

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2007

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2007

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2007

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2007

Les Ladewig	Mayor
Larry Johnson	Council Member & <i>Mayor Pro-tem</i>
Nancy Benson	Council Member
Herb Highum	Council Member
Laura Deering	Council Member
Windy Block	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the government 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, 2007, which collectively comprise the City of Rushford, Minnesota's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund, Business Flood Recovery Loan Program Fund, Tenborg Community Center Fund, Flood Restoration Fund, and Capital Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 12, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 non-major fund financial statements and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 23, 2008

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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's financial statements this narrative overview and analysis of the financial activities of the City of Rushford for the fiscal year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$15,693,241 (*net assets*). Of this amount, \$5,297,286 (unrestricted net assets) 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 assets increased by \$8,780,778.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$599,717 or 99 percent of total general fund expenditures. Given the uncertainty of state funding, continuing costs of flood recovery, to plan for the future and to be prepared for any contingencies, we believe this is an appropriate amount.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$3,997,841. Approximately 82 percent of this total amount, or \$3,271,967, is reserved.
- The City of Rushford increased total outstanding debt by \$486,723 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Rushford's basic financial statements. The City of Rushford's basic financial statements are comprised of the following three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Rushford's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Rushford's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rushford is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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).

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City of Rushford that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rushford include general government, economic development, public safety, public works, parks and recreation, airport, library, and community center. The business-type activities of the City of Rushford includes the liquor, electric, water, and sewer funds. The government-wide financial statements can be found on pages 13-15 of this report.

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

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

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

The City of Rushford maintains twenty 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, business recovery loan program fund, Tenborg Community Center fund, flood restoration fund, and the capital improvements fund, both of which are considered to be major funds. Data from the other fifteen 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 adopts an annual budget for its general, capital projects, certain special revenue, and enterprise funds. Budgetary comparison statements have been provided for the general fund (pages 22-27), business flood recovery loan program fund (page 28), Tenborg Community Center fund (page 29), flood restoration fund (page 30), capital improvements fund (page 31), and the special revenue funds (pages 61-65) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 15-21 of this report.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the liquor, electric, water, and sewer funds, all of which are considered to be major funds of the City of Rushford. The basic proprietary fund financial statements can be found on pages 32-35 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 36-55 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 57-60 of this report.

IMPORTANT REMINDERS:

Infrastructure Assets. As allowed by Government Accounting Standards Board Opinion No. 34, the City has elected to record infrastructure assets prospectively, rather than retroactively for general government activities. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City over the years but have never been recorded. Nonetheless, the City of Rushford has reserves in the capital project funds and an ongoing program for repairs, reconditioning, and replacement of these assets with annual funding sources continually earmarked for these specific purposes. All acquisitions of infrastructure assets since 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rushford, assets exceeded liabilities by \$15,693,241 at the end of the most recent year.

A large portion of the City of Rushford's net assets (23 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Rushford uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Rushford's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rushford, Minnesota's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 8,855,052	\$ 2,271,612	\$ 3,997,920	\$ 1,588,087	\$12,852,972	\$ 3,859,699
Capital assets	3,957,720	2,921,625	4,765,455	4,291,640	8,723,175	7,213,265
Total assets	<u>12,812,772</u>	<u>5,193,237</u>	<u>8,763,375</u>	<u>5,879,727</u>	<u>21,576,147</u>	<u>11,072,964</u>
Long-term liabilities						
outstanding	1,972,535	1,799,652	2,275,892	2,070,932	4,248,427	3,870,584
Other liabilities	1,360,338	55,720	274,141	234,197	1,634,479	289,917
Total liabilities	<u>3,332,873</u>	<u>1,855,372</u>	<u>2,550,033</u>	<u>2,305,129</u>	<u>5,882,906</u>	<u>4,160,501</u>
Net assets:						
Invested in capital assets,						
net of related debt	1,985,185	1,171,942	1,626,097	2,284,830	3,611,282	3,456,772
Restricted	2,825,548	10,072	3,959,125	475,726	6,784,673	485,798
Unrestricted	4,669,166	2,155,851	628,120	814,042	5,297,286	2,969,893
Total net assets	<u>\$ 9,479,899</u>	<u>\$ 3,337,865</u>	<u>\$ 6,213,342</u>	<u>\$ 3,574,598</u>	<u>\$15,693,241</u>	<u>\$ 6,912,463</u>

A portion of the City of Rushford's net assets (43 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,433,820) may be used to meet the government's ongoing obligations to citizens and creditors.

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

At the end of the current fiscal year, the City of Rushford is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its business-type activities.

