

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

CITY OF RUSHFORD, MINNESOTA

**FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2018**

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CITY OF RUSHFORD, MINNESOTA

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2018

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CITY OF RUSHFORD, MINNESOTA

**CITY OFFICIALS
AS OF DECEMBER 31, 2018**

Elected

Chris Hallum	Mayor
Terri Benson	Council Member
Jim O'Donnell	Council Member
Sally Ryman	Council Member
Andrew Linder	Council Member

Appointed

Tony Chladek	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and cash flows thereof, and the respective budgetary comparisons for the General Fund, EDA Revolving Loan Fund, Business Flood Recovery Loan Program Fund, Fire Department Fund, and Capital Improvements Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the required supplementary 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, 2017, from which such partial information was derived.

We have previously audited the City's 2017 financial statements and our report dated April 26, 2018, 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, 2017, 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 30, 2019, 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 solely 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 effectiveness of the City of Rushford, Minnesota's 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 30, 2019

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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, 2018.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$25,734,526 (*net position*). Of this amount, \$5,138,532 (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 \$1,736,298 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 \$736,907 or 104 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 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 \$6,687,810. Approximately 66 percent of this total amount, or \$4,426,150 is nonspendable, restricted, or otherwise committed.
- The City of Rushford, Minnesota decreased total outstanding debt by \$1,656,978 during the current fiscal year retiring one refunding bond 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 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, fire department fund, capital improvements fund, and the 2016 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), fire department 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 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 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 \$25,734,526 at the end of the most recent year.

A portion of the City of Rushford, Minnesota's net position (54 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,361,945	\$ 14,163,114	\$ 1,960,261	\$ 1,657,581	\$ 13,322,206	\$ 15,820,695
Capital assets	14,826,399	15,264,118	8,389,046	8,958,413	23,215,445	24,222,531
Total assets	26,188,344	29,427,232	10,349,307	10,615,994	36,537,651	40,043,226
Deferred outflows of resources	330,571	64,718	68,466	49,794	399,037	114,512
Long-term liabilities outstanding	6,824,539	8,157,861	3,219,472	3,719,939	10,044,011	11,877,800
Other liabilities	288,918	308,919	264,453	319,008	553,371	627,927
Total liabilities	7,113,457	8,466,780	3,483,925	4,038,947	10,597,382	12,505,727
Deferred inflows of resources	480,439	146,259	124,341	34,928	604,780	181,187
Net position:						
Net investment in capital assets	8,406,724	8,563,867	5,454,427	5,585,318	13,861,151	14,149,185
Restricted	6,305,762	8,959,003	429,081	460,846	6,734,843	9,419,849
Unrestricted	4,212,533	3,356,041	925,999	545,749	5,138,532	3,901,790
Total net position	\$ 18,925,019	\$ 20,878,911	\$ 6,809,507	\$ 6,591,913	\$ 25,734,526	\$ 27,470,824

An additional portion of the City of Rushford, Minnesota's net position, \$6,734,843 (26 percent) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$2,541,682 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$5,138,532 (20 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rushford, Minnesota is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

Governmental activities. Governmental activities decreased the City of Rushford, Minnesota's net position by \$1,953,892. 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 increased the City of Rushford, Minnesota's net position by \$217,594.

A condensed version of the Statement of Activities follows:

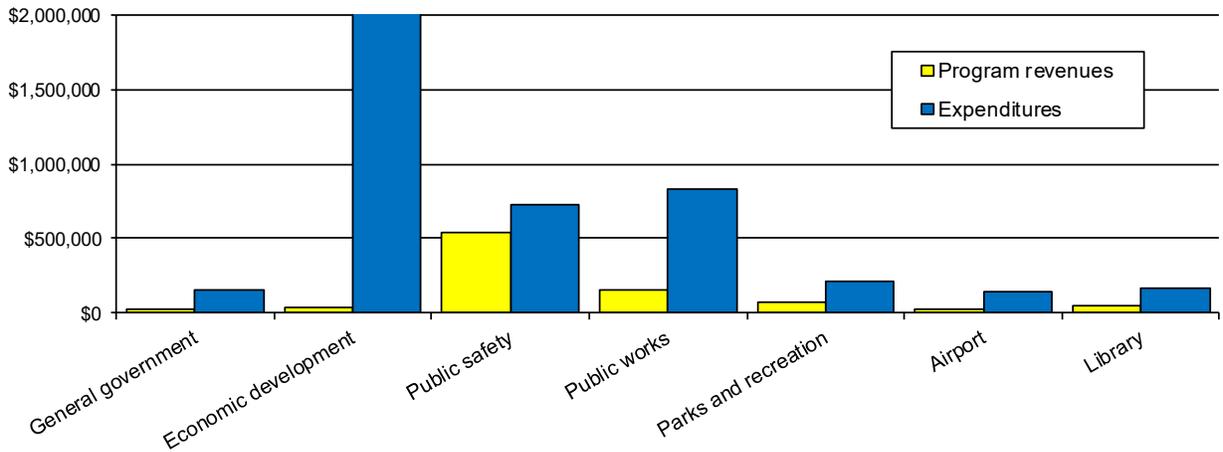
City of Rushford, Minnesota's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 424,853	\$ 392,284	\$ 3,107,234	\$ 3,083,611	\$ 3,532,087	\$ 3,475,895
Operating grants and contributions	188,608	152,214			188,608	152,214
Capital grants and contributions	274,249	492,424	5,136		279,385	492,424
General revenues:						
Property taxes	910,384	893,788			910,384	893,788
Tax increment revenues	15,805	15,193			15,805	15,193
Grants and contributions not restricted to specific programs						
Local government aid	596,559	589,633			596,559	589,633
Other	5,084	8,764			5,084	8,764
Miscellaneous	194,257	249,750	40,127	31,130	234,384	280,880
Total revenues	<u>2,609,799</u>	<u>2,794,050</u>	<u>3,152,497</u>	<u>3,114,741</u>	<u>5,762,296</u>	<u>5,908,791</u>
Expenses:						
General government	147,919	158,515			147,919	158,515
Economic development	2,324,919	1,516,452			2,324,919	1,516,452
Public safety	724,238	711,473			724,238	711,473
Public works	825,974	611,359			825,974	611,359
Parks and recreation	216,111	203,481			216,111	203,481
Airport	134,922	118,345			134,922	118,345
Library	165,489	165,826			165,489	165,826
Interest on long-term debt	188,119	234,779			188,119	234,779
Liquor				600,151		600,151
Utilities			2,770,903	2,624,231	2,770,903	2,624,231
Total expenses	<u>4,727,691</u>	<u>3,720,230</u>	<u>2,770,903</u>	<u>3,224,382</u>	<u>7,498,594</u>	<u>6,944,612</u>
Increase (Decrease) in net position						
before transfers	(2,117,892)	(926,180)	381,594	(109,641)	(1,736,298)	(1,035,821)
Transfers	164,000	(41,136)	(164,000)	41,136		
Change in net position	(1,953,892)	(967,316)	217,594	(68,505)	(1,736,298)	(1,035,821)
Net position - beginning	<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>
Net position, ending	<u>\$ 18,925,019</u>	<u>\$ 20,878,911</u>	<u>\$ 6,809,507</u>	<u>\$ 6,591,913</u>	<u>\$ 25,734,526</u>	<u>\$ 27,470,824</u>

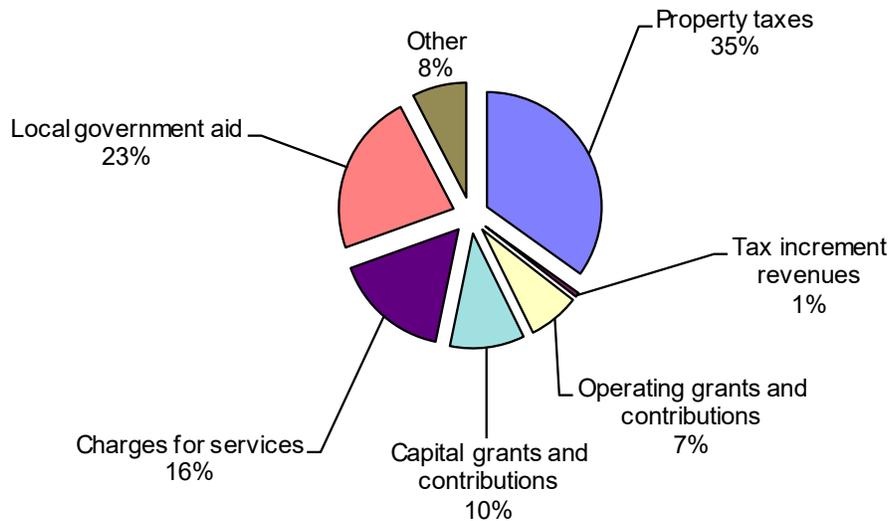
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



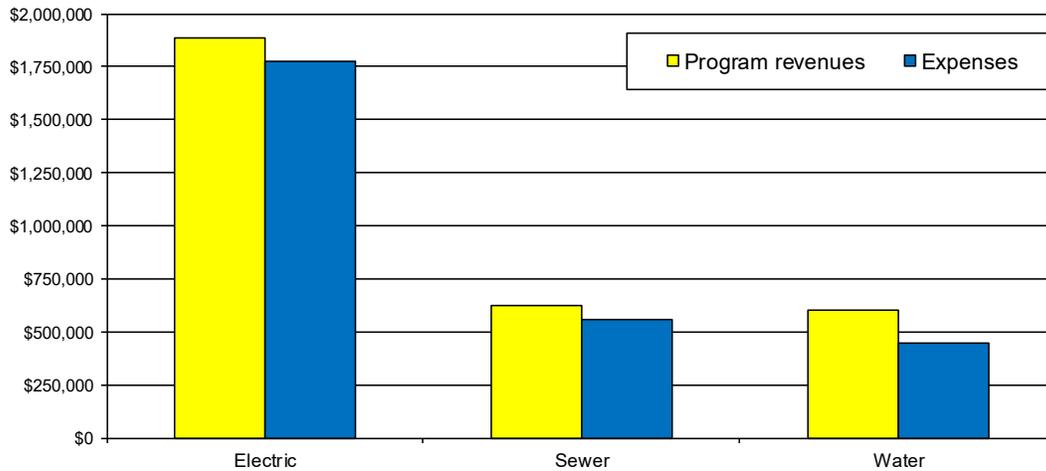
Revenues by Source - Governmental Activities



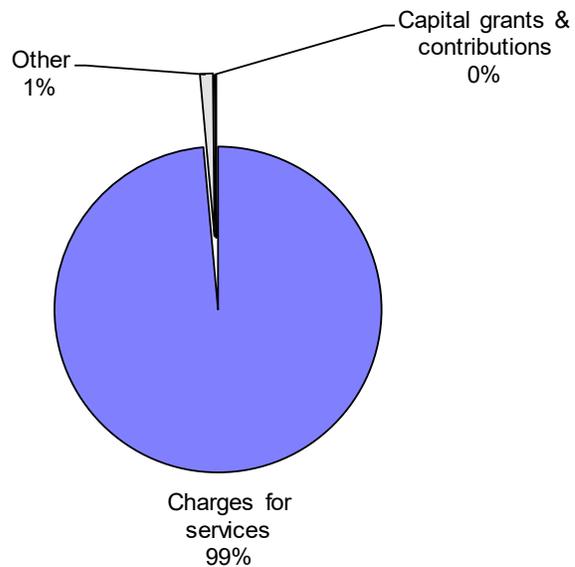
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$6,687,810, a decrease of \$289,110. The City of Rushford, Minnesota ended the year with \$644,931 in *unassigned fund balance* and \$3,334,220 of governmental fund balance is *restricted* or *nonspendable*, \$1,086,930 has been *committed* by council action and \$1,616,729 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 \$736,907. 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 104 percent of total general fund expenditures.

The general fund's total fund balance increased by \$102,912 during the current fiscal year. Revenue was higher than anticipated and operating expenses were lower than anticipated.

The EDA revolving loan fund's fund balance had a net increase of \$241,407 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 \$264,596 and transferred \$216,559 to the EDA Revolving Loan Fund.

The fire department fund increased its total fund balance by \$68,140 in part due to revenue received from increased contract service fees for the contract year of 2018/2019.

The capital improvements fund increased its fund balance by \$4,166 for the year which is primarily due to unspent contributions for the Veteran's Memorial Park improvements that will be completed in 2019.

The library fund decreased its fund balance by \$21,878, due to spending down reserve funds.

The ambulance fund increased its fund balance by \$100,185, in part due to additional revenues from the increased number of runs.

The airport fund decreased its fund balance by \$3,876, receiving grant funding reimbursement for an improvement project. The new hangar building continues to bring in increased rental income. The three year cropland rental resulted in reduced revenue from previous years. There is one federal grant project yet to be finalized.

