revenues	5,000	5,000	8,387	3,387	8,224
<b>TOTAL REVENUES</b>	134,050	134,050	141,547	7,497	139,704
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	98,159	98,159	96,915	1,244	89,913
Employee benefits and retirement	15,300	15,100	14,374	726	13,427
Office supplies	900	650	303	347	405
General supplies	3,000	3,000	1,245	1,755	1,937
Professional services	800	800	840	(40)	840
Telephone	1,000	1,000	783	217	709
Insurance	2,000	1,900	1,678	222	1,580
Utilities	2,550	2,550	1,833	717	1,927
Repairs and maintenance	2,300	2,300	1,239	1,061	1,634
Dues, subscriptions and fees	1,600	1,600	1,725	(125)	1,200
Contracted equipment	4,900	5,000	5,287	(287)	5,727
Computer line fee	7,500	8,500	8,324	176	7,739
Programs	3,000	3,250	3,455	(205)	3,663
Training	650	650	743	(93)	1,236
Capital outlay	23,000	24,200	22,598	1,602	21,283
<b>TOTAL EXPENDITURES</b>	166,659	168,659	161,342	7,317	153,220
Excess (deficit) of revenues over (under) expenditures	(32,609)	(34,609)	(19,795)	14,814	(13,516)
FUND BALANCES, BEGINNING	211,925	211,925	211,925		225,441
FUND BALANCES, ENDING	\$ 179,316	\$ 177,316	\$ 192,130	\$ 14,814	\$ 211,925

**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, 2017**  
**With Comparative Totals for December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Intergovernmental Revenues</b>					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Volunteer retention stipend	2,250	1,500	1,500		2,500
State grants and aids					1,650
Total Intergovernmental Revenues	6,750	6,000	6,000		8,650
<b>Charges For Services</b>					
Fees from runs	160,000	160,000	179,460	19,460	149,746
City and township contracts	20,405	20,413	20,413		16,323
Total Charges For Services	180,405	180,413	199,873	19,460	166,069
<b>Interest Income</b>	1,000	1,000	1,529	529	1,303
<b>Miscellaneous Revenues</b>					
Other	5,000	5,000	5,435	435	24,989
Total Miscellaneous Revenues	5,000	5,000	5,435	435	24,989
<b>TOTAL REVENUES</b>	193,155	192,413	212,837	20,424	201,011
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	68,500	67,500	64,347	3,153	60,313
Employee benefits and retirement	8,100	8,100	7,853	247	7,380
Volunteer retention stipend	2,250	1,500	1,500		2,500
EMT reimbursement					1,650
Office supplies	850	850	440	410	582
Meeting and conferences	15,000	15,000	10,397	4,603	9,587
Gas, oil and supplies	4,000	4,000	3,170	830	2,373
General supplies	12,700	12,700	11,337	1,363	8,535
Professional services	1,700	1,600	1,460	140	1,460
Telephone	1,100	900	728	172	848
Insurance	5,550	5,250	4,821	429	4,430
Utilities	3,400	3,450	3,219	231	2,143
Repairs and maintenance	3,750	4,700	3,572	1,128	432
Dues, subscriptions and fees	8,000	8,000	7,966	34	6,947
Miscellaneous	3,000	1,500	1,232	268	3,074
Capital outlay	5,000	5,500	856	4,644	6,363
<b>TOTAL EXPENDITURES</b>	142,900	140,550	122,898	17,652	118,617
Excess (deficiency) of revenues over (under) expenditures	50,255	51,863	89,939	38,076	82,394
<b>FUND BALANCES, BEGINNING</b>	274,094	274,094	274,094		191,700
<b>FUND BALANCES, ENDING</b>	\$ 324,349	\$ 325,957	\$ 364,033	\$ 38,076	\$ 274,094