Governmental activities. Governmental activities increased the City of Rushford's net assets by \$6,142,034, or 70 percent of the total growth in the net assets of the City. The most significant change in governmental net assets is due to the effect of accounting for net assets under full accrual accounting, current year capital outlay, which was funded during the year, will be expensed over its useful life.

Business-type activities. Business-type activities increased the City of Rushford's net assets by \$2,735,744 accounting for 30 percent of the total growth in the City's net assets.

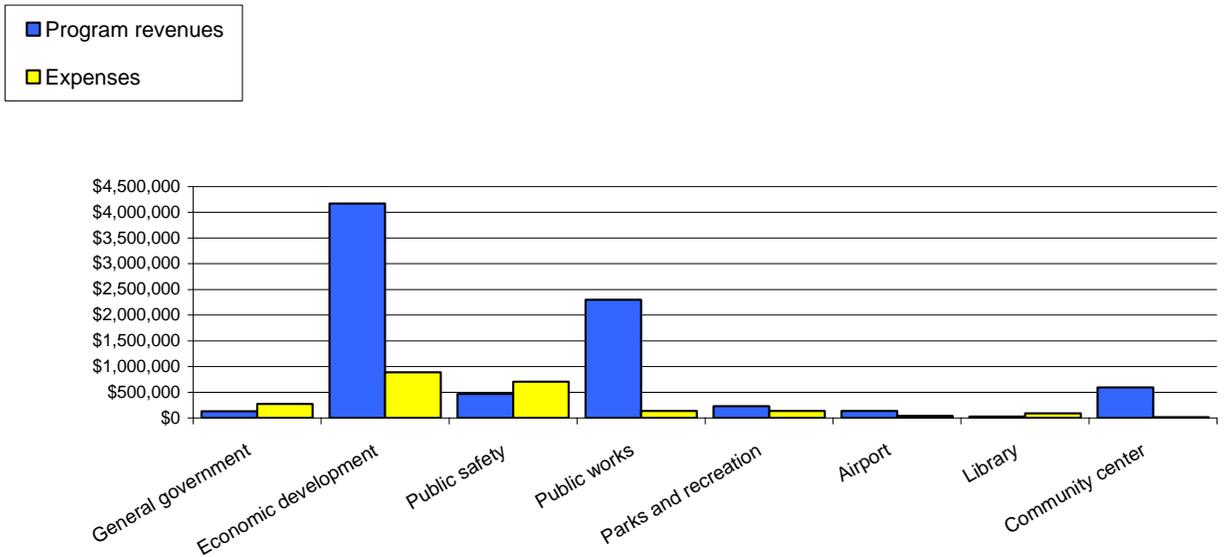
A condensed version of the Statement of Activities follows:

	City of Rushford, Minnesota's Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 437,877	\$ 304,851	\$ 1,088,112	\$ 1,257,693	\$ 1,525,989	\$ 1,562,544
Operating grants and contributions	293,418	129,110			293,418	129,110
Capital grants and contributions	7,321,703	64,926	3,358,390	63,358	10,680,093	128,284
General revenues:						
Property taxes	618,898	696,893			618,898	696,893
Grants and contributions not restricted to specific programs	426,968	463,227			426,968	463,227
Other	337,708	137,346	67,049	61,265	404,757	198,611
Total revenues	<u>9,436,572</u>	<u>1,796,353</u>	<u>4,513,551</u>	<u>1,382,316</u>	<u>13,950,123</u>	<u>3,178,669</u>
Expenses:						
General government	272,794	131,162			272,794	131,162
Economic development	890,126	39,847			890,126	39,847
Public safety	707,035	536,830			707,035	536,830
Public works	137,628	139,658			137,628	139,658
Parks and recreation	138,328	169,469			138,328	169,469
Airport	38,119	30,953			38,119	30,953
Library	92,653	86,475			92,653	86,475
Community center	16,603	22,445			16,603	22,445
Interest on long-term debt	70,740	74,713			70,740	74,713
Liquor			162,642	184,125	162,642	184,125
Utilities			918,884	1,089,485	918,884	1,089,485
Extraordinary items	1,027,512		696,281		1,723,793	
Total expenses	<u>3,391,538</u>	<u>1,231,552</u>	<u>1,777,807</u>	<u>1,273,610</u>	<u>5,169,345</u>	<u>2,505,162</u>
Increase in net assets before transfers	6,045,034	564,801	2,735,744	108,706	8,780,778	673,507
Transfers	97,000	8,844	(97,000)	(8,844)		
Increase in net assets	6,142,034	573,645	2,638,744	99,862	8,780,778	673,507
Net assets, beginning of year	<u>3,337,865</u>	<u>2,764,220</u>	<u>3,574,598</u>	<u>3,474,736</u>	<u>6,912,463</u>	<u>6,238,956</u>
Net assets, end of year	<u>\$ 9,479,899</u>	<u>\$ 3,337,865</u>	<u>\$ 6,213,342</u>	<u>\$ 3,574,598</u>	<u>\$ 15,693,241</u>	<u>\$ 6,912,463</u>