The debt service funds have a total fund balance of \$1,231,740 all of which is reserved for debt service. This fund balance decreased by \$843,066 from the prior year due to retirement of one crossover refunding bond and regular principal payments.

The economic development fund increased its fund balance by \$31,005 for the year with the reduction of expenses allocated for contracted and consultant services along with the sale of land in the Rush Creek Business Park.

The Tax Increment Capital Project fund increased its fund balance by \$1,556 which is the result of the annual taxes on the TIF housing project.

The levee improvement capital project fund increased its fund balance by \$42,620. 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. In 2018, several improvement projects were completed including slope repair, wall repair, televising and inspecting of levee pipe crossings, and replacement of 50 year pumps. 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. Additional funding and projects are scheduled for 2019.

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 - \$322,466, Water - \$483,932, and Sewer - \$119,601. The increase in net position in the respective proprietary funds are Electric - \$57,506, Water - \$118,032, and Sewer - \$42,056. The changes in net position are due to 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. Water revenues are also allocated to recent street improvement debt service projects.

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. Sewer revenues are also allocated to recent street improvement debt service projects.

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. In order to recover a slight increase in wholesale rates, a power cost adjustment was implemented for the 2018 fiscal year to recover the increased cost for each month.

**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, 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
- Reallocation of some wage breakdown

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, 2018, amounts to \$23,215,445 (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 \$1,007,086, after depreciation of \$1,537,746.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 1,123,104	\$ 1,192,453	\$ 105,460	\$ 105,460	\$ 1,228,564	\$ 1,297,913
Buildings	4,169,742	4,394,577	7,923,609	8,503,296	12,093,351	12,897,873
Machinery and equipment	1,647,526	1,616,139	321,794	349,657	1,969,320	1,965,796
Infrastructure	7,599,966	8,034,029			7,599,966	8,034,029
Construction in progress	286,061	26,920	38,183		324,244	26,920
Total	<u>\$ 14,826,399</u>	<u>\$ 15,264,118</u>	<u>\$ 8,389,046</u>	<u>\$ 8,958,413</u>	<u>\$23,215,445</u>	<u>\$24,222,531</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 \$9,267,073 in bonds and notes outstanding. Of this amount, \$9,187,073 comprises debt backed by the full faith and credit of the government and \$80,000 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			
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 5,975,000	\$ 7,185,000	\$	\$	\$ 5,975,000	\$ 7,185,000
GO Revenue bonds			2,754,619	3,043,619	2,754,619	3,043,619
Revenue bonds			80,000	208,000	80,000	208,000
Lease payable	16,314	26,822			16,314	26,822
Contract for deed	441,140	460,610			441,140	460,610
Total	\$ 6,432,454	\$ 7,672,432	\$ 2,834,619	\$ 3,251,619	\$ 9,267,073	\$ 10,924,051

The City's total bonds and notes payable decreased by \$1,656,978 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 and by maintaining that cash balance over several years as recommended by Standard & Poor's.

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. In 2018, planning began for a new Improvement Project to be completed in 2019 for the total rebuild of another section of the oldest and poorest quality streets and utilities.
- 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 un-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, 2018

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2018
With Comparative Totals for December 31, 2017

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 6,479,726	\$ 1,264,796	\$ 7,744,522	\$ 6,722,492
Investments held by fiscal agent				958,665
Receivables (net of allowance for uncollectibles)	713,888	105,684	819,572	878,875
Loans receivable	3,938,912		3,938,912	6,379,363
Accrued utility revenue		256,952	256,952	245,431
Internal balances	100,000	(100,000)		
Due from other governmental units	29,809		29,809	72,700
Restricted cash and investments	85,707	429,081	514,788	545,229
Prepaid items	13,903	3,748	17,651	17,940
Capital assets:				
Nondepreciable	1,409,165	143,643	1,552,808	1,324,833
Depreciable, net	13,417,234	8,245,403	21,662,637	22,897,698
Total Assets	<u>26,188,344</u>	<u>10,349,307</u>	<u>36,537,651</u>	<u>40,043,226</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	<u>330,571</u>	<u>68,466</u>	<u>399,037</u>	<u>114,512</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 26,518,915</u>	<u>\$ 10,417,773</u>	<u>\$ 36,936,688</u>	<u>\$ 40,157,738</u>
LIABILITIES				
Accounts payable	108,494	141,946	250,440	277,080
Accrued interest payable	88,508	14,804	103,312	127,212
Accrued compensation and payroll taxes payable		14,621	14,621	11,881
Deposits payable		20,714	20,714	20,954
Accrued compensated absences	58,607	72,193	130,800	116,326
Unearned revenue	33,309	175	33,484	74,474
Noncurrent liabilities:				
Due within one year	411,244	373,000	784,244	706,978
Due in more than one year	6,008,431	2,461,619	8,470,050	10,200,033
Net pension liability	404,864	384,853	789,717	970,789
Total Liabilities	<u>7,113,457</u>	<u>3,483,925</u>	<u>10,597,382</u>	<u>12,505,727</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	<u>480,439</u>	<u>124,341</u>	<u>604,780</u>	<u>181,187</u>
NET POSITION				
Net investment in capital assets	8,406,724	5,454,427	13,861,151	14,149,185
Restricted	6,305,762	429,081	6,734,843	8,461,184
Unrestricted	4,212,533	925,999	5,138,532	4,860,455
Total Net Position	<u>18,925,019</u>	<u>6,809,507</u>	<u>25,734,526</u>	<u>27,470,824</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET PENSION				
	<u>\$ 26,518,915</u>	<u>\$ 10,417,773</u>	<u>\$ 36,936,688</u>	<u>\$ 40,157,738</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 147,919	\$ 20,489	\$	\$
Economic development	2,324,919		35,190	
Public safety	724,238	334,573	120,079	84,453
Public works	825,974			152,393
Parks and recreation	216,111	42,079	165	30,700
Airport	134,922	21,156		5,379
Library	165,489	6,556	33,174	1,324
Interest and other charges	188,119			
Total governmental activities	4,727,691	424,853	188,608	274,249
Business-Type activities:				
Liquor				
Electric	1,772,934	1,884,998		
Sewer	554,214	619,769		2,568
Water	443,755	602,467		2,568
Total business-type activities	2,770,903	3,107,234		5,136
Total	\$ 7,498,594	\$ 3,532,087	\$ 188,608	\$ 279,385

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	
		2018	2017
\$ (127,430)		\$ (127,430)	\$ (143,601)
(2,289,729)		(2,289,729)	(1,503,202)
(185,133)		(185,133)	(302,648)
(673,581)		(673,581)	(451,572)
(143,167)		(143,167)	(130,942)
(108,387)		(108,387)	208,445
(124,435)		(124,435)	(125,009)
(188,119)		(188,119)	(234,779)
<u>(3,839,981)</u>		<u>(3,839,981)</u>	<u>(2,683,308)</u>
			(600,151)
	112,064	112,064	100,601
	68,123	68,123	147,538
	<u>161,280</u>	<u>161,280</u>	<u>211,241</u>
	341,467	341,467	(140,771)
<u>(3,839,981)</u>	<u>341,467</u>	<u>(3,498,514)</u>	<u>(2,824,079)</u>
910,384		910,384	893,788
15,805		15,805	15,193
5,256		5,256	4,416
596,559		596,559	589,633
5,084		5,084	8,764
53,413	5,891	59,304	81,818
135,588	34,236	169,824	194,646
164,000	(164,000)		
<u>1,886,089</u>	<u>(123,873)</u>	<u>1,762,216</u>	<u>1,788,258</u>
(1,953,892)	217,594	(1,736,298)	(1,035,821)
<u>20,878,911</u>	<u>6,591,913</u>	<u>27,470,824</u>	<u>28,506,645</u>
<u>\$ 18,925,019</u>	<u>\$ 6,809,507</u>	<u>\$ 25,734,526</u>	<u>\$ 27,470,824</u>

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CITY OF RUSHFORD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2018

CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018
With Comparative Totals for December 31, 2017

	Special Revenue Funds			
	101	203	204	614/615
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Fire Department
ASSETS				
Cash and investments	\$ 778,342	\$ 1,807,019	\$ 45,841	\$ 562,662
Investments held by fiscal agent				
Restricted cash				
Accounts receivable	3,070			16,800
Contracts receivable				
Loans receivable		1,397,230	2,541,682	
Taxes receivable - delinquent	4,718			419
Special assessments receivable - deferred				
Due from other funds	47			
Advances to other funds		100,000		
Due from other governmental units	3,135			239
Prepaid items	8,438			3,208
TOTAL ASSETS	\$ 797,750	\$ 3,304,249	\$ 2,587,523	\$ 583,328
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 15,910	\$	\$ 45,841	\$ 1,489
Due to other funds				
Unearned revenue				
Total Liabilities	15,910		45,841	1,489
Deferred Inflows of Resources				
Unavailable revenue:				
Property taxes	4,718			419
Special assessments				
EDA loans receivable		1,397,230		
Business flood loans receivable			2,541,682	
Total Deferred Inflows of Resources	4,718	1,397,230	2,541,682	419
Fund Balance:				
Nonspendable:				
Prepaid items	8,438			3,208
Contracts receivable				
Advances to other funds		100,000		
Restricted:				
Externally imposed by:				
Grantors:				
Regulators				
EDA revolving loans		1,807,019		
Creditors				
Contributors				
Committed				
Assigned	31,777			578,212
Unassigned	736,907			
Total Fund Balance	777,122	1,907,019		581,420
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 797,750	\$ 3,304,249	\$ 2,587,523	\$ 583,328

See Notes to the Financial Statements

Capital Projects Fund	Debt Service Fund		Total Governmental Funds	
406	353	Other	2018	2017
Capital Improvements	2016 Improvement Project	Governmental Funds		
\$ 1,032,479	\$ 239,466	\$ 2,013,917	\$ 6,479,726	\$ 5,750,675
				958,665
		85,707	85,707	84,383
1,300		57,370	78,540	57,335
		41,928	41,928	61,908
			3,938,912	6,379,363
53	1,859	5,680	12,729	13,000
	229,111	351,580	580,691	645,622
59,160			59,207	79,695
			100,000	125,000
	1,963	24,472	29,809	72,700
		2,257	13,903	14,463
<u>\$ 1,092,992</u>	<u>\$ 472,399</u>	<u>\$ 2,582,911</u>	<u>\$ 11,421,152</u>	<u>\$ 14,242,809</u>
\$ 6,009	\$	\$ 39,245	\$ 108,494	\$ 116,495
		59,207	59,207	79,695
		33,309	33,309	31,714
<u>6,009</u>		<u>131,761</u>	<u>201,010</u>	<u>227,904</u>
53	1,859	5,680	12,729	13,000
	229,111	351,580	580,691	645,622
			1,397,230	1,829,639
			2,541,682	4,549,724
<u>53</u>	<u>230,970</u>	<u>357,260</u>	<u>4,532,332</u>	<u>7,037,985</u>
		2,257	13,903	14,463
		41,928	41,928	61,908
			100,000	125,000
		58,923	58,923	57,367
			1,807,019	1,540,592
	241,429	990,311	1,231,740	2,074,806
		85,707	85,707	84,383
1,086,930			1,086,930	1,082,764
		1,006,740	1,616,729	1,391,868
		(91,976)	644,931	543,769
<u>1,086,930</u>	<u>241,429</u>	<u>2,093,890</u>	<u>6,687,810</u>	<u>6,976,920</u>
<u>\$ 1,092,992</u>	<u>\$ 472,399</u>	<u>\$ 2,582,911</u>	<u>\$ 11,421,152</u>	<u>\$ 14,242,809</u>

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
With Comparative Totals for December 31, 2017

	Special Revenue Funds			
	101	203	204	614/615
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Fire Department
REVENUES				
Property taxes	\$ 324,565	\$	\$	\$ 29,963
Tax increment revenues				
Lodging taxes	5,256			
Special assessments				
Licenses and permits	18,724			
Fines and forfeits	6,012			
Intergovernmental revenues	340,445			121,573
Charges for services	41,729			107,384
Interest income	1,764	35,197	24,905	2,825
Miscellaneous revenues	22,441	25,691	239,691	47,657
TOTAL REVENUES	760,936	60,888	264,596	309,402
EXPENDITURES				
Current				
General government	117,876			
Economic development	10,738	21,040	48,037	
Public safety	355,171			261,262
Public works	96,195			
Parks and recreation	128,044			
Airport				
Library				
Capital outlay				
Debt service				
TOTAL EXPENDITURES	708,024	21,040	48,037	261,262
Excess (deficiency) of revenues over (under) expenditures	52,912	39,848	216,559	48,140
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	216,559		20,000
Transfers out		(15,000)	(216,559)	
TOTAL OTHER FINANCING SOURCES (USES)	50,000	201,559	(216,559)	20,000
Net change in fund balances	102,912	241,407		68,140
FUND BALANCES, BEGINNING	674,210	1,665,612		513,280
FUND BALANCES, ENDING	\$ 777,122	\$ 1,907,019	\$	\$ 581,420