**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, 2017**  
*With Comparative Totals for December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts			Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final	General	Mill Rate	Total		
<b>REVENUES</b>							
<b>Property Tax Levy</b>							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 30,474	\$	\$ 30,474	\$ 474	\$ 29,714
<b>Intergovernmental Revenues</b>							
Fire relief aid	34,000	31,000	30,791		30,791	(209)	33,368
Volunteer retention stipend	14,000	12,500	12,500		12,500		14,000
County & grant aid	3,500	3,500	1,700		1,700	(1,800)	2,750
Total Intergovernmental Revenues	51,500	47,000	44,991		44,991	(2,009)	50,118
<b>Charges For Services</b>							
Township contributions	69,946	69,946		69,946	69,946		69,946
Fire calls, contracts and water hauling	12,000	12,000	16,213		16,213	4,213	20,133
Total Charges For Services	81,946	81,946	16,213	69,946	86,159	4,213	90,079
<b>Interest Income</b>	3,500	3,500	657	2,707	3,364	(136)	6,009
<b>Miscellaneous Revenues</b>							
Donations	17,000	17,000	19,139		19,139	2,139	18,997
Sale of assets			13,600	13,600	27,200	27,200	
Total Miscellaneous Revenues	17,000	17,000	32,739	13,600	46,339	29,339	18,997
<b>TOTAL REVENUES</b>	183,946	179,446	125,074	86,253	211,327	31,881	194,917
<b>EXPENDITURES</b>							
<b>Public Safety</b>							
Salaries	16,000	16,000	15,408		15,408	592	15,615
Fire relief aid	37,250	34,250	33,879		33,879	371	36,472
Volunteer retention stipend	14,000	12,500	12,500		12,500		14,000
Office supplies	400	400	150		150	250	73
Meeting and conferences	9,000	9,000	4,719		4,719	4,281	7,678
General supplies	8,800	8,850	5,544	79	5,623	3,227	8,048
Professional services	1,000	1,000	940		940	60	940
Telephone	1,000	1,000	612		612	388	776
Insurance	9,700	10,700	9,859		9,859	841	8,690
Utilities	4,400	4,400	4,082		4,082	318	3,626
Benefit dances	1,300	1,300	1,391		1,391	(91)	1,355
Repairs and maintenance	3,300	3,900	2,120	2,090	4,210	(310)	4,610
Dues, subscriptions and fees	1,400	1,400	1,311		1,311	89	1,312
Miscellaneous	10,000	11,250	4,700	408	5,108	6,142	5,791
Capital outlay	10,000	50,000	57,357	59,448	116,805	(66,805)	436,015
<b>TOTAL EXPENDITURES</b>	127,550	165,950	154,572	62,025	216,597	(50,647)	545,001
Excess revenues over expenditures	56,396	13,496	(29,498)	24,228	(5,270)	(18,766)	(350,084)
<b>OTHER FINANCING SOURCES</b>							
Transfers in	20,000	20,000	20,000		20,000		20,000
Total other financing sources	20,000	20,000	20,000		20,000		20,000
Net change in fund balance	76,396	33,496	(9,498)	24,228	14,730	(18,766)	(330,084)
FUND BALANCES, BEGINNING	498,550	498,550	229,960	268,590	498,550		828,634
FUND BALANCES, ENDING	\$ 574,946	\$ 532,046	\$ 220,462	\$ 292,818	\$ 513,280	\$ (18,766)	\$ 498,550

**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, 2017**  
*With Comparative Totals for December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 25,000	\$ 25,000	\$ 24,822	\$ (178)	\$ 5
Interest income		2,700	3,201	501	3,864
Sale of land					30,400
Miscellaneous	22,000	22,351	7,363	(14,988)	
<b>TOTAL REVENUES</b>	<b>47,000</b>	<b>50,051</b>	<b>35,386</b>	<b>(14,665)</b>	<b>34,269</b>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Salaries	16,000	16,000	16,000		16,000
Employee benefits and retirement	150	150	78	72	75
General supplies	950	950	466	484	727
Professional service	5,900	5,500	1,320	4,180	3,704
Telephone	1,000	1,000	1,078	(78)	970
Insurance	2,000	2,000	1,253	747	1,147
License, dues and subscriptions	5,000	5,000	3,280	1,720	5,030
Miscellaneous	800	1,200	1,160	40	895
Capital outlay					1,491
Micro grant program		1,500	1,375	125	400
Contracted services	61,200	59,700	55,681	4,019	46,971
<b>TOTAL EXPENDITURES</b>	<b>93,000</b>	<b>93,000</b>	<b>81,691</b>	<b>11,309</b>	<b>77,410</b>
Excess (deficiency) of revenues over (under) expenditures	(46,000)	(42,949)	(46,305)	(3,356)	(43,141)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in from EDA Revolving Loan Fund	15,000	15,000	15,000		15,000
Transfers out to Capital Projects Fund					(5,000)
Total other financing sources (uses)	15,000	15,000	15,000		10,000
Net change in fund balances	(31,000)	(27,949)	(31,305)	(3,356)	(33,141)
FUND BALANCES, Beginning	275,472	275,472	275,472		308,613
FUND BALANCES, Ending	\$ 244,472	\$ 247,523	\$ 244,167	\$ (3,356)	\$ 275,472