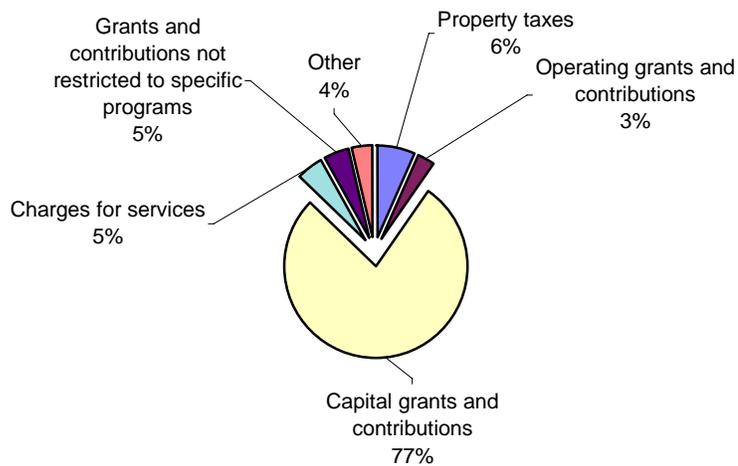
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Expenses and Program Revenues - Governmental Activities



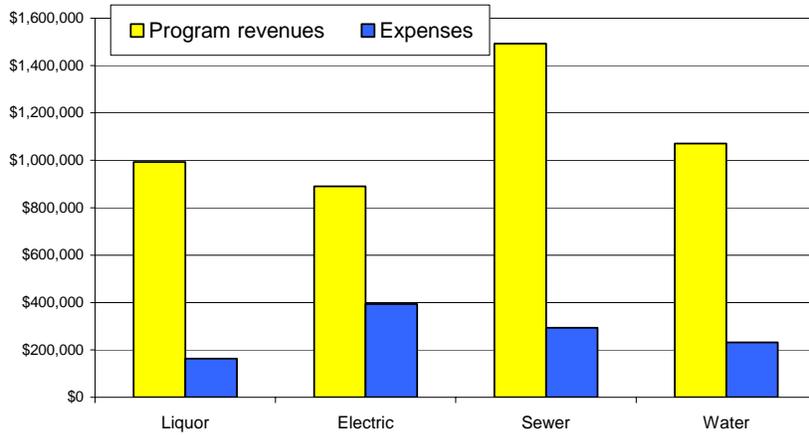
Revenues by Source - Governmental Activities



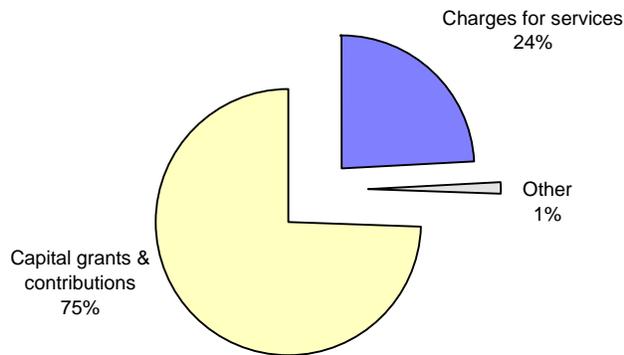
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures. 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

Financial Analysis of the Government's Funds

As noted earlier, the City of Rushford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Rushford's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Rushford's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Rushford's governmental funds reported combined ending fund balances of \$3,997,841, an increase of \$1,975,996. Approximately 18 percent of this total amount, or \$725,874, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to repay interfund advances or other debt (\$3,271,967).

The general fund is the chief operating fund of the City of Rushford. At the end of the current fiscal year, unreserved fund balance of the general fund was \$599,717. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 99 percent of total general fund expenditures.

The general fund's total fund balance increased by \$137,217 during the current fiscal year in part due to increased interest earnings and increased fees collected for building permits. Increased expenditures for building inspections are anticipated in 2008. Revenues generally exceeded budget projections and expenditures were at or below planned levels.