See Notes to the Financial Statements

Capital Projects	Debt Service Fund		Total Governmental Funds	
406 Capital Improvements	353 2016 Improvement Project	Other Governmental Funds	2018	2017
\$ 300	\$ 150,599	\$ 405,198	\$ 910,625	\$ 879,179
		15,835	15,835	15,193
			5,256	4,416
	34,018	58,874	92,892	163,422
			18,724	13,149
			6,012	6,096
275,698		194,806	932,522	1,022,126
		239,563	388,676	356,025
3,839	3,373	7,175	79,078	74,436
113,542		66,010	515,032	586,337
<u>393,379</u>	<u>187,990</u>	<u>987,461</u>	<u>2,964,652</u>	<u>3,120,379</u>
			117,876	129,151
		61,505	141,320	164,359
		127,998	744,431	572,311
			96,195	85,345
			128,044	114,907
		42,395	42,395	314,576
		140,037	140,037	138,744
289,202		272,224	561,426	719,568
	1,065,814	380,224	1,446,038	2,672,811
<u>289,202</u>	<u>1,065,814</u>	<u>1,024,383</u>	<u>3,417,762</u>	<u>4,911,772</u>
104,177	(877,824)	(36,922)	(453,110)	(1,791,393)
	72,091	226,024	584,674	523,579
(100,011)		(89,104)	(420,674)	(564,715)
(100,011)	72,091	136,920	164,000	(41,136)
4,166	(805,733)	99,998	(289,110)	(1,832,529)
1,082,764	1,047,162	1,993,892	6,976,920	8,809,449
<u>\$ 1,086,930</u>	<u>\$ 241,429</u>	<u>\$ 2,093,890</u>	<u>\$ 6,687,810</u>	<u>\$ 6,976,920</u>

**CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2018**

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

Total governmental fund balances (pages 20-21)		\$ 6,687,810
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 21,473,785	
Less: Accumulated depreciation	<u>(6,647,386)</u>	14,826,399
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 12,729	
Special assessments	580,691	
EDA loans receivable	1,397,230	
Business flood loan receivable	<u>2,541,682</u>	4,532,332
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	\$ (6,419,675)	
Net pension liability	(554,732)	
Compensated absences	(58,607)	
Accrued interest	<u>(88,508)</u>	<u>(7,121,522)</u>
Net position of governmental activities (page 17)		<u>\$ 18,925,019</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, 2018**

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

Net change in fund balances - total governmental funds (pages 22-23)	\$	(289,110)
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	\$ 559,041	
Depreciation expense	<u>(937,713)</u>	(378,672)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
		(59,047)
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.		
Property taxes	\$ (271)	
Special assessments	(64,931)	
Business flood loan receivable	<u>(239,698)</u>	(304,900)
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		(1,768,344)
Certain expenditures in the governmental funds are not reported as expenses in the statement of activities.		
EDA loans issued, net of collections		(432,409)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(5,083)
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	\$ 1,239,978	
Change in net pension liability	25,754	
Amortization of bond discount	(1,863)	
Amortization of bond premium	1,126	
Change in accrued interest	<u>18,678</u>	<u>1,283,673</u>
Change in net position of governmental activities (pages 18 and 19)	\$	<u><u>(1,953,892)</u></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, 2018
With Comparative Totals for December 31, 2017**

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
General Tax Levy	\$ 325,067	\$ 325,067	\$ 324,565	\$ (502)	\$ 334,625
Licenses and Permits					
Business	7,085	7,085	7,045	(40)	7,105
Nonbusiness	11,100	11,100	11,679	579	6,044
Total Licenses and Permits	18,185	18,185	18,724	539	13,149
Lodging Taxes	6,000	6,000	5,256	(744)	4,416
Intergovernmental Revenues					
Local government aid	310,000	310,000	310,000		310,000
Market value credit			84	84	79
Police aid	25,000	25,000	28,246	3,246	25,128
Snowmobile aids	19,000	19,241	19,241		17,957
Snowmobile trail assistance	(19,000)	(19,241)	(19,241)		(17,957)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	337,115	337,115	340,445	3,330	337,322
Fines and Forfeits	6,000	6,000	6,012	12	6,096
Charges For Services					
Swimming pool	36,500	36,500	38,156	1,656	37,138
Park usage fees	4,000	4,000	3,573	(427)	5,398
Total Charges For Services	40,500	40,500	41,729	1,229	42,536
Interest Income	500	500	1,764	1,264	1,550
Miscellaneous Revenues	7,898	7,898	22,441	14,543	48,110
TOTAL REVENUES	\$ 741,265	\$ 741,265	\$ 760,936	\$ 19,671	\$ 787,804

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 7,560	\$ 1,440	\$ 7,700
Meetings and conferences	3,500	3,500	3,523	(23)	3,350
General supplies	1,050	1,050	213	837	218
Printing and publishing	8,500	8,500	7,065	1,435	7,847
Professional services	2,200	2,200		2,200	
Insurance	4,100	4,100	3,276	824	3,582
Dues, subscriptions and fees	4,300	4,300	3,607	693	3,544
Miscellaneous	1,100	1,100	578	522	589
Total Mayor and Council	33,750	33,750	25,822	7,928	26,830
Election Judges					
Salaries	1,600	2,100	2,056	44	483
Employee benefits and retirement			13	(13)	6
General supplies	1,450	950	22	928	
Printing and publishing	500	500		500	296
Miscellaneous	250	250	248	2	
Total Election Judges	3,800	3,800	2,339	1,461	785
City Hall Administration					
Salaries	62,000	62,000	36,953	25,047	51,598
Employee benefits and retirement	11,500	11,500	8,483	3,017	10,161
Office supplies and expense	1,500	1,500	1,005	495	917
Meetings and conferences	200	200	36	164	42
General supplies	200	200	31	169	72
Telephone	2,000	2,000	1,891	109	1,593
Printing and publishing	2,050	2,050	1,350	700	1,528
Insurance	950	950	768	182	802
Radio maintenance	1,000	1,000	35	965	108
Dues, subscriptions and fees	6,200	6,200	4,595	1,605	4,475
Miscellaneous	50	50		50	
Total City Hall Administration	\$ 87,650	\$ 87,650	\$ 55,147	\$ 32,503	\$ 71,296

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, 2018
With Comparative Totals for December 31, 2017**

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 17,000	\$ 17,000	\$ 11,849	\$ 5,151	\$ 14,448
Cable television	300	300	3,677	(3,377)	
Assessor	4,500	4,500	4,326	174	4,183
Total Professional Services	21,800	21,800	19,852	1,948	18,631
Building and Planning					
General supplies	400	400	120	280	40
Consultant	5,000	5,000		5,000	
Professional services	200	200	3,700	(3,500)	
Miscellaneous	450	450	2	448	
Total Building and Planning	6,050	6,050	3,822	2,228	40
Municipal Building					
General supplies	1,000	1,000	612	388	759
Insurance	2,000	2,000	1,811	189	1,733
Utilities	9,800	9,800	7,218	2,582	7,573
Repairs and maintenance	2,745	2,745	1,253	1,492	1,504
Total Municipal Building	15,545	15,545	10,894	4,651	11,569
Total General Government	168,595	168,595	117,876	50,719	129,151
Public Safety					
Police Protection					
Salaries	220,500	222,000	211,883	10,117	204,450
Employee benefits and retirement	39,200	39,200	37,938	1,262	36,371
Office supplies and expense	700	700	364	336	176
Meetings and conferences	3,500	3,500	2,692	808	2,352
Gas, oil and supplies	9,000	9,000	9,602	(602)	8,229
General supplies	5,000	5,000	3,269	1,731	4,697
Professional services	10,250	10,250	11,327	(1,077)	12,066
Telephone	6,000	6,000	5,656	344	5,713
Insurance	9,900	10,500	9,795	705	8,889
Utilities	2,850	2,850	2,364	486	2,288
Repairs and maintenance	4,600	3,950	2,895	1,055	2,347
Dues, subscriptions and fees	2,500	2,500	1,072	1,428	1,578
Miscellaneous	6,000	6,000	2,032	3,968	5,352
Total Police Protection	\$ 320,000	\$ 321,450	\$ 300,889	\$ 20,561	\$ 294,508

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 8,700	\$ 8,700	\$ 8,655	\$ 45	\$ 8,655
Building and Safety					
Professional services	15,500	15,500	10,493	5,007	13,119
Printing and publishing	300	300	72	228	96
Miscellaneous	150	150	117	33	40
Total Building and Safety	15,950	15,950	10,682	5,268	13,255
Levee System					
Salaries	19,000	20,300	20,562	(262)	18,825
Employee benefits and retirement	3,355	3,355	3,488	(133)	3,297
Gas, oil and supplies	1,500	1,500	1,226	274	1,298
General supplies	1,500	1,500	390	1,110	804
Insurance	1,750	1,800	1,516	284	1,632
Utilities	1,800	1,800	1,711	89	1,584
Repairs and maintenance	1,450	3,950	2,100	1,850	1,237
Miscellaneous	50	50	36	14	106
Total Levee System	30,405	34,255	31,029	3,226	28,783
Civil Defense	2,400	2,400	866	1,534	1,084
Animal Control					
Salaries and wages	3,095	3,095	2,990	105	2,835
General supplies	50	50		50	43
Insurance	50	50	40	10	52
Total Animal Control	3,195	3,195	3,030	165	2,930
Health and Welfare					
Weed and insect control	3,300	3,300	20	3,280	406
Total Public Safety	\$ 383,950	\$ 389,250	\$ 355,171	\$ 34,079	\$ 349,621

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 37,500	\$ 38,800	\$ 36,102	\$ 2,698	\$ 32,262
Employee benefits and retirement	5,655	5,655	5,496	159	5,008
Gas, oil and supplies	6,000	6,000	5,686	314	5,760
General supplies	10,250	8,250	7,116	1,134	8,698
Blacktop and surface materials	3,000	3,000	1,972	1,028	1,754
Insurance	9,800	9,800	8,736	1,064	9,104
Repairs and maintenance	11,000	11,000	15,540	(4,540)	8,951
Miscellaneous	1,050	1,050	783	267	376
City garage	8,700	8,700	7,406	1,294	6,431
Street lighting	9,000	9,000	7,358	1,642	7,001
Total Public Works	101,955	101,255	96,195	5,060	85,345
Parks and Recreation					
Park Department					
Salaries	17,000	19,300	20,562	(1,262)	18,825
Employee benefits and retirement	3,155	3,355	3,489	(134)	3,334
Gas and oil	1,400	1,400	1,351	49	1,291
General supplies	3,000	3,000	1,735	1,265	4,356
Insurance	7,945	8,945	8,583	362	8,243
Utilities	5,500	5,500	5,720	(220)	5,406
Repairs and maintenance	5,500	6,000	6,242	(242)	4,732
Miscellaneous			150	(150)	120
Total Park Department	\$ 43,500	\$ 47,500	\$ 47,832	\$ (332)	\$ 46,307
Swimming Pool					
Salaries	\$ 32,000	\$ 32,000	\$ 31,779	\$ 221	\$ 29,476
Employee benefits and retirement	2,600	2,400	2,431	(31)	2,259
Meetings and conferences	2,000	1,100	1,246	(146)	756
General supplies	7,500	7,800	5,841	1,959	6,071
Telephone	550	550	297	253	312
Printing and publishing	300	300	32	268	178
Insurance	4,950	4,450	3,921	529	4,475
Utilities	14,500	14,000	12,786	1,214	11,601
Repairs and maintenance	1,850	1,850	1,142	708	875
Miscellaneous	750	750	610	140	472
Total Swimming Pool	67,000	65,200	60,085	5,115	56,475

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, 2018
With Comparative Totals for December 31, 2017**

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
Parks and Recreation (Continued)					
Tree Board					
Salaries	2,000	2,000	2,000		1,800
General supplies	2,200	2,200	1,321	879	701
Contractual services	9,500	9,500	16,718	(7,218)	9,560
Insurance	50	50	73	(23)	49
Miscellaneous	15	15	15		15
Total Tree Board	13,765	13,765	20,127	(6,362)	12,125
Total Parks and Recreation	124,265	126,465	128,044	(1,579)	114,907
Economic Development					
Tourism	7,500	7,500	10,738	(3,238)	7,017
TOTAL EXPENDITURES	786,265	793,065	708,024	85,041	686,041
Excess (deficiency) of revenues over (under) expenditures	(45,000)	(51,800)	52,912	104,712	101,763
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	50,000	50,000		59,585
Transfers out					(184,721)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	50,000		(125,136)
Net change in fund balances	5,000	(1,800)	102,912	104,712	(23,373)
FUND BALANCES, BEGINNING	674,210	674,210	674,210		697,583
FUND BALANCES, ENDING	\$ 679,210	\$ 672,410	\$ 777,122	\$ 104,712	\$ 674,210