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**CITY OF RUSHFORD, MINNESOTA**

**ENTERPRISE FUNDS**

**DECEMBER 31, 2017**

**CITY OF RUSHFORD, MINNESOTA**  
**LIQUOR FUND (609)**  
**Statement of Net Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Property and Equipment</b>		
Building	\$	\$ 766,148
Furniture and equipment		6,773
Total		772,921
Less: Accumulated depreciation		162,997
Net Property, Plant and Equipment		609,924
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$ 609,924</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$	\$ 156
Advances from other funds		184,721
Total Liabilities		184,877
<b>Net Position</b>		425,047
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b>\$ 609,924</b>

**CITY OF RUSHFORD, MINNESOTA**  
**LIQUOR FUND (609)**  
**Statement of Revenues, Expenses**  
**and Changes in Net Position**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for December 31, 2016*

	2017	2016
<b>Operating Expenses</b>		
Utilities	\$ 2,359	\$ 2,272
Contracted services	16,914	3,788
Telephone	468	456
Insurance	7,535	7,288
Depreciation	17,757	19,371
Total Operating Expenses	45,033	33,175
Operating Loss	(45,033)	(33,175)
<b>Nonoperating Revenue (Expense)</b>		
Interest expense	(32)	(33)
State repayment	(182,851)	
Loss on sale of building	(372,267)	
Total Nonoperating Revenue (Expense)	(555,150)	(33)
<b>Net Income Before Transfers</b>	(600,183)	(33,208)
Transfers in	184,721	
Transfers out	(9,585)	
<b>Change in Net Position</b>	(425,047)	(33,208)
<b>Net Position, Beginning of Year</b>	425,047	458,255
<b>Net Position, End of Year</b>	\$	\$ 425,047

**CITY OF RUSHFORD, MINNESOTA**  
**UTILITIES FUND (604)**  
**ELECTRIC DEPARTMENT**  
**Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2017**  
**With Comparative Totals for December 31, 2016**

	2017		Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 1,805,000	\$ 1,829,229	\$ 24,229	\$ 1,744,570
<b>Operating Expenses</b>				
<b>Cost of Production</b>				
Purchased power	1,300,000	1,203,811	96,189	1,174,513
<b>Distribution</b>				
Salaries	7,000	3,361	3,639	3,037
Gas, oil and supplies	1,000	893	107	925
General supplies	3,000	2,884	116	2,144
Repairs and maintenance	10,000	75,332	(65,332)	45,268
Professional services	25,000	3,553	21,447	
Depreciation and amortization	148,724	148,724		140,045
Total Distribution	194,724	234,747	(40,023)	191,419
<b>General Administration</b>				
Salaries	212,000	210,195	1,805	189,413
Employee benefits and retirement	31,000	37,225	(6,225)	43,404
Office supplies and expense	1,200	841	359	895
Professional services	6,150	3,932	2,218	4,067
Postage	4,000	4,398	(398)	4,307
Printing and publishing	1,100	832	268	499
Insurance	10,600	10,595	5	9,609
Dues, subscriptions and fees	6,000	6,876	(876)	5,478
Miscellaneous	30,150	4,279	25,871	4,990
Total General Administration	302,200	279,173	23,027	262,662
<b>Total Operating Expenses</b>	1,796,924	1,717,731	79,193	1,628,594
<b>Operating Income</b>	8,076	111,498	103,422	115,976
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(14,136)	(12,823)	1,313	(16,197)
Interest income	1,500	3,196	1,696	3,250
Penalty income	15,000	14,784	(216)	14,679
Service fee - refuse billings	4,000	2,522	(1,478)	4,321
Compost site fees	2,500	1,926	(574)	3,036
Miscellaneous income	6,000	6,485	485	13,194
Total Other Income (Expense)	14,864	16,090	1,226	22,283
<b>Income Before Transfers</b>	22,940	127,588	104,648	138,259
Transfers out	(85,000)	(85,000)		(85,000)
<b>Change in Net Position</b>	(62,060)	42,588	104,648	53,259
<b>Net Position, Beginning</b>	2,105,716	2,105,716		2,052,457
<b>Net Position, Ending</b>	\$ 2,043,656	\$ 2,148,304	\$ 104,648	\$ 2,105,716