The business flood recovery loan program fund's fund balance increased by \$2,833,584 for the year. The reserve is to enable the City to distribute re-construction low interest loans to local businesses that were damaged in the August 2007 flood.

The Tenborg Community Center fund's fund balance increased 7,476 during the year in part due to ceasing of operations following the August flood event.

The flood restoration fund's fund balance decreased \$1,511,806 for the year awaiting FEMA funding reimbursement.

The capital improvements fund increased its fund balance by \$255,484 for the year, as planned for future upgrades of equipment and for facility improvements.

The airport fund increased its fund balance by \$5,998, with one state grant projects yet to be completed and finalized. The firemen's fund increased its total fund balance by \$128,135 in part due to increased donations and insurance proceeds following the flood event. Fire fund balance is designated for fire truck replacement needs and will be expended in 2008. The library fund increased its fund balance by \$6,259, in part due to reduced operations following the flood event. The ambulance fund increased its fund balance by \$14,240, in part due to increased collections and insurance proceeds. Ambulance fund balance is designated for equipment replacement needs. The EDA Revolving Loan Fund increased its fund balance by \$2,917, as loan payments continue to be made to the City in a timely manner. The Flood Relief fund increased its fund balance by \$66,059 for the purpose of distributing flood aid to local citizens.

The debt service funds have a total fund balance of \$372,324 all of which is reserved for the payment of debt service. This fund balance remained essentially unchanged for the year, as transfers in from other funds provided monies for all debt service payments.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tax Increment Capital Project fund decreased its fund balance by \$13,398 in part due to infrastructure improvements completed in the Rush Creek Business Park and the Economic Development fund increased its fund balance by \$35,591 to prepare for future land purchases and planned downtown redevelopment projects.

Proprietary funds. The City of Rushford's proprietary funds statements found on pages 32-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets in the respective proprietary funds are Liquor - \$87,299, Electric - \$407,576, Water - (\$166,489), and Sewer - \$(563,732). The Electric Fund had net income before transfers for the year. The increase in net assets in the respective proprietary funds are Liquor - \$771,559, Electric - \$311,970, Water - \$420,509, and Sewer - \$1,000,372 were due to FEMA grant money receivable from the destruction of the flood.

Water Utility rates were increased in 2007, with the base rate increasing approximately 5% as per the water rate schedule adopted in 2004. Extensive repairs were necessary to the water system following the August 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.

Sewer Utility rates were increased in July 2006, the first time since 2003. 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 will help guide and plan for future upgrades and improvements to the wastewater treatment plant as well as the aging collection system. Extensive repairs will be necessary to the wastewater treatment plant following damages caused by the August flood event. Sewer rates will be re-evaluated when the scope of that work is determined.

Electric Utility rates were studied in 2004 with an average increase of 5.9% phased in over two years in 2005 and 2006. The increase was designed to help recover some of the increasing power supply costs and other increases in operating and maintenance expenses. Due to the change in our power supply contract, the entire rate structure was studied and re-evaluated in May of 2006 to create a more equitable classification for all customers, to offer energy saving incentives and to prepare for the expected increase in wholesale power costs. This overall percentage increase was 19%. As wholesale costs increase and damages are discovered from the August flood event, rates will be re-evaluated to address those needs.

General Fund Budgetary Highlights

The City's general fund reserve has been spent down considerably in the past years. The 2007 budget anticipated continued reductions in state aid. The City amended its budget to recognize additional unplanned obligations during the year and was able to offset some of this increase with additional revenue streams.

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

- Increase in various departmental budgets to appropriate intergovernmental revenues from state or federal grants.
- Increases in recreation expenditures and other fee-based activities with offsetting increases to charges for services revenue budgets.

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

Capital Asset and Debt Administration

Capital assets. The City of Rushford's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$8,588,841 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and highways. The total decrease in the City of Rushford's reported investment in capital assets for the current fiscal year was \$50,959, after depreciation of \$517,250. Within the business type activities, the most significant decrease was due to the August flood event. All components of the city's infrastructure and utilities were severely impacted by the flood and will not be totally determined or rectified for several years.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 1,290,481	\$ 566,481	\$ 105,460	\$ 105,460	\$ 1,395,941	\$ 671,941
Buildings	1,227,208	1,378,795	4,259,177	3,750,781	5,486,385	5,129,576
Machinery and equipment	933,868	678,267	266,484	290,592	1,200,352	968,859
Infrastructure	506,163	197,644			506,163	197,644
Construction in progress		100,438	134,334	144,807	134,334	245,245
Total	\$ 3,957,720	\$ 2,921,625	\$ 4,765,455	\$ 4,291,640	\$ 8,723,175	\$ 7,213,265

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 44-45).