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Loan repayments	\$ 62,582	\$ 62,582	\$ 35,197	\$ (27,385)	\$ 10,365
Interest Income	23,274	25,524	25,691	167	13,735
TOTAL REVENUES	85,856	88,106	60,888	(27,218)	24,100
EXPENDITURES					
Economic Development					
Professional services	5,500	20,500	20,837	(337)	2,678
Miscellaneous			203	(203)	185
TOTAL EXPENDITURES	5,500	20,500	21,040	(540)	2,863
Excess (deficit) of revenues over (under) expenditures	80,356	67,606	39,848	(27,758)	21,237
OTHER FINANCING SOURCES (USES)					
Transfers in			216,559	216,559	297,991
Transfers out	(15,000)	(15,000)	(15,000)		(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(15,000)	201,559	216,559	282,991
Net change in fund balances	65,356	52,606	241,407	188,801	304,228
FUND BALANCES, BEGINNING	1,665,612	1,665,612	1,665,612		1,361,384
FUND BALANCES, ENDING	\$ 1,730,968	\$ 1,718,218	\$ 1,907,019	\$ 188,801	\$ 1,665,612

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Loan repayments	\$ 239,691	\$ 239,691	\$ 239,691	\$	\$ 341,152
Interest income	24,400	24,400	24,905	505	29,627
TOTAL REVENUES	264,091	264,091	264,596	505	370,779
EXPENDITURES					
Loan principal refund	69,884	69,884	45,841	24,043	69,884
Other	3,000	3,000	2,196	804	2,904
TOTAL EXPENDITURES	72,884	72,884	48,037	24,847	72,788
Excess of revenues over expenditures	191,207	191,207	216,559	25,352	297,991
OTHER FINANCING USES					
Transfers out			(216,559)	(216,559)	(297,991)
Net change in fund balances	191,207	191,207		(191,207)	
FUND BALANCES, BEGINNING					
FUND BALANCES, ENDING	\$ 191,207	\$ 191,207	\$	\$ (191,207)	\$

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND (614 & 615)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts			Variance with	2017
	Original	Final	General	Mill	Total	Final Budget Positive (Negative)	Actual Amounts
				Rate			
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 29,963	\$	\$ 29,963	\$ (37)	\$ 30,474
Intergovernmental Revenues							
Fire relief aid	32,000	32,000	33,370		33,370	1,370	30,791
Volunteer retention stipend	12,500						12,500
FEMA aid			84,453		84,453	84,453	
Other state grant aid	4,500	4,500	3,750		3,750	(750)	1,700
Total Intergovernmental Revenues	49,000	36,500	121,573		121,573	85,073	44,991
Charges For Services							
Township contributions	71,963	71,963		71,963	71,963		69,946
Fire calls, contracts and water hauling	13,000	18,000	35,421		35,421	17,421	16,213
Total Charges For Services	84,963	89,963	35,421	71,963	107,384	17,421	86,159
Interest Income							
	1,500	2,300	706	2,119	2,825	525	3,364
Miscellaneous Revenues							
Donations	18,500	18,500	22,060		22,060	3,560	19,139
Insurance reimbursement			25,597		25,597	25,597	
Sale of assets							27,200
Total Miscellaneous Revenues	18,500	18,500	47,657		47,657	29,157	46,339
TOTAL REVENUES	183,963	177,263	235,320	74,082	309,402	132,139	211,327
EXPENDITURES							
Public Safety							
Salaries	16,000	16,000	15,937		15,937	63	15,408
Fire relief aid	35,250	37,250	36,499		36,499	751	33,879
Volunteer retention stipend	12,500						12,500
Office supplies	300	300	106		106	194	150
Meeting and conferences	9,000	9,000	9,087		9,087	(87)	4,719
General supplies	7,500	7,500	7,751	796	8,547	(1,047)	5,623
Professional services	1,100	1,100	900		900	200	940
Telephone	1,000	800	589		589	211	612
Insurance	11,000	9,700	8,410		8,410	1,290	9,859
Utilities	4,600	4,600	4,228		4,228	372	4,082
Promotions	1,400	1,400	1,452		1,452	(52)	1,391
Repairs and maintenance	5,300	5,300	2,744	2,158	4,902	398	4,210
Dues, subscriptions and fees	1,400	1,400	1,413		1,413	(13)	1,311
Miscellaneous	9,700	10,200	9,570		9,570	630	5,108
Capital outlay	10,000	33,000	132,953	26,669	159,622	(126,622)	116,805
TOTAL EXPENDITURES	126,050	137,550	231,639	29,623	261,262	(123,712)	216,597
Excess (deficit) of revenues over (under) expenditures	57,913	39,713	3,681	44,459	48,140	8,427	(5,270)
OTHER FINANCING SOURCES							
Transfers in	20,000	20,000	20,000		20,000		20,000
Net change in fund balance	77,913	59,713	23,681	44,459	68,140	8,427	14,730
FUND BALANCES, BEGINNING	513,280	513,280	220,462	292,818	513,280		498,550
FUND BALANCES, ENDING	\$ 591,193	\$ 572,993	\$ 244,143	\$ 337,277	\$ 581,420	\$ 8,427	\$ 513,280

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy	\$	\$	\$ 300	\$ 300	\$ 29,489
Intergovernmental Revenues					
Local government aid	251,559	251,559	251,559		244,633
Small cities assistance	16,732	16,732	16,460	(272)	16,732
Grants			7,679	7,679	
Interest income		3,000	3,839	839	4,163
Donations			14,240	14,240	12,550
Sale of assets			75,894	75,894	58,550
Tower lease			18,400	18,400	
Miscellaneous	10,709	10,709	5,008	(5,701)	14,655
TOTAL REVENUES	279,000	282,000	393,379	111,379	380,772
EXPENDITURES					
Capital outlay	249,000	249,000	289,202	(40,202)	307,855
Excess of revenues over expenditures	30,000	33,000	104,177	71,177	72,917
OTHER FINANCING SOURCES					
Transfers out	(20,000)	(20,000)	(100,011)	(80,011)	(67,003)
Net change in fund balances	10,000	13,000	4,166	(8,834)	5,914
FUND BALANCES, BEGINNING	1,082,764	1,082,764	1,082,764		1,076,850
FUND BALANCES, ENDING	\$ 1,092,764	\$ 1,095,764	\$ 1,086,930	\$ (8,834)	\$ 1,082,764

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2018
With Comparative Totals for December 31, 2017

	604	601	602	Totals	
	Electric Department	Water Department	Sewer Department	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash and cash equivalents	\$ 484,543	\$ 554,540	\$ 225,713	\$ 1,264,796	\$ 971,817
Accounts receivable	72,626	18,052	14,831	105,509	98,250
Accrued utility revenue	163,785	45,411	47,756	256,952	245,431
Special assessments-delinquent	175			175	2,760
Prepaid items	620	1,223	1,905	3,748	3,477
Total Current Assets	<u>721,749</u>	<u>619,226</u>	<u>290,205</u>	<u>1,631,180</u>	<u>1,321,735</u>
Property and Equipment					
Property, plant and equipment	4,410,755	6,332,670	5,702,824	16,446,249	16,586,350
Less: Accumulated depreciation	<u>2,470,514</u>	<u>2,888,317</u>	<u>2,736,555</u>	<u>8,095,386</u>	<u>7,627,937</u>
Property and Equipment, Net	1,940,241	3,444,353	2,966,269	8,350,863	8,958,413
Construction work in process	38,183			38,183	
Total Property and Equipment	<u>1,978,424</u>	<u>3,444,353</u>	<u>2,966,269</u>	<u>8,389,046</u>	<u>8,958,413</u>
Other Assets					
Restricted cash and cash equivalents	84,920	225,651	118,510	429,081	460,846
Deferred Outflows of Resources					
Deferred outflows from pension activity	30,874	16,425	21,167	68,466	49,794
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 2,815,967</u>	<u>\$ 4,305,655</u>	<u>\$ 3,396,151</u>	<u>\$ 10,517,773</u>	<u>\$ 10,790,788</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities					
Accounts payable	\$ 129,391	\$ 7,166	\$ 5,389	\$ 141,946	\$ 160,585
Current maturities of bonds payable	80,000	195,000	98,000	373,000	417,000
Accrued interest	3,280	6,809	4,715	14,804	20,026
Accrued sales tax	14,621			14,621	11,881
Unearned revenue	175			175	42,760
Customer deposits	20,714			20,714	20,954
Total Current Liabilities	<u>248,181</u>	<u>208,975</u>	<u>108,104</u>	<u>565,260</u>	<u>673,206</u>
Noncurrent Liabilities					
Notes payable, net of current maturities, and unamortized discount		1,336,813	1,124,806	2,461,619	2,831,095
Advance from other funds	100,000			100,000	125,000
Accrued compensated absences	29,405	17,582	25,206	72,193	62,802
Net pension liability	175,780	90,818	118,255	384,853	471,844
Total Noncurrent Liabilities	<u>305,185</u>	<u>1,445,213</u>	<u>1,268,267</u>	<u>3,018,665</u>	<u>3,490,741</u>
Deferred Inflows of Resources					
Deferred inflows from pension activity	56,791	29,344	38,206	124,341	34,928
Net Position					
Net investment in capital assets	1,798,424	1,912,540	1,743,463	5,454,427	5,585,318
Restricted	84,920	225,651	118,510	429,081	460,846
Unrestricted	<u>322,466</u>	<u>483,932</u>	<u>119,601</u>	<u>925,999</u>	<u>545,749</u>
Total Net Position	<u>2,205,810</u>	<u>2,622,123</u>	<u>1,981,574</u>	<u>6,809,507</u>	<u>6,591,913</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
	<u>\$ 2,815,967</u>	<u>\$ 4,305,655</u>	<u>\$ 3,396,151</u>	<u>\$ 10,517,773</u>	<u>\$ 10,790,788</u>

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, 2018
 With Comparative Totals for December 31, 2017**

	<u>604</u>	<u>601</u>	<u>602</u>	<u>Totals</u>	
	Electric Department	Water Department	Sewer Department	2018	2017
Operating Revenues					
Sales	\$ 1,884,998	\$ 602,467	\$ 619,769	\$ 3,107,234	\$ 3,083,611
Operating Expenses					
Cost of sales and production	1,246,838			1,246,838	1,203,811
Distribution expense	241,177	345,418	419,762	1,006,357	954,318
General administration	254,535	77,062	62,307	393,904	412,168
Liquor store operating expenses					45,033
Total Operating Expenses	1,742,550	422,480	482,069	2,647,099	2,615,330
Operating Income	142,448	179,987	137,700	460,135	468,281
Nonoperating Revenue and (Expense)					
Other income (expense)	58	(15,955)	(62,644)	(78,541)	(577,922)
Income (Loss) Before Transfers	142,506	164,032	75,056	381,594	(109,641)
Transfers in					184,721
Transfers out	(85,000)	(46,000)	(33,000)	(164,000)	(143,585)
Change in Net Position	57,506	118,032	42,056	217,594	(68,505)
Net Position, Beginning	2,148,304	2,504,091	1,939,518	6,591,913	6,660,418
Net Position, Ending	\$ 2,205,810	\$ 2,622,123	\$ 1,981,574	\$ 6,809,507	\$ 6,591,913

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2018
 With Comparative Totals for December 31, 2017**