**CITY OF RUSHFORD, MINNESOTA  
UTILITIES FUND (601)  
WATER DEPARTMENT**  
**Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual  
For the Year Ended December 31, 2017  
With Comparative Totals for December 31, 2016**

	2017		Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 592,000	\$ 635,191	\$ 43,191	\$ 567,778
<b>Operating Expenses</b>				
<b>Distribution</b>				
Salaries	66,500	64,352	2,148	68,712
Utilities and fuel oil	26,300	24,103	2,197	22,975
Gas, oil and supplies	9,000	6,953	2,047	7,567
General supplies	1,500	607	893	1,144
Repairs and maintenance	3,000	5,952	(2,952)	7,547
Professional services	5,000	1,230	3,770	31
Depreciation and amortization	217,892	217,892		209,490
Sewage and water testing	1,000	925	75	772
Total Distribution	<u>330,192</u>	<u>322,014</u>	<u>8,178</u>	<u>318,238</u>
<b>General Administration</b>				
Salaries	39,000	37,206	1,794	34,115
Employee benefits and retirement	15,155	18,687	(3,532)	22,882
Office supplies and expense	600	527	73	397
Professional services	5,000	3,934	1,066	3,984
Postage	300	313	(13)	108
Printing and publishing	1,100	1,133	(33)	697
Insurance	6,900	6,641	259	5,986
Dues, subscriptions and fees	4,300	4,046	254	4,164
Miscellaneous	2,800	2,713	87	2,551
Total General Administration	<u>75,155</u>	<u>75,200</u>	<u>(45)</u>	<u>74,884</u>
<b>Total Operating Expenses</b>	<u>405,347</u>	<u>397,214</u>	<u>8,133</u>	<u>393,122</u>
<b>Operating Income</b>	<u>186,653</u>	<u>237,977</u>	<u>51,324</u>	<u>174,656</u>
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(29,000)	(26,736)	2,264	(31,586)
Interest income		1,788	1,788	1,704
Miscellaneous income	500	150	(350)	900
Total Other Income (Expense)	<u>(28,500)</u>	<u>(24,798)</u>	<u>3,702</u>	<u>(28,982)</u>
<b>Income Before Transfers</b>	<u>158,153</u>	<u>213,179</u>	<u>55,026</u>	<u>145,674</u>
Transfers out	<u>(16,000)</u>	<u>(16,000)</u>		<u>(16,000)</u>
<b>Change in Net Position</b>	<u>142,153</u>	<u>197,179</u>	<u>55,026</u>	<u>129,674</u>
<b>Net Position, Beginning</b>	<u>2,306,912</u>	<u>2,306,912</u>		<u>2,177,238</u>
<b>Net Position, Ending</b>	<u>\$ 2,449,065</u>	<u>\$ 2,504,091</u>	<u>\$ 55,026</u>	<u>\$ 2,306,912</u>

**CITY OF RUSHFORD, MINNESOTA**  
**UTILITIES FUND (602)**  
**SEWER DEPARTMENT**  
**Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for December 31, 2016*