Long-term debt. At the end of the current fiscal year, the City of Rushford had \$4,312,950 in bonds and notes outstanding. Of this amount, \$3,082,423 comprises debt backed by the full faith and credit of the government and \$1,230,527 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			
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 1,265,000	\$ 1,605,000	\$	\$	\$ 1,265,000	\$ 1,605,000
GO Revenue bonds			1,168,423	1,257,544	1,168,423	1,257,544
Revenue bonds			1,165,992	810,000	1,165,992	810,000
Notes payable	58,535	144,683	6,000	9,000	64,535	153,683
Contract for deed	649,000				649,000	
Total	\$ 1,972,535	\$ 1,749,683	\$ 2,340,415	\$ 2,076,544	\$ 4,312,950	\$ 3,826,227

The City's total bonds and notes payable increased by \$486,723 during the current fiscal year. During 2007, the City purchased 23 acres of land on contract for deed for \$699,000 and issued in water revenue bonds for \$400,992. A more detailed breakdown of these obligations can be found in Note 7 (page 46).

The City of Rushford maintains a Baa bond rating on its general obligation bonds from Moody's Investors Service.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Rushford/Fillmore County ended the first quarter of 2007 at 5.6 percent, and ended the fourth quarter of 2007 at 3.6 percent. This compares favorably to the state's average unemployment rate of 3.8 percent and the national average rate of 4.2 percent for the fourth quarter of 2007.
- The City's total market valuation increased by 8.2% for taxes payable year 2007. New construction accounted for a significant portion of this increase with the remainder due to state rate or assessment adjustments. Rushford has a limited supply of affordable residential building space due in part to the difficulty in the orderly annexation of land from Rushford Village. 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 recently contracted for a Housing Market Study which revealed a 7.8% increase in the Rushford market area population from 1990-2000 and 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 largest employer in the County, TRW Electronics has closed their facility. This decrease has impacted the community, although it is likely many former employees will commute for new jobs and many have spouses who will continue to work in the area which will mitigate negative impacts to the local housing market. The City and EDA have been aggressive in their efforts to find viable replacement businesses and to this point have been partially successful. An update of the Housing Market Study will be conducted post-flood event to help determine and plan for the community's long term housing needs.
- The City of Rushford experienced a flood in August 2007 when six to seventeen inches of rain fell into the Root River and Rush Creek resulting in the impairment of the City's capital assets and the loss of city inventories. Over 50% of the City was flooded. The wastewater plant and two City wells were submerged under four feet of water. Of the 766 homes and businesses located in the City, 490 sustained damage, 79 of which were destroyed beyond recovery. Utilities were not provided to flood related homes and businesses during a two month period. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets. Insurance proceeds, federal grants, and contributions 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.
- Rushford's aging sewer and water infrastructure problems have been exacerbated from the August flood event warranting careful planning and financing in order to provide citizens with quality services at affordable rates. State and Federal mandates may also have a significant impact on that planning, especially when the mandates are unfunded.
- Since significant reductions in local government aid in 2003 & 2004, local aid payments from the State of Minnesota have increased in 2007. The City routinely puts aside reserves to guard against possible local government aid reductions, as well as to plan for future capital expansion and capital acquisitions.

Requests for Information

This financial report is designed to provide an overview of the City of Rushford's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Rushford City Hall, Box 430, Rushford, MN 55971.

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CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2007
With Comparative Totals for December 31, 2006