	<u>604</u>	<u>601</u>	<u>602</u>	<u>Totals</u>	
	Electric Department	Water Department	Sewer Department	2018	2017
Cash Flows From Operating Activities					
Cash received from customers	\$ 1,825,661	\$ 606,883	\$ 615,670	\$ 3,048,214	\$ 3,122,517
Cash paid to employees for services	(204,705)	(116,152)	(147,716)	(468,573)	(456,882)
Cash paid to suppliers	(1,392,404)	(71,492)	(134,102)	(1,597,998)	(1,555,358)
Net Cash Provided By Operating Activities	228,552	419,239	333,852	981,643	1,110,277
Cash Flows From Noncapital Financing Activities					
Increase (decrease) in due from other funds	(25,000)			(25,000)	(541,453)
Grant aid received					850
Special assessments received		2,568	2,568	5,136	
Other income (expense)	29,314	552	5,842	35,708	26,763
Transfers in (out)	(85,000)	(46,000)	(33,000)	(164,000)	41,136
Net Cash Used In Noncapital Financing Activities	(80,686)	(42,880)	(24,590)	(148,156)	(472,704)
Cash Flows From Capital and Related Financing Activities					
Cash received from sale of building					37,049
Principal payments on long-term debt	(80,000)	(240,000)	(97,000)	(417,000)	(479,526)
Purchase of capital assets	(53,172)	(22,555)	(38,193)	(113,920)	(338,367)
Interest paid on debt	(10,310)	(22,941)	(13,993)	(47,244)	(59,105)
Net Cash Used In Capital and Related Financing Activities	(143,482)	(285,496)	(149,186)	(578,164)	(839,949)
Cash Flows From Investing Activities					
Interest earnings on investments	2,600	2,200	1,091	5,891	6,293
Net Cash Provided By Investing Activities	2,600	2,200	1,091	5,891	6,293
Net Increase (Decrease) In Cash and Cash Equivalents					
	6,984	93,063	161,167	261,214	(196,083)
Cash and Cash Equivalents - January 1					
	562,479	687,128	183,056	1,432,663	1,628,746
Cash and Cash Equivalents - December 31					
	\$ 569,463	\$ 780,191	\$ 344,223	\$ 1,693,877	\$ 1,432,663
Shown on the Balance Sheet as:					
Cash and investments	\$ 484,543	\$ 554,540	\$ 225,713	\$ 1,264,796	\$ 971,817
Restricted cash and investments	84,920	225,651	118,510	429,081	460,846
Total	\$ 569,463	\$ 780,191	\$ 344,223	\$ 1,693,877	\$ 1,432,663

See Notes to the Financial Statements

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

	<u>604</u>	<u>601</u>	<u>602</u>	<u>Totals</u>	
	Electric Department	Water Department	Sewer Department	2018	2017
Operating Income (Loss)	\$ 142,448	\$ 179,987	\$ 137,700	\$ 460,135	\$ 468,281
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	163,476	233,007	207,074	603,557	580,638
Loss on disposal of assets					15
Change in net pension liability	(6,639)	(4,126)	(5,485)	(16,250)	17,291
(Increase) Decrease In:					
Accounts receivable	(13,824)	9,561	(411)	(4,674)	(7,740)
Other accounts receivable	(9,045)	(2,609)	133	(11,521)	2,243
Prepaid insurance		(81)	(190)	(271)	408
Increase (Decrease) In:					
Accounts payable	(15,185)	3,928	(4,642)	(15,899)	5,743
Accrued wages	3,789	2,108	3,494	9,391	(1,005)
Unearned revenue	(36,228)	(2,536)	(3,821)	(42,585)	42,760
Customer deposits	(240)			(240)	1,643
Net Cash Provided By Operating Activities	<u>\$ 228,552</u>	<u>\$ 419,239</u>	<u>\$ 333,852</u>	<u>\$ 981,643</u>	<u>\$ 1,110,277</u>
Summary of Non Cash Transactions					
Capital asset additions included in accounts payable	\$	\$	\$	\$	\$ 9,244

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Rushford, Minnesota was first incorporated in 1854 and operates under a home rule charter which prescribes a Mayor-Council form of government. Four Council members are elected to four year terms and the Mayor is elected to a two year term.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City's financial statements include the primary government and the component units of the City of Rushford, Minnesota, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Rushford, Minnesota.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Rushford, Minnesota are financially accountable or for which the nature or significance of their general relationship with the City of Rushford, Minnesota would, if excluded, cause the general purpose financial statements to be misleading or incomplete. Based on these criteria, there were no component units of the City of Rushford, Minnesota during 2018.

Specific organizations and the related accounting are as follows:

Rushford Volunteer Fire Department

The activities of this entity are included in the primary government financial statements of the City and are reported as a Special Revenue Fund type.

Rushford Volunteer Fire Department Relief Association

The activities of The Rushford Fire Relief, a separate legal entity, are not reported in the City of Rushford, Minnesota's financial statements as they are not considered a component unit under GASB No. 14.

B. Government-Wide and Fund Financial Statements

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

The *2016 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 *water fund* accounts for the operation of the City owned water utility system.

The *sewer fund* accounts for the operation of the City owned sewer utility system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Cash and Investments

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

Interfund Transactions

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

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

Property Taxes

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes (Continued)

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

Special Assessments

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

Tax Increment Districts

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

Capital Assets

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

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

Compensated Absences

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

Long-term Obligations

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

Concentration of Credit Risk

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

Net Position / Fund Balance

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

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance (Continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

E. Comparative Data

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

F. Budgets and Budgetary Accounting

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

G. Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities 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, 2018, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$552,751.

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, 2018, remaining notes outstanding totaled \$7,216,379.

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, 2018, 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	8,173,434
Deposits with SELCO	None	N/A	85,707
Total Cash and Investments			<u>\$ 8,259,310</u>
			\$ 7,744,522
Cash and investments			514,788
Restricted cash and investments			<u>\$ 8,259,310</u>
Cash and Investments per Statement of Net Position			

Investments Authorized by Minnesota Statutes

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

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

Collateralization of Cash Deposits

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. There were no investments that are more than 5 percent of the City's total investments in 2018.

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)

There were no investments measured at fair value as of December 31, 2018. The following investments were measured at fair value as of December 31, 2017.

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

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service
	Funds
2011	\$ 209,617
2012	118,800
2014	141,963
2016	110,311
Total	\$ 580,691

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Due From Other Governmental Units

<u>Fund Type</u>	<u>Fillmore County</u>	<u>State of Minnesota</u>	<u>Total</u>
General	\$ 3,135	\$	\$ 3,135
Special Revenue	989	21,233	22,222
Capital Project	200		200
Debt Service	4,252		4,252
Totals	<u>\$ 8,576</u>	<u>\$ 21,233</u>	<u>\$ 29,809</u>

5. Loans, Leases, and Notes Receivable

Business Flood Recovery Program

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

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

A summary of business flood recovery loans is as follows:

Business Flood Recovery Loans:	2018	2017
Category 1 Loans:		
Non-Forgivable portion	\$ 394,222	\$ 471,047
Forgivable portion	332,954	2,100,875
Category 1-A Loans	1,002,218	1,127,280
Category 2 Loans	812,288	850,522
Total	<u>\$ 2,541,682</u>	<u>\$ 4,549,724</u>

Following is a summary of the notes receivable outstanding at December 31, 2018 and 2017:

	Original Note	Interest Rate	Receivable Balance	
			2018	2017
Notes Receivable-2010	\$ 393,039	4.25%	\$ 424,325	\$ 450,472
Notes Receivable-2010	19,849	5.00%	14,090	14,090
Notes Receivable-2011	31,883	0.05%	27,714	29,425
Notes Receivable-2012	149,000	4.25%	149,000	149,000
Notes Receivable-2013	94,653	5.00%	111,602	104,320
Notes Receivable-2013	500,000	2.00%		500,000
Notes Receivable-2013	145,000	4.50%	145,000	145,000
Notes Receivable-2014	525,024	2.00%	525,024	436,298
Notes Receivable-2014	1,561	5.50%	475	1,034
Total Notes Receivable			<u>\$ 1,397,230</u>	<u>\$ 1,829,639</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,192,453	\$	\$ 69,349	\$ 1,123,104
Construction in progress	26,920	260,229	1,088	286,061
Total capital assets, not being depreciated	1,219,373	260,229	70,437	1,409,165
Capital assets, being depreciated:				
Buildings and Improvements	6,861,405	28,959	715	6,889,649
Infrastructure	9,530,972			9,530,972
Machinery and equipment	3,400,371	340,290	96,662	3,643,999
Total capital assets, being depreciated	19,792,748	369,249	97,377	20,064,620
Less accumulated depreciation for:				
Buildings and Improvements	2,466,828	253,284	205	2,719,907
Infrastructure	1,496,943	434,063		1,931,006
Machinery and equipment	1,784,232	250,366	38,125	1,996,473
Total accumulated depreciation	5,748,003	937,713	38,330	6,647,386
Total capital assets, being depreciated, net	14,044,745	(568,464)	59,047	13,417,234
Governmental activities capital assets, net	\$ 15,264,118	\$ (308,235)	\$ 129,484	\$ 14,826,399

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress		38,183		38,183
Total capital assets, not being depreciated	105,460	38,183		143,643
Capital assets, being depreciated:				
Buildings and improvements	15,587,605	29,197	102,356	15,514,446
Machinery and equipment	893,285	46,540	113,482	826,343
Total capital assets, being depreciated	16,480,890	75,737	215,838	16,340,789
Less accumulated depreciation for:				
Buildings and improvements	7,084,309	553,749	47,221	7,590,837
Machinery and equipment	543,628	46,284	85,363	504,549
Total accumulated depreciation	7,627,937	600,033	132,584	8,095,386
Total capital assets, being depreciated, net	8,852,953	(524,296)	83,254	8,245,403
Business-type activities capital assets, net	\$ 8,958,413	\$ (486,113)	\$ 83,254	\$ 8,389,046

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 21,478
Public safety	156,771
Public works	553,811
Airport	103,567
Library	26,085
Park and recreation	76,001

Total depreciation expense - governmental activities \$ 937,713

Business-Type Activities:

Electric	\$ 159,952
Water	233,007
Sewer	207,074

Total depreciation expense - business-type activities \$ 600,033

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2018 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES						
Bonds and Notes Payable:						
General obligation bonds:						
2011A Improvement Bonds	1.55% - 4.60%	\$ 1,000,000	\$	\$ 1,000,000	\$	\$
2012A Tax Abatement Bonds	1.10% - 4.00%	645,000		25,000	620,000	25,000
2014A Improvement Bonds	1.90% - 4.10%	1,200,000		50,000	1,150,000	50,000
2015A GO Improvement Crossover Refunding	2.00% - 3.00%	2,240,000		135,000	2,105,000	140,000
2016A GO Improvement Crossover Refunding	2.00% - 3.00%	2,100,000			2,100,000	165,000
Lease Payable - Street Sweeper	2.75%	26,822		10,508	16,314	10,801
Compensated Absences		53,524	5,083		58,607	
Less: Unamortized Discount		(30,590)		(1,863)	(28,727)	
Plus: Unamortized Premium		17,074		1,126	15,948	
Notes payable:						
Contract for deed - land	5.00%	460,610		19,470	441,140	20,443
Governmental Activities						
Long-term Liabilities		<u>7,712,440</u>	<u>5,083</u>	<u>1,239,241</u>	<u>6,478,282</u>	<u>411,244</u>
BUSINESS-TYPE ACTIVITIES						
Bonds and Notes Payable:						
General Obligation Revenue Note:						
1999 Water Department	3.04%	101,000		50,000	51,000	51,000
2008 Water Department	1.35%	745,000		70,000	675,000	71,000
2010 Water Department	1.00%	745,000		59,000	686,000	59,000
2011 Sewer Department	1.077%	1,031,000		74,000	957,000	75,000
2014 Water Department	1.00%	132,813		13,000	119,813	14,000
2014 Sewer Department	1.00%	288,806		23,000	265,806	23,000
Revenue Bonds:						
2007A Water Revenue Bonds	4.25%	48,000		48,000		
2009A Electric Revenue Refunding	2.40 - 4.10%	160,000		80,000	80,000	80,000
Compensated Absences		62,802	9,391		72,193	
Less: Unamortized Discount		(3,524)		(3,524)		
Business-type Activities						
Long-term Liabilities		<u>3,310,897</u>	<u>9,391</u>	<u>413,476</u>	<u>2,906,812</u>	<u>373,000</u>
Total		<u>\$ 11,023,337</u>	<u>\$ 14,474</u>	<u>\$ 1,652,717</u>	<u>\$ 9,385,094</u>	<u>\$ 784,244</u>

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, 2018, 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
<u>Governmental Activities</u>								
2019	\$ 355,000	\$ 138,360	\$ 25,000	\$ 17,656			\$ 31,244	\$ 22,435
2020	350,000	131,101	25,000	17,219			26,979	21,110
2021	365,000	123,484	30,000	16,663			22,539	19,962
2022	375,000	115,617	30,000	15,988			23,666	18,834
2023	375,000	107,649	30,000	15,313			24,849	17,652
2024-2028	2,065,000	391,632	170,000	64,670			144,173	68,329
2029-2033	1,295,000	535,450	210,000	38,175			184,004	28,499
2034-2035	175,000	7,278	100,000	4,000				
Totals	<u>\$ 5,355,000</u>	<u>\$ 1,550,571</u>	<u>\$ 620,000</u>	<u>\$ 189,683</u>	<u>\$</u>	<u>\$</u>	<u>\$ 457,454</u>	<u>\$ 196,821</u>
<u>Business-Type Activities</u>								
2019					\$ 373,000	\$ 38,193		
2020					245,000	30,044		
2021					248,000	27,271		
2022					251,000	24,464		
2023					253,000	21,623		
2024-2028					1,206,813	63,406		
2029-2030					257,806	5,008		
Totals	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,834,619</u>	<u>\$ 210,009</u>	<u>\$</u>	<u>\$</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

The amounts due to and from other funds at December 31, 2018, at the individual fund level are summarized below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Improvements Fund	\$ 59,160	\$
Grove Street 2019 Improvement Project		59,160
General Fund	47	
2016 Sweeper		47
Totals	<u>\$ 59,207</u>	<u>\$ 59,207</u>

The amounts advanced to and from other funds at December 31, 2018, at the individual fund level are summarized below:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
EDA Revolving Loan	\$ 100,000	\$
Electric Fund		100,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,000	\$
Special Revenue Funds:		
Fire Fund	20,000	
Business Flood Recovery Loan Program		216,559
EDA Revolving Loan	216,559	15,000
Capital Project Funds:		
Capital improvements		100,011
Economic development	15,000	
Levee Improvement Project	35,000	
Hwy 43 Mill Project	80,011	
Debt Service:		
2004 G.O. TIF Refunding Bond		47,013
2009 Improvement Project (2015A Bond)	49,000	
2011 Improvement Project (2016A Bond)		42,091
2014A Improvement Project	47,013	
2016 Improvement Project	72,091	
Enterprise Funds:		
Electric Fund		85,000
Water Fund		46,000
Sewer Fund		33,000
Total Transfers	<u>\$ 584,674</u>	<u>\$ 584,674</u>

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

At December 31, 2018, the following fund had a deficit balance.