	2017		Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Budget	Actual		
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 562,000	\$ 573,930	\$ 11,930	\$ 562,469
Revenues related to Rushford Village	45,000	45,261	261	44,987
Total Operating Revenues	<u>607,000</u>	<u>619,191</u>	<u>12,191</u>	<u>607,456</u>
<b>Operating Expenses</b>				
<b>Distribution</b>				
Salaries	116,000	111,728	4,272	132,252
Utilities and fuel oil	59,400	58,412	988	53,649
Gas, oil and supplies	2,000	1,075	925	1,103
General supplies	5,000	2,700	2,300	5,637
Professional services	20,000	14,732	5,268	11,655
Repairs and maintenance	8,500	4,987	3,513	7,962
Depreciation	196,265	196,265		187,108
Sewage and water testing	8,700	7,658	1,042	7,745
Total Distribution	<u>415,865</u>	<u>397,557</u>	<u>18,308</u>	<u>407,111</u>
<b>General Administration</b>				
Salaries	32,500	29,035	3,465	25,422
Employee benefits and retirement	5,255	4,153	1,102	3,809
Professional services	4,600	3,934	666	4,016
Printing and publishing	1,020	1,104	(84)	704
Insurance	13,600	11,137	2,463	11,605
Dues, subscriptions and fees	6,000	4,990	1,010	6,124
Miscellaneous	3,500	3,442	58	2,256
Total General Administration	<u>66,475</u>	<u>57,795</u>	<u>8,680</u>	<u>53,936</u>
<b>Total Operating Expenses</b>	<u>482,340</u>	<u>455,352</u>	<u>26,988</u>	<u>461,047</u>
<b>Operating Income</b>	<u>124,660</u>	<u>163,839</u>	<u>39,179</u>	<u>146,409</u>
<b>Nonoperating Revenue and (Expense)</b>				
Interest expense	(17,000)	(16,301)	699	(20,306)
Interest income		1,341	1,341	1,490
Miscellaneous income		896	896	393
Total Other Income (Expense)	<u>(17,000)</u>	<u>(14,064)</u>	<u>2,936</u>	<u>(18,423)</u>
<b>Income Before Transfers</b>	<u>107,660</u>	<u>149,775</u>	<u>42,115</u>	<u>127,986</u>
Transfers out	<u>(33,000)</u>	<u>(33,000)</u>		<u>(33,000)</u>
<b>Change in Net Position</b>	<u>74,660</u>	<u>116,775</u>	<u>42,115</u>	<u>94,986</u>
<b>Net Position, Beginning</b>	<u>1,822,743</u>	<u>1,822,743</u>		<u>1,727,757</u>
<b>Net Position, Ending</b>	<u>\$ 1,897,403</u>	<u>\$ 1,939,518</u>	<u>\$ 42,115</u>	<u>\$ 1,822,743</u>

**CITY OF RUSHFORD, MINNESOTA**

**SUPPLEMENTAL SCHEDULES**

**CITY OF RUSHFORD, MINNESOTA**  
**Summary of Cash and Investments**  
**December 31, 2017**

<b>CHANGE FUNDS</b>	<u>\$ 169</u>
<b>CHECKING ACCOUNTS</b>	
<i>Merchants Bank</i>	
General checking account	259,386
Sweep account	6,323,548
<i>Rushford State Bank:</i>	
General checking account	<u>493,169</u>
<b>TOTAL CHECKING ACCOUNTS</b>	<u>7,076,103</u>
<b>SAVINGS ACCOUNTS</b>	
<i>Merchants Bank:</i>	
Money market funds account	<u>107,066</u>
<b>DEPOSITS HELD BY FISCAL AGENTS</b>	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	84,383
SLGS notes	<u>958,665</u>
<b>TOTAL DEPOSITS HELD BY FISCAL AGENTS</b>	<u>1,043,048</u>
<b>TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS</b>	<u>\$ 8,226,386</u>

**CITY OF RUSHFORD, MINNESOTA  
BUSINESS-TYPE ACTIVITIES  
Debt Retirement Schedule  
December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 50,000	\$ 3,070	\$ 53,070
2019	51,000	1,550	52,550
<b>TOTAL</b>	<b>\$ 101,000</b>	<b>\$ 4,620</b>	<b>\$ 105,620</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 80,000	\$ 6,560	\$ 86,560
2019	80,000	3,280	83,280
<b>TOTAL</b>	<b>\$ 160,000</b>	<b>\$ 9,840</b>	<b>\$ 169,840</b>

\$400,000 SERIES 2007A  
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 48,000	\$ 2,040	\$ 50,040
<b>TOTAL</b>	<b>\$ 48,000</b>	<b>\$ 2,040</b>	<b>\$ 50,040</b>

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS-TYPE ACTIVITIES**  
**Debt Retirement Schedule**  
**December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 70,000	\$ 10,072	\$ 80,072
2019	71,000	9,126	80,126
2020	72,000	8,166	80,166
2021	73,000	7,192	80,192
2022	74,000	6,205	80,205
2023	75,000	5,205	80,205
2024	76,000	4,191	80,191
2025	77,000	3,163	80,163
2026	78,000	2,122	80,122
2027	79,000	1,068	80,068
<b>TOTAL</b>	<b>\$ 745,000</b>	<b>\$ 56,510</b>	<b>\$ 801,510</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 745,000</b>	<b>\$ 49,350</b>	<b>\$ 794,350</b>

**CITY OF RUSHFORD, MINNESOTA**  
**BUSINESS-TYPE ACTIVITIES**  
**Debt Retirement Schedule**  
**December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 1,031,000</b>	<b>\$ 80,526</b>	<b>\$ 1,111,526</b>