	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
ASSETS				
Cash and investments	\$ 3,919,822	\$ 626,868	\$ 4,546,690	\$ 2,706,637
Accrued interest receivable	7,060	2,010	9,070	8,171
Receivables (net of allowance for uncollectibles)	295,413	54,808	350,221	295,294
Loans receivable	666,893		666,893	
Accrued utility revenue		168,922	168,922	173,250
Internal balances	841,629	(841,629)		
Due from other governmental units	3,047,611	3,325,667	6,373,278	8,707
Inventory		20,644	20,644	42,373
Restricted cash and investments	70,776	633,458	704,234	608,719
Prepaid items	5,848	7,172	13,020	16,548
Capital assets:				
Nondepreciable	1,290,481	239,794	1,530,275	917,186
Depreciable, net	2,667,239	4,525,661	7,192,900	6,296,079
Total Assets	<u>12,812,772</u>	<u>8,763,375</u>	<u>21,576,147</u>	<u>11,072,964</u>
LIABILITIES				
Accounts payable	1,280,479	155,417	1,435,896	211,445
Accrued interest payable	29,774	18,046	47,820	42,473
Accrued compensation and payroll taxes payable		11,567	11,567	15,632
Deposits payable		17,588	17,588	20,367
Accrued compensated absences	50,085	71,523	121,608	114,091
Noncurrent liabilities:				
Due within one year	339,552	139,959	479,511	494,582
Due in more than one year	1,632,983	2,135,933	3,768,916	3,261,911
Total Liabilities	<u>3,332,873</u>	<u>2,550,033</u>	<u>5,882,906</u>	<u>4,160,501</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,985,185	1,626,097	3,611,282	3,456,772
Restricted	2,825,548	3,959,125	6,784,673	485,798
Unrestricted	4,669,166	628,120	5,297,286	2,969,893
Total Net Assets	<u>\$ 9,479,899</u>	<u>\$ 6,213,342</u>	<u>\$ 15,693,241</u>	<u>\$ 6,912,463</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007
With Comparative Totals for the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 272,794	\$ 128,490	\$ 1,765	\$
Economic development	890,126		3,454	4,166,893
Public safety	707,035	250,463	81,429	133,419
Public works	137,628			2,301,707
Parks and recreation	138,328	42,073	184,384	
Airport	38,119	8,720		126,302
Library	92,653	5,786	22,386	
Community center	16,603	2,345		593,382
Interest and other charges	70,740			
Total governmental activities	<u>2,364,026</u>	<u>437,877</u>	<u>293,418</u>	<u>7,321,703</u>
Business-Type activities:				
Liquor	162,642	130,387		862,394
Electric	393,203	434,378		455,780
Sewer	293,496	272,132		1,220,211
Water	232,185	251,215		820,005
Total business-type activities	<u>1,081,526</u>	<u>1,088,112</u>		<u>3,358,390</u>
Total	<u>\$ 3,445,552</u>	<u>\$ 1,525,989</u>	<u>\$ 293,418</u>	<u>\$ 10,680,093</u>

General revenues:

- General property taxes
- Nonproperty taxes
- Intergovernmental revenues
- Interest earnings
- Gain on disposal of capital assets
- Miscellaneous revenues
- Extraordinary item (Note 15)
- Transfers in (out)
- Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to the Financial Statements

FORM A-2

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2007	2006
\$ (142,539)		\$ (142,539)	\$ (114,895)
3,280,221		3,280,221	(35,422)
(241,724)		(241,724)	(238,798)
2,164,079		2,164,079	(95,231)
88,129		88,129	(93,357)
96,903		96,903	(1,543)
(64,481)		(64,481)	(60,207)
579,124		579,124	(18,499)
(70,740)		(70,740)	(74,713)
<u>5,688,972</u>		<u>5,688,972</u>	<u>(732,665)</u>
	830,139	830,139	(996)
	496,955	496,955	(54,672)
	1,198,847	1,198,847	1,200
	839,035	839,035	101,909
	<u>3,364,976</u>	<u>3,364,976</u>	<u>47,441</u>
<u>5,688,972</u>	<u>3,364,976</u>	<u>9,053,948</u>	<u>(685,224)</u>
618,898		618,898	613,086
1,945		1,945	1,983
426,968		426,968	547,034
75,291	41,832	117,123	71,110
			61,260
260,472	25,217	285,689	64,258
(1,027,512)	(696,281)	(1,723,793)	
97,000	(97,000)		
<u>453,062</u>	<u>(726,232)</u>	<u>(273,170)</u>	<u>1,358,731</u>
6,142,034	2,638,744	8,780,778	673,507
<u>3,337,865</u>	<u>3,574,598</u>	<u>6,912,463</u>	<u>6,238,956</u>
<u>\$ 9,479,899</u>	<u>\$ 6,213,342</u>	<u>\$ 15,693,241</u>	<u>\$ 6,912,463</u>

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CITY OF RUSHFORD, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2007

CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007
With Comparative Totals for December 31, 2006