Grove Street 2019 Improvement Project	\$	91,976
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CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Fund Balance and Net Position

	<u>Restricted Net Position Imposed By</u>			
	<u>Grantors</u>	<u>Contributors</u>	<u>Creditors</u>	<u>Total</u>
<u>Major Governmental Funds:</u>				
Business Flood Recovery Loan Program Fund:				
Restricted for future EDA loans	\$ 2,541,682	\$	\$	\$ 2,541,682
EDA Revolving Loan Fund:				
Restricted for EDA loans	1,807,019			1,807,019
Restricted for future debt service:				
2016 Improvement Project Debt Service Fund			470,540	470,540
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		85,707		85,707
Restricted for future debt service:				
2009 Imp. Project (2015A Bond) Debt Service Fund			889,754	889,754
2012 Tax Abatement Debt Service Fund			44,929	44,929
Tax increment Scenic View			58,923	58,923
2014A Improvement Project Debt Service Fund			397,231	397,231
TIF Housing 2017 Sexauer			1,729	1,729
2016 Sweeper			42	42
Himlie Land Debt Service Fund			8,206	8,206
Total Governmental Activities	<u>4,348,701</u>	<u>85,707</u>	<u>1,871,354</u>	<u>6,305,762</u>
<u>Major Proprietary Funds:</u>				
Electric Utility Fund:				
Restricted for future debt service			84,920	84,920
Water Utility Fund:				
Restricted for future debt service			225,651	225,651
Sewer Utility Fund:				
Restricted for future debt service			118,510	118,510
Total Business-Type Activities			<u>429,081</u>	<u>429,081</u>
Total Restricted Net Position	<u>\$ 4,348,701</u>	<u>\$ 85,707</u>	<u>\$ 2,300,435</u>	<u>\$ 6,734,843</u>
			<u>Capital</u>	
			Improvements	
			Fund	
Committed Fund Balance:				
Future and ongoing capital improvement construction projects and equipment purchases			\$ 1,086,930	

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans - Statewide

Plan Description

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

1. General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

2. Police and Fire Plan Benefits

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

Beginning in 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$53,799. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2019. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$31,499. 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, 2018, the City reported a liability of \$593,592 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 \$16 million to the fund in 2019. 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 \$19,381. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0107 percent which was a decrease of 0.0007 percent from its proportion measured as of June 30, 2017.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (Continued)

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of \$6,955 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$4,520 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 16,693	\$ 18,284
Changes in actuarial assumptions	59,882	69,683
Difference between projected and actual investment earnings		61,232
Changes in proportion	4,060	42,586
Contributions paid to PERA subsequent to the measurement date	26,565	
Total	<u>\$ 107,200</u>	<u>\$ 191,785</u>

\$26,565 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, 2019. 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
<u> </u>	<u> </u>
2019	\$ 4,859
2020	(42,388)
2021	(61,231)
2022	(12,390)

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2018 the City reported a liability of \$196,125 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018 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, 2017, through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportionate share was 0.0184 percent which was an increase of 0.0004 percent from its proportion measured as of June 30, 2017. The City also recognized \$1,656 for the year ended December 31, 2018 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.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

For the year ended December 31, 2018 the City recognized pension expense of \$17,758 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,558	\$ 50,516
Changes in actuarial assumptions	257,668	274,736
Difference between projected and actual investment earnings		32,121
Changes in proportion	9,899	55,622
Contributions paid to PERA subsequent to the measurement date	16,712	
Total	<u>\$ 291,837</u>	<u>\$ 412,995</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

\$16,712 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, 2019. 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
2019	\$ (6,013)
2020	(15,416)
2021	(29,810)
2022	(86,866)
2023	235

Aggregate Pension Costs

Pension expense recognized by the City for the year ended December 31, 2018 is as follows:

General Employees Retirement Fund	\$11,475
Police and Fire Fund	19,414
Total	<u>\$30,889</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	General Employees Plan	Police & Fire Plan
Inflation	2.5% per year	2.5% per year
Active Member Payroll Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.50%	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Inflation is assumed to be 2.0 percent for the Correctional Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service. In the Correctional Plan, salary growth assumptions decrease from 8.50 percent at age 20 to 3.50 percent at age 65.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (Continued)

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA’s experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. The most recent five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

There following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

- The morality projection scale was changed from MP-2016 to MP-2017.

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	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2018 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%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's proportionate share of the General Employees Fund net pension liability at different discount rates	\$ 964,663	\$ 593,592	\$ 287,284
City's proportionate share of the PEPFF net pension liability at different discount rates	420,504	196,125	10,573
Total Net Pension Liability	<u>\$ 1,385,167</u>	<u>\$ 789,717</u>	<u>\$ 297,857</u>

Pension Plan Fiduciary Net Position

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Defined Contribution Pension Plan - Volunteer Fire Relief Association

Plan Description - The City contributes to the City of Rushford Volunteer 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 Volunteer 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 2018, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2018 and as of December 31, 2018 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 2018 totaling \$31,370 together with an additional contribution of \$5,129 the City.

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

12. Commitments and Contingencies

Risk Management - The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2018.

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 2018. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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, 2018, the City paid tax increments totaling \$14,224 related to these agreements.

CITY OF RUSHFORD, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

CITY OF RUSHFORD, MINNESOTA
Schedules of City Pension Contributions

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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
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	53,799	53,799		717,320	7.50%
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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
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	31,499	31,499		194,438	16.20%
2019					
2020					
2021					
2022					
2023					

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

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

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0136%	\$ 638,860	\$	\$ 638,860	\$ 699,432	91.3%	78.70%
2015	0.0120%	621,902		621,902	702,288	88.6%	78.20%
2016	0.0113%	917,504	11,933	929,437	696,133	133.5%	68.90%
2017	0.0114%	727,768	9,130	736,898	716,260	102.9%	75.90%
2018	0.0107%	593,592	19,381	612,973	725,027	84.5%	79.53%
2019							
2020							
2021							
2022							
2023							

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

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0200%	\$ 216,008	\$	\$ 216,008	\$ 185,916	116.2%	87.10%
2015	0.0190%	215,884		215,884	169,466	127.4%	86.60%
2016	0.0200%	802,635	1,800	804,435	182,602	440.5%	63.90%
2017	0.0180%	243,021	1,620	244,641	189,392	129.2%	85.40%
2018	0.0184%	196,125	1,656	197,781	188,985	104.7%	88.84%
2019							
2020							
2021							
2022							
2023							

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CITY OF RUSHFORD, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2018

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2018

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, 2018**

	Special Revenue			Debt Service			
	<u>211</u> Library	<u>607</u> Ambulance	<u>612</u> Airport Operations	<u>378</u>	<u>357</u>		
				2004	2011	<u>352</u>	<u>370</u>
				G.O. TIF Refunding Bonds	Improvement Project (2016A Bond)	2014A Improvement Project	2012 Abatement Bonds
ASSETS							
Cash and investments	\$ 83,771	\$ 437,169	\$ 110,397	\$	\$	\$ 254,763	\$ 44,570
Restricted cash	85,707						
Accounts receivable		48,400	1,210				
Contracts receivable							
Taxes receivable - delinquent	1,265		76			851	598
Special assessments receivable - deferred						141,963	
Due from other governmental units	710		21,273			505	359
Prepaid items	691	1,390	133				
TOTAL ASSETS	\$ 172,144	\$ 486,959	\$ 133,089	\$	\$	\$ 398,082	\$ 45,527
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 627	\$ 2,328	\$ 765	\$	\$	\$	\$
Due to other funds							
Unearned revenue		20,413	12,896				
Total Liabilities	627	22,741	13,661				
Deferred Inflows of Resources							
Unavailable revenue:							
Property taxes	1,265		76			851	598
Special assessments						141,963	
Total Deferred Inflows of Resources	1,265		76			142,814	598
Fund Balance							
Nonspendable:							
Prepaid items	691	1,390	133				
Contracts receivable							
Restricted:							
Externally imposed by:							
Regulators							
Creditors						255,268	44,929
Contributors	85,707						
Assigned	83,854	462,828	119,219				
Unassigned							
Total Fund Balance	170,252	464,218	119,352			255,268	44,929
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 172,144	\$ 486,959	\$ 133,089	\$	\$	\$ 398,082	\$ 45,527

Capital Project

<u>350</u>		<u>379</u>	<u>360</u>		<u>405</u>		<u>501</u>	<u>502</u>	<u>470</u>	
2009		TIF	Himlie		Tax		Grove Street	Hwy 43	Levee	
Improvement	<u>382</u>	Housing	Land	<u>202</u>	Increment		2019	Mill Street	Improvement	
Project	2016	2017	Debt	Economic	Scenic		Imp. Project	Project	Project	Total
(2015A Bond)	Sweeper	Sexauer	Service	Development	View					
\$ 679,144	\$	\$ 1,729	\$7,863	\$ 233,054	\$ 58,923	\$	\$	\$	\$ 102,534	\$ 2,013,917
										85,707
										7,760
				41,928						57,370
1,807	142		601	328					12	41,928
209,617										5,680
993	89		343	200						351,580
				43						24,472
										2,257
<u>\$ 891,561</u>	<u>\$ 231</u>	<u>\$ 1,729</u>	<u>\$8,807</u>	<u>\$ 275,553</u>	<u>\$ 58,923</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 110,306</u>	<u>\$ 2,582,911</u>
\$	\$	\$	\$	\$ 53	\$	\$	\$ 32,816	\$	\$ 2,656	\$ 39,245
	47						59,160			59,207
										33,309
	47			53			91,976		2,656	131,761
1,807	142		601	328					12	5,680
209,617										351,580
211,424	142		601	328					12	357,260
										2,257
				43						41,928
				41,928						
							58,923			58,923
680,137	42	1,729	8,206							990,311
										85,707
				233,201					107,638	1,006,740
							(91,976)			(91,976)
<u>680,137</u>	<u>42</u>	<u>1,729</u>	<u>8,206</u>	<u>275,172</u>	<u>58,923</u>	<u>(91,976)</u>	<u>(91,976)</u>	<u>107,638</u>	<u>107,638</u>	<u>2,093,890</u>
<u>\$ 891,561</u>	<u>\$ 231</u>	<u>\$ 1,729</u>	<u>\$8,807</u>	<u>\$ 275,553</u>	<u>\$ 58,923</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 110,306</u>	<u>\$ 2,582,911</u>