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 132,813</b>	<b>\$ 18,580</b>	<b>\$ 151,393</b>

**CITY OF RUSHFORD, MINNESOTA  
 BUSINESS-TYPE ACTIVITIES  
 Debt Retirement Schedule  
 December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 288,806</b>	<b>\$ 35,120</b>	<b>\$ 323,926</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 645,000</b>	<b>\$ 207,776</b>	<b>\$ 852,776</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 50,000	\$ 37,490	\$ 87,490
2019	50,000	36,190	86,190
2020	50,000	34,790	84,790
2021	55,000	33,215	88,215
2022	55,000	31,455	86,455
2023	55,000	29,585	84,585
2024	60,000	27,540	87,540
2025	60,000	25,320	85,320
2026	65,000	22,943	87,943
2027	65,000	20,408	85,408
2028	70,000	17,670	87,670
2029	70,000	14,730	84,730
2030	75,000	11,610	86,610
2031	80,000	8,200	88,200
2032	80,000	4,600	84,600
2033	60,000	1,380	61,380
<b>TOTAL</b>	<b>\$ 1,000,000</b>	<b>\$ 357,125</b>	<b>\$ 1,357,125</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2017**

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 19,470	\$ 23,030	\$ 42,500
2019	20,443	22,058	42,501
2020	21,466	21,034	42,500
2021	22,539	19,962	42,501
2022	23,666	18,834	42,500
2023	24,849	17,652	42,501
2024	26,092	16,408	42,500
2025	27,396	15,105	42,501
2026	28,766	13,734	42,500
2027	30,204	12,297	42,501
2028	31,715	10,785	42,500
2029	33,300	9,201	42,501
2030	34,965	7,535	42,500
2031	36,714	5,787	42,501
2032	38,549	3,951	42,500
2033	40,476	2,025	42,501
<b>TOTAL</b>	<b>\$ 460,610</b>	<b>\$ 219,398</b>	<b>\$ 680,008</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 1,200,000</b>	<b>\$ 458,577</b>	<b>\$ 1,658,577</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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
<b>TOTAL</b>	<b>\$ 2,240,000</b>	<b>\$ 463,737</b>	<b>\$ 2,703,737</b>

**CITY OF RUSHFORD, MINNESOTA  
GOVERNMENTAL ACTIVITIES  
Debt Retirement Schedules  
December 31, 2017**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$	\$ 46,250	\$ 46,250
2019	165,000	44,600	209,600
2020	160,000	41,350	201,350
2021	165,000	38,100	203,100
2022	170,000	34,750	204,750
2023	170,000	31,350	201,350
2024	175,000	27,900	202,900
2025	180,000	24,350	204,350
2026	190,000	20,650	210,650
2027	185,000	16,715	201,715
2028	190,000	12,590	202,590
2029	70,000	9,450	79,450
2030	75,000	7,275	82,275
2031	75,000	5,025	80,025
2032	75,000	2,775	77,775
2033	55,000	825	55,825
<b>TOTAL</b>	<b>\$ 2,100,000</b>	<b>\$ 363,955</b>	<b>\$ 2,463,955</b>

**CITY OF RUSHFORD, MINNESOTA**  
**COMPLIANCE AND INTERNAL CONTROL REPORTS**

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

To the City Council  
City of Rushford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rushford, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Rushford, Minnesota's basic financial statements, and have issued our report thereon dated April 26, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, finding 2008-001, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

To the City Council  
City of Rushford, Minnesota

### **City of Rushford, Minnesota's Response to Findings**

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

### **Purpose of this Report**

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

*Smith, Schafn and Associates, Ltd.*

Rochester, Minnesota  
April 26, 2018

**CITY OF RUSHFORD, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2017**

**FINDINGS – 2008-001 LIMITED SEGREGATION OF DUTIES**

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

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

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

**Cause:** There is a limited number of administrative staff.

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

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with the Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Findings:**

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

**Official Responsible for Ensuring CAP:**

City Administrator Tony Chladek is the official responsible for ensuring correction action of the deficiency.

**Planned Completion Date of CAP:**

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

**Plan to Monitor Completion of CAP:**

Members of the City Council will monitor this process.

**CURRENT STATUS:**

The finding recurred in 2017.

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Rushford, Minnesota's basic financial statements, and have issued our report thereon dated April 26, 2018.

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

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

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

*Smith, Schaffer and Associates, Ltd.*

Rochester, Minnesota  
April 26, 2018