	General	Special Revenue Fund		Capital Projects Fund Flood Restoration
		Business Flood Recovery Loan Program	Tenborg Community Center	
ASSETS				
Cash and investments	\$ 519,853	\$ 1,534,525	\$ 69,723	\$
Restricted cash				
Accrued interest receivable				
Accounts receivable	7,412	286		18,596
Loans receivable		666,893		
Taxes receivable - delinquent	5,353		227	
Leases receivable				
Special assessments receivable:				
Deferred				
Delinquent				
Due from other funds	66,772	1,300,511		
Due from other governmental units	116,479		593,382	2,027,972
Prepaid expense	4,658			
TOTAL ASSETS	\$ 720,527	\$ 3,502,215	\$ 663,332	\$ 2,046,568
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 115,457	\$ 1,738	\$ 18	\$ 1,101,663
Due to other funds				428,739
Advance from other funds				
Deposits payable				
Deferred revenue	5,353	666,893	593,609	2,027,972
Total Liabilities	<u>120,810</u>	<u>668,631</u>	<u>593,627</u>	<u>3,558,374</u>
Fund Balance:				
Reserved		2,833,584		
Unreserved, designated:	40,823			
Unreserved, undesignated, reported in:				
General fund	558,894			
Special revenue funds			69,705	
Capital projects funds				(1,511,806)
Total Fund Balance	<u>599,717</u>	<u>2,833,584</u>	<u>69,705</u>	<u>(1,511,806)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 720,527	\$ 3,502,215	\$ 663,332	\$ 2,046,568

See Notes to the Financial Statements

FORM B-1

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
		2007	2006
Capital Improvements			
\$ 893,555	\$ 902,166	\$ 3,919,822	\$ 2,028,233
	70,776	70,776	10,072
2,450	4,610	7,060	5,606
29,499	154,426	210,219	89,756
		666,893	
35	7,535	13,150	14,420
			33,150
	71,727	71,727	99,466
	319	319	350
	107,967	1,475,250	9,600
6	309,772	3,047,611	8,707
	1,190	5,848	6,343
<u>\$ 925,545</u>	<u>\$ 1,630,488</u>	<u>\$ 9,488,675</u>	<u>\$ 2,305,703</u>
\$ 39,434	\$ 22,169	\$ 1,280,479	\$ 24,264
106,858	76,187	611,784	9,600
	21,837	21,837	24,491
			3,862
12,828	270,079	3,576,734	221,641
<u>159,120</u>	<u>390,272</u>	<u>5,490,834</u>	<u>283,858</u>
	438,383	3,271,967	365,341
766,425	718,349	1,525,597	1,162,827
		558,894	363,138
	83,484	153,189	130,539
		(1,511,806)	
<u>766,425</u>	<u>1,240,216</u>	<u>3,997,841</u>	<u>2,021,845</u>
<u>\$ 925,545</u>	<u>\$ 1,630,488</u>	<u>\$ 9,488,675</u>	<u>\$ 2,305,703</u>

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	General	Special Revenue Fund		Capital Projects Fund
		Business Flood Recovery Program	Tenborg Community Center	Flood Restoration
REVENUES				
Property taxes	\$ 193,128	\$	\$ 6,381	\$
Tax increment revenues				
Lodging taxes	1,945			
Special assessments				
Licenses and permits	83,153			
Fines and forfeits	14,910			
Intergovernmental revenues	310,840	3,500,000	11,590	262,461
Charges for services	42,073		2,350	47,166
Interest income	15,811	3,746	1,925	
Miscellaneous revenues	9,934			
TOTAL REVENUES	671,794	3,503,746	22,246	309,627
EXPENDITURES				
Current				
General government	110,586			
Economic development		670,162		
Public safety	318,909			
Public works	87,621			
Parks and recreation	88,511			
Airport				
Library				
Community center			14,770	
Capital outlay				
Debt service				
TOTAL EXPENDITURES	605,627	670,162	14,770	
Excess (deficiency) of revenues over (under) expenditures	66,167	2,833,584	7,476	309,627
OTHER FINANCING SOURCES (USES)				
Transfers in	71,050			
Transfers out				(11,050)
Total other financing sources (uses)	71,050			(11,050)
EXTRAORDINARY ITEMS				
Flood recovery costs			(48,108)	(1,823,614)
Insurance proceeds			48,108	13,231
Extraordinary items, net				(1,810,383)
Net change in fund balances	137,217	2,833,584	7,476	(1,511,806)
FUND BALANCES, Beginning	462,500		62,229	
FUND BALANCES, Ending	\$ 599,717	\$ 2,833,584	\$ 69,705	\$ (1,511,806)