**CITY OF RUSHFORD, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2018**

	Special Revenue			Debt Service			
	<u>211</u>	<u>607</u>	<u>612</u>	<u>378</u>	<u>351</u>	<u>352</u>	<u>370</u>
	Library	Ambulance	Airport Operations	2004 G.O. TIF Refunding Bonds	2011 Improvement Project (2016A Bond)	2014A Improvement Project	2012 Abatement Bonds
REVENUES							
Property tax	\$ 88,888	\$	\$ 4,951	\$	\$	\$ 63,099	\$ 44,986
Tax increments							
Intergovernmental	43,174	4,500	10,379				
Charges for services		218,407	21,156				
Special assessments						16,454	
Interest income (loss)	243	1,604	321	140		514	67
Miscellaneous	7,880	3,672	1,712				
TOTAL REVENUES	<u>140,185</u>	<u>228,183</u>	<u>38,519</u>	<u>140</u>		<u>80,067</u>	<u>45,053</u>
EXPENDITURES							
Economic development							
Public safety		127,998					
Airport			42,395				
Library	140,037						
Capital outlay	22,026						
Debt service						92,230	43,095
TOTAL EXPENDITURES	<u>162,063</u>	<u>127,998</u>	<u>42,395</u>			<u>92,230</u>	<u>43,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,878)</u>	<u>100,185</u>	<u>(3,876)</u>	<u>140</u>		<u>(12,163)</u>	<u>1,958</u>
OTHER FINANCING SOURCES (USES)							
Transfers in						47,013	
Transfer out				(47,013)	(42,091)		
TOTAL OTHER FINANCING SOURCES (USES)				<u>(47,013)</u>	<u>(42,091)</u>	<u>47,013</u>	
Net change in fund balances	(21,878)	100,185	(3,876)	(46,873)	(42,091)	34,850	1,958
FUND BALANCES, BEGINNING	<u>192,130</u>	<u>364,033</u>	<u>123,228</u>	<u>46,873</u>	<u>42,091</u>	<u>220,418</u>	<u>42,971</u>
FUND BALANCES, ENDING	<u>\$ 170,252</u>	<u>\$ 464,218</u>	<u>\$ 119,352</u>	<u>\$</u>	<u>\$</u>	<u>\$ 255,268</u>	<u>\$ 44,929</u>

Capital Project										
<u>350</u>		<u>379</u>	<u>360</u>		<u>405</u>		<u>501</u>	<u>502</u>	<u>470</u>	
2009		TIF	Himlie		Tax		Grove Street	Hwy 43	Levee	
Improvement	<u>382</u>	Housing	Land	<u>202</u>	Increment		2019	Mill Street	Improvement	
Project	2016	2017	Debt	Economic	Scenic		Imp. Project	Project	Project	Total
(2015A Bond)	Sweeper	Sexauer	Service	Development	View					
\$ 124,332	\$ 11,140	\$ 30	\$ 42,952	\$ 24,832	\$ 15,805				\$ 18	\$ 405,198
									136,753	15,835
										194,806
										239,563
42,420										58,874
1,452	(6)	21	(52)	2,624	175	(26)	(78)	176		7,175
				52,746						66,010
<u>168,204</u>	<u>11,134</u>	<u>51</u>	<u>42,900</u>	<u>80,202</u>	<u>15,980</u>	<u>(26)</u>	<u>(78)</u>	<u>136,947</u>		<u>987,461</u>
		11,567		49,938						61,505
										127,998
										42,395
										140,037
191,220	11,178		42,501	14,259	14,424	91,950	238	129,327		272,224
<u>191,220</u>	<u>11,178</u>	<u>11,567</u>	<u>42,501</u>	<u>64,197</u>	<u>14,424</u>	<u>91,950</u>	<u>238</u>	<u>129,327</u>		<u>380,224</u>
										1,024,383
(23,016)	(44)	(11,516)	399	16,005	1,556	(91,976)	(316)	7,620		(36,922)
49,000				15,000			80,011	35,000		226,024
										(89,104)
<u>49,000</u>				<u>15,000</u>			<u>80,011</u>	<u>35,000</u>		<u>136,920</u>
25,984	(44)	(11,516)	399	31,005	1,556	(91,976)	79,695	42,620		99,998
654,153	86	13,245	7,807	244,167	57,367		(79,695)	65,018		1,993,892
<u>\$ 680,137</u>	<u>\$ 42</u>	<u>\$ 1,729</u>	<u>\$ 8,206</u>	<u>\$ 275,172</u>	<u>\$ 58,923</u>	<u>\$ (91,976)</u>	<u>\$</u>	<u>\$ 107,638</u>		<u>\$ 2,093,890</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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 89,000	\$ 89,000	\$ 88,888	\$ (112)	\$ 90,425
Intergovernmental Revenues					
County apportionment and other revenue	30,000	30,000	33,174	3,174	32,430
Local government aid	10,000	10,000	10,000		10,000
Total Intergovernmental Revenues	40,000	40,000	43,174	3,174	42,430
Interest Income	200	200	243	43	305
Miscellaneous Revenues					
Donations			1,324	1,324	1,147
Fines, books and other	5,000	5,000	6,556	1,556	7,240
Total Miscellaneous Revenues	5,000	5,000	7,880	2,880	8,387
TOTAL REVENUES	134,200	134,200	140,185	5,985	141,547
EXPENDITURES					
Library					
Salaries	102,000	102,000	98,508	3,492	96,915
Employee benefits and retirement	15,600	15,600	14,451	1,149	14,374
Office supplies	650	650	1,050	(400)	303
General supplies	2,800	2,800	2,256	544	1,245
Professional services	850	850	800	50	840
Telephone	900	900	783	117	783
Insurance	1,900	1,900	1,725	175	1,678
Utilities	2,500	2,500	1,742	758	1,833
Repairs and maintenance	2,000	2,000	583	1,417	1,239
Dues, subscriptions and fees	1,600	1,600	1,647	(47)	1,725
Contracted equipment	5,000	5,000	4,980	20	5,287
Computer line fee	8,500	8,500	8,483	17	8,324
Programs	3,000	3,000	2,709	291	3,455
Training	500	500	320	180	743
Capital outlay	22,000	22,000	22,026	(26)	22,598
TOTAL EXPENDITURES	169,800	169,800	162,063	7,737	161,342
Excess (deficit) of revenues over (under) expenditures	(35,600)	(35,600)	(21,878)	13,722	(19,795)
FUND BALANCES, BEGINNING	192,130	192,130	192,130		211,925
FUND BALANCES, ENDING	\$ 156,530	\$ 156,530	\$ 170,252	\$ 13,722	\$ 192,130

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018	Variance with	2017
	Original	Final	Actual Amounts	Final Budget Positive (Negative)	Actual Amounts
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Volunteer retention stipend	1,500				1,500
Total Intergovernmental Revenues	6,000	4,500	4,500		6,000
Charges For Services					
Fees from runs	175,000	175,000	197,994	22,994	179,460
City and township contracts	20,413	20,413	20,413		20,413
Total Charges For Services	195,413	195,413	218,407	22,994	199,873
Interest Income	1,000	1,000	1,604	604	1,529
Miscellaneous Revenues	4,600	4,600	3,672	(928)	5,435
TOTAL REVENUES	207,013	205,513	228,183	22,670	212,837
EXPENDITURES					
Public Safety					
Salaries	70,000	70,000	67,465	2,535	64,347
Employee benefits and retirement	8,500	8,500	8,120	380	7,853
Volunteer retention stipend	1,500				1,500
Office supplies	850	850	429	421	440
Meeting and conferences	13,000	13,000	10,108	2,892	10,397
Gas, oil and supplies	3,500	4,500	4,199	301	3,170
General supplies	13,300	13,800	13,998	(198)	11,337
Professional services	1,900	1,900	1,635	265	1,460
Telephone	900	900	771	129	728
Insurance	5,350	5,350	4,314	1,036	4,821
Utilities	3,250	3,250	2,688	562	3,219
Repairs and maintenance	4,250	4,250	5,588	(1,338)	3,572
Dues, subscriptions and fees	8,000	8,000	8,183	(183)	7,966
Miscellaneous	2,000	2,000	500	1,500	1,232
Capital outlay	5,000	5,000		5,000	856
TOTAL EXPENDITURES	141,300	141,300	127,998	13,302	122,898
Excess of revenues over expenditures	65,713	64,213	100,185	35,972	89,939
FUND BALANCES, BEGINNING	364,033	364,033	364,033		274,094
FUND BALANCES, ENDING	\$ 429,746	\$ 428,246	\$ 464,218	\$ 35,972	\$ 364,033

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 5,000	\$ 5,000	\$ 4,951	\$ (49)	\$ 121
Intergovernmental Revenues					
State grants	16,145	16,145	5,379	(10,766)	299,333
Local government aid	5,000	5,000	5,000		5,000
Total Intergovernmental revenues	21,145	21,145	10,379	(10,766)	304,333
Charges for Services					
Land leases	8,700	7,100	6,959	(141)	12,666
Hangar rentals	13,400	13,400	12,320	(1,080)	13,205
Fuel and utilities	1,600	1,600	1,877	277	1,586
Total Charges For Services	23,700	22,100	21,156	(944)	27,457
Interest Income		200	321	121	207
Miscellaneous Revenues	1,155	1,155	1,712	557	1,261
TOTAL REVENUES	51,000	49,600	38,519	(11,081)	333,379
EXPENDITURES					
Airport					
Salaries	7,500	7,500	7,500		7,000
General supplies	3,000	3,500	2,662	838	456
Fuel	1,100	1,100	1,055	45	970
Professional services	1,500	1,000	600	400	600
Insurance	9,250	9,250	8,967	283	8,542
Utilities	5,025	5,025	4,388	637	4,344
Repairs and maintenance	4,625	4,625	3,762	863	2,184
Dues, subscriptions and fees	1,600	1,600	1,564	36	789
Taxes on property	900	900	736	164	814
Miscellaneous	500	500		500	
Capital outlay	10,000	10,000	11,161	(1,161)	288,877
TOTAL EXPENDITURES	45,000	45,000	42,395	2,605	314,576
Excess (deficit) of revenues over (under) expenditures	6,000	4,600	(3,876)	(8,476)	18,803
FUND BALANCES, BEGINNING	123,228	123,228	123,228		104,425
FUND BALANCES, ENDING	\$ 129,228	\$ 127,828	\$ 119,352	\$ (8,476)	\$ 123,228

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, 2018
With Comparative Totals for December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 25,000	\$ 25,000	\$ 24,832	\$ (168)	\$ 24,822
Interest income	2,000	2,000	2,624	624	3,201
Sale of land	20,000	20,000	41,000	21,000	
Miscellaneous		5,700	11,746	6,046	7,363
TOTAL REVENUES	47,000	52,700	80,202	27,502	35,386
EXPENDITURES					
Economic Development					
Salaries	17,000	17,000	17,000		16,000
Employee benefits and retirement	200	200	83	117	78
General supplies	800	800	357	443	466
Professional service	3,500	3,500	1,824	1,676	1,320
Telephone	1,000	1,000	1,059	(59)	1,078
Insurance	1,500	1,500	841	659	1,253
License, dues and subscriptions	5,000	5,000	3,588	1,412	3,280
Miscellaneous	1,500	1,500	2,204	(704)	1,160
Capital outlay			14,259	(14,259)	
Micro grant program	1,000	1,000	1,683	(683)	1,375
Contracted services	30,500	33,000	21,299	11,701	55,681
TOTAL EXPENDITURES	62,000	64,500	64,197	303	81,691
Excess (deficiency) of revenues over (under) expenditures	(15,000)	(11,800)	16,005	27,805	(46,305)
OTHER FINANCING SOURCES					
Transfers in from EDA Revolving Loan Fund	15,000	15,000	15,000		15,000
Net change in fund balances		3,200	31,005	27,805	(31,305)
FUND BALANCES, BEGINNING	244,167	244,167	244,167		275,472
FUND BALANCES, ENDING	\$ 244,167	\$ 247,367	\$ 275,172	\$ 27,805	\$ 244,167

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CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

DECEMBER 31, 2018

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, 2018
With Comparative Totals for December 31, 2017

	2018		Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,855,000	\$ 1,884,998	\$ 29,998	\$ 1,829,229
Operating Expenses				
Cost of Production				
Purchased power	1,300,000	1,246,838	53,162	1,203,811
Distribution				
Salaries	7,050	3,738	3,312	3,361
Gas, oil and supplies	2,000	1,666	334	893
General supplies	1,500	669	831	2,884
Repairs and maintenance	66,900	68,320	(1,420)	75,332
Professional services	20,000	3,308	16,692	3,553
Depreciation and amortization	163,476	163,476		148,724
Total Distribution	260,926	241,177	19,749	234,747
General Administration				
Salaries	213,000	204,756	8,244	210,195
Employee benefits and retirement	31,500	21,446	10,054	37,225
Office supplies and expense	850	744	106	841
Professional services	5,000	3,867	1,133	3,932
Postage	4,200	4,552	(352)	4,398
Printing and publishing	800	412	388	832
Insurance	11,750	10,596	1,154	10,595
Dues, subscriptions and fees	7,000	3,933	3,067	6,876
Miscellaneous	29,600	4,229	25,371	4,279
Total General Administration	303,700	254,535	49,165	279,173
Total Operating Expenses	1,864,626	1,742,550	122,076	1,717,731
Operating Income (Loss)	(9,626)	142,448	152,074	111,498
Nonoperating Revenue and (Expense)				
Interest expense	(10,310)	(8,772)	1,538	(12,823)
Interest income	1,500	2,600	1,100	3,196
Penalty income	15,000	17,071	2,071	14,784
Service fee - refuse billings	4,000	4,371	371	2,522
Compost site fees	2,000	1,472	(528)	1,926
Miscellaneous income (expense)	5,000	(16,684)	(21,684)	6,485
Total Other Income (Expense)	17,190	58	(17,132)	16,090
Income Before Transfers	7,564	142,506	134,942	127,588
Transfers out	(85,000)	(85,000)		(85,000)
Change in Net Position	(77,436)	57,506	134,942	42,588
Net Position, Beginning	2,148,304	2,148,304		2,105,716
Net Position, Ending	\$ 2,070,868	\$ 2,205,810	\$ 134,942	\$ 2,148,304

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, 2018
With Comparative Totals for December 31, 2017

	2018		Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 604,000	\$ 602,467	\$ (1,533)	\$ 635,191
Operating Expenses				
Distribution				
Salaries	74,050	72,045	2,005	64,352
Utilities and fuel oil	26,600	27,034	(434)	24,103
Gas, oil and supplies	9,300	7,839	1,461	6,953
General supplies	1,200	176	1,024	607
Repairs and maintenance	13,000	4,553	8,447	5,952
Professional services	5,000	50	4,950	1,230
Depreciation and amortization	233,007	233,007		217,892
Sewage and water testing	1,000	714	286	925
Total Distribution	<u>363,157</u>	<u>345,418</u>	<u>17,739</u>	<u>322,014</u>
General Administration				
Salaries	47,000	46,215	785	37,206
Employee benefits and retirement	17,055	12,274	4,781	18,687
Office supplies and expense	600	425	175	527
Professional services	5,000	3,817	1,183	3,934
Postage	250	257	(7)	313
Printing and publishing	1,100	890	210	1,133
Insurance	7,000	6,672	328	6,641
Dues, subscriptions and fees	4,300	3,959	341	4,046
Miscellaneous	2,800	2,553	247	2,713
Total General Administration	<u>85,105</u>	<u>77,062</u>	<u>8,043</u>	<u>75,200</u>
Total Operating Expenses	<u>448,262</u>	<u>422,480</u>	<u>25,782</u>	<u>397,214</u>
Operating Income	<u>155,738</u>	<u>179,987</u>	<u>24,249</u>	<u>237,977</u>
Nonoperating Revenue and (Expense)				
Interest expense	(24,000)	(20,369)	3,631	(26,736)
Interest income		2,200	2,200	1,788
Special assessments		2,568	2,568	
Miscellaneous income (expense)	150	(354)	(504)	150
Total Other Income (Expense)	<u>(23,850)</u>	<u>(15,955)</u>	<u>7,895</u>	<u>(24,798)</u>
Income Before Transfers	131,888	164,032	32,144	213,179
Transfers out	<u>(46,000)</u>	<u>(46,000)</u>		<u>(16,000)</u>
Change in Net Position	85,888	118,032	32,144	197,179
Net Position, Beginning	<u>2,504,091</u>	<u>2,504,091</u>		<u>2,306,912</u>
Net Position, Ending	<u>\$ 2,589,979</u>	<u>\$ 2,622,123</u>	<u>\$ 32,144</u>	<u>\$ 2,504,091</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, 2018
With Comparative Totals for December 31, 2017

	2018		Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 579,000	\$ 574,487	\$ (4,513)	\$ 573,930
Revenues related to Rushford Village	45,500	45,282	(218)	45,261
Total Operating Revenues	624,500	619,769	(4,731)	619,191
Operating Expenses				
Distribution				
Salaries	125,250	116,737	8,513	111,728
Utilities and fuel oil	60,400	57,875	2,525	58,412
Gas, oil and supplies	1,700	1,548	152	1,075
General supplies	6,500	6,332	168	2,700
Professional services	19,300	16,838	2,462	14,732
Repairs and maintenance	9,500	6,835	2,665	4,987
Depreciation	207,074	207,074		196,265
Sewage and water testing	8,500	6,523	1,977	7,658
Total Distribution	438,224	419,762	18,462	397,557
General Administration				
Salaries	40,500	34,473	6,027	29,035
Employee benefits and retirement	5,655	4,732	923	4,153
Professional services	5,000	3,866	1,134	3,934
Printing and publishing	1,100	728	372	1,104
Insurance	12,400	10,892	1,508	11,137
Dues, subscriptions and fees	6,000	5,150	850	4,990
Miscellaneous	3,000	2,466	534	3,442
Total General Administration	73,655	62,307	11,348	57,795
Total Operating Expenses	511,879	482,069	29,810	455,352
Operating Income	112,621	137,700	25,079	163,839
Nonoperating Revenue and (Expense)				
Interest expense	(14,070)	(12,880)	1,190	(16,301)
Interest income		1,091	1,091	1,341
Special assessments		2,568	2,568	
Miscellaneous income (expense)		(53,423)	(53,423)	896
Total Other Income (Expense)	(14,070)	(62,644)	(48,574)	(14,064)
Income Before Transfers	98,551	75,056	(23,495)	149,775
Transfers out	(33,000)	(33,000)		(33,000)
Change in Net Position	65,551	42,056	(23,495)	116,775
Net Position, Beginning	1,939,518	1,939,518		1,822,743
Net Position, Ending	\$ 2,005,069	\$ 1,981,574	\$ (23,495)	\$ 1,939,518

CITY OF RUSHFORD, MINNESOTA
SUPPLEMENTARY SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2018

CHANGE FUNDS	<u>\$ 169</u>
CHECKING ACCOUNTS	
<i>Merchants Bank</i>	
General checking account	90,547
Sweep account	7,795,251
<i>Rushford State Bank:</i>	
General checking account	<u>196,178</u>
TOTAL CHECKING ACCOUNTS	<u>8,081,976</u>
SAVINGS ACCOUNTS	
<i>Merchants Bank:</i>	
Money market funds account	<u>91,458</u>
DEPOSITS HELD BY FISCAL AGENTS	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	<u>85,707</u>
TOTAL DEPOSITS HELD BY FISCAL AGENTS	<u>85,707</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS	<u><u>\$ 8,259,310</u></u>

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 51,000	\$ 1,550	\$ 52,550
TOTAL	\$ 51,000	\$ 1,550	\$ 52,550

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 80,000	\$ 3,280	\$ 83,280
TOTAL	\$ 80,000	\$ 3,280	\$ 83,280

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 71,000	\$ 9,126	\$ 80,126
2020	72,000	8,166	80,166
2021	73,000	7,192	80,192
2022	74,000	6,205	80,205
2023	75,000	5,205	80,205
2024	76,000	4,191	80,191
2025	77,000	3,163	80,163
2026	78,000	2,122	80,122
2027	79,000	1,068	80,068
TOTAL	\$ 675,000	\$ 46,438	\$ 721,438

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 59,000	\$ 6,860	\$ 65,860
2020	60,000	6,270	66,270
2021	60,000	5,670	65,670
2022	61,000	5,070	66,070
2023	62,000	4,460	66,460
2024	62,000	3,840	65,840
2025	63,000	3,220	66,220
2026	64,000	2,590	66,590
2027	64,000	1,950	65,950
2028	65,000	1,310	66,310
2029	66,000	660	66,660
TOTAL	\$ 686,000	\$ 41,900	\$ 727,900

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 75,000	\$ 10,447	\$ 85,447
2020	76,000	9,628	85,628
2021	77,000	8,799	85,799
2022	78,000	7,959	85,959
2023	78,000	7,108	85,108
2024	79,000	6,257	85,257
2025	80,000	5,396	85,396
2026	81,000	4,523	85,523
2027	82,000	3,640	85,640
2028	83,000	2,746	85,746
2029	84,000	1,842	85,842
2030	84,000	926	84,926
TOTAL	\$ 957,000	\$ 69,271	\$ 1,026,271

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 14,000	\$ 2,370	\$ 16,370
2020	14,000	2,210	16,210
2021	14,000	2,070	16,070
2022	14,000	1,930	15,930
2023	14,000	1,790	15,790
2024	14,000	1,650	15,650
2025	14,000	1,510	15,510
2026	15,000	1,370	16,370
2027	6,813	1,220	8,033
TOTAL	\$ 119,813	\$ 16,120	\$ 135,933

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 23,000	\$ 4,560	\$ 27,560
2020	23,000	3,770	26,770
2021	24,000	3,540	27,540
2022	24,000	3,300	27,300
2023	24,000	3,060	27,060
2024	24,000	2,820	26,820
2025	25,000	2,580	27,580
2026	25,000	2,330	27,330
2027	25,000	2,080	27,080
2028	25,000	1,830	26,830
2029	23,806	1,580	25,386
TOTAL	\$ 265,806	\$ 31,450	\$ 297,256

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 25,000	\$ 17,656	\$ 42,656
2020	25,000	17,219	42,219
2021	30,000	16,663	46,663
2022	30,000	15,988	45,988
2023	30,000	15,313	45,313
2024	30,000	14,615	44,615
2025	35,000	13,835	48,835
2026	35,000	12,995	47,995
2027	35,000	12,094	47,094
2028	35,000	11,131	46,131
2029	40,000	10,100	50,100
2030	40,000	8,950	48,950
2031	40,000	7,750	47,750
2032	45,000	6,475	51,475
2033	45,000	4,900	49,900
2034	50,000	3,000	53,000
2035	50,000	1,000	51,000
TOTAL	\$ 620,000	\$ 189,683	\$ 809,683

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2018**

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 20,443	\$ 22,058	\$ 42,501
2020	21,466	21,034	42,500
2021	22,539	19,962	42,501
2022	23,666	18,834	42,500
2023	24,849	17,652	42,501
2024	26,092	16,408	42,500
2025	27,396	15,105	42,501
2026	28,766	13,734	42,500
2027	30,204	12,297	42,501
2028	31,715	10,785	42,500
2029	33,300	9,201	42,501
2030	34,965	7,535	42,500
2031	36,714	5,787	42,501
2032	38,549	3,951	42,500
2033	40,476	2,025	42,501
TOTAL	\$ 441,140	\$ 196,368	\$ 637,508

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 50,000	\$ 40,785	\$ 90,785
2020	55,000	39,526	94,526
2021	55,000	37,959	92,959
2022	55,000	36,392	91,392
2023	55,000	34,824	89,824
2024	60,000	33,020	93,020
2025	60,000	30,980	90,980
2026	65,000	28,855	93,855
2027	65,000	26,645	91,645
2028	70,000	24,140	94,140
2029	70,000	21,340	91,340
2030	75,000	18,440	93,440
2031	75,000	15,440	90,440
2032	80,000	12,300	92,300
2033	85,000	8,918	93,918
2034	85,000	5,433	90,433
2035	90,000	1,845	91,845
TOTAL	\$ 1,150,000	\$ 416,842	\$ 1,566,842

**CITY OF RUSHFORD, MINNESOTA
 GOVERNMENTAL ACTIVITIES
 Debt Retirement Schedules
 December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 140,000	\$ 52,975	\$ 192,975
2020	135,000	50,225	185,225
2021	145,000	47,425	192,425
2022	150,000	44,475	194,475
2023	150,000	41,475	191,475
2024	155,000	38,037	193,037
2025	160,000	34,100	194,100
2026	165,000	29,625	194,625
2027	170,000	24,600	194,600
2028	175,000	19,425	194,425
2029	180,000	14,100	194,100
2030	185,000	8,625	193,625
2031	195,000	2,925	197,925
TOTAL	\$ 2,105,000	\$ 408,012	\$ 2,513,012

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2018**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$ 165,000	\$ 44,600	\$ 209,600
2020	160,000	41,350	201,350
2021	165,000	38,100	203,100
2022	170,000	34,750	204,750
2023	170,000	31,350	201,350
2024	175,000	27,900	202,900
2025	180,000	24,350	204,350
2026	190,000	20,650	210,650
2027	185,000	16,715	201,715
2028	190,000	12,590	202,590
2029	70,000	9,450	79,450
2030	75,000	7,275	82,275
2031	75,000	5,025	80,025
2032	75,000	2,775	77,775
2033	55,000	825	55,825
TOTAL	\$ 2,100,000	\$ 317,705	\$ 2,417,705

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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, 2018, 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 30, 2019.

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

Minnesota Legal Compliance

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.

City of Rushford, Minnesota's Response to Findings

City of Rushford, Minnesota's response to the finding 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, Schaff and Associates, Ltd.

Rochester, Minnesota
April 30, 2019

**CITY OF RUSHFORD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

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.

CURRENT STATUS:

The finding recurred in 2018.

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City of Rushford

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CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2018.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2008-001

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.