See Notes to the Financial Statements

FORM B-2

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
Capital Improvements		2007	2006
\$ 439	\$ 273,075	\$ 473,023	\$ 465,871
	147,175	147,175	143,425
		1,945	1,983
386	38,627	39,013	60,832
		83,153	18,584
		14,910	12,316
228,020	249,036	4,561,947	627,330
	225,510	317,099	268,676
23,064	30,745	75,291	45,278
5,587	352,404	367,925	196,767
<u>257,496</u>	<u>1,316,572</u>	<u>6,081,481</u>	<u>1,841,062</u>
		110,586	102,378
	180,464	850,626	1,294
	278,838	597,747	628,520
		87,621	75,433
		88,511	86,725
	156,652	156,652	39,124
	96,638	96,638	91,963
		14,770	19,695
295,494	114,347	409,841	311,298
	544,708	544,708	428,825
<u>295,494</u>	<u>1,371,647</u>	<u>2,957,700</u>	<u>1,785,255</u>
<u>(37,998)</u>	<u>(55,075)</u>	<u>3,123,781</u>	<u>55,807</u>
	107,450	178,500	190,000
<u>(70,000)</u>	<u>(450)</u>	<u>(81,500)</u>	<u>(181,156)</u>
<u>(70,000)</u>	<u>107,000</u>	<u>97,000</u>	<u>8,844</u>
(159,732)	(273,235)	(2,304,689)	
523,214	475,351	1,059,904	
<u>363,482</u>	<u>202,116</u>	<u>(1,244,785)</u>	
255,484	254,041	1,975,996	64,651
510,941	986,175	2,021,845	1,957,194
<u>\$ 766,425</u>	<u>\$ 1,240,216</u>	<u>\$ 3,997,841</u>	<u>\$ 2,021,845</u>

CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2007

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

Total governmental fund balances (page 16)		\$	3,997,841
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental funds - capital assets	\$	5,646,787	
Less: Accumulated depreciation		<u>(1,689,067)</u>	
			3,957,720
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Delinquent property taxes and special assessments	\$	13,469	
Deferred special assessments		71,726	
Contracts receivable		15,868	
FEMA receivable		2,755,388	
Business loan receivable		666,893	
Other deferred receivables		<u>53,388</u>	
			3,576,732
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, compensated absences, and unamortized bond issuance costs	\$	(2,022,620)	
Accrued interest		<u>(29,774)</u>	
			<u>(2,052,394)</u>
Net assets of governmental activities (page 13)		<u>\$</u>	<u>9,479,899</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, 2007

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

Net change in fund balances - total governmental funds (page 17)	\$	1,975,996
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay-capital improvements	\$	719,189
Capital outlay-other governmental funds		183,015
Developer paid for infrastructure		34,000
Depreciation expense		<u>(249,629)</u>
		686,575
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		(349,480)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, End of year	\$	3,576,732
Deferred revenue, Beginning of year		<u>221,641</u>
		3,355,091
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt, compensated absences, and amortization of bond issuance costs	\$	476,032
Change in accrued interest		<u>(2,180)</u>
		<u>473,852</u>
Change in net assets of governmental activities (pages 14 and 15)	\$	<u><u>6,142,034</u></u>

CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007			Variance Favorable (Unfavorable)	2006 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
General Tax Levy	\$ 187,036	\$ 187,036	\$ 193,128	\$ 6,092	\$ 170,336
Licenses and Permits					
Business	3,940	4,065	4,065		3,940
Nonbusiness	11,160	11,160	79,088	67,928	14,644
Total Licenses and Permits	15,100	15,225	83,153	67,928	18,584
Lodging Taxes	2,500	2,500	1,945	(555)	1,983
Intergovernmental Revenues					
Local government aid	232,000	232,000	233,202	1,202	229,705
Market value credit	33,849	33,849	33,849		29,588
Police aid	16,000	16,000	17,028	1,028	14,235
Fire relief aid	22,000	20,966	20,966		24,384
Snowmobile and canoe trail aids	26,270	181,006	180,656	(350)	33,048
Snowmobile trail assistance	(25,920)	(180,656)	(180,656)		(33,048)
Other aid	1,765	5,445	5,795	350	2,115
Total Intergovernmental Revenues	305,964	308,610	310,840	2,230	300,027
Fines and Forfeits	7,000	14,060	14,910	850	12,316
Charges For Services					
Swimming pool	30,050	30,100	33,857	3,757	29,138
Baseball and recreation	4,600	4,600	5,570	970	4,715
Park usage fees	1,000	2,500	2,646	146	1,398
Total Charges For Services	35,650	37,200	42,073	4,873	35,251
Interest Income	4,000	10,000	15,811	5,811	9,574
Miscellaneous Revenues					
Other	8,900	10,400	9,934	(466)	12,676
TOTAL REVENUES	\$ 566,150	\$ 585,031	\$ 671,794	\$ 86,763	\$ 560,747

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, 2007
With Comparative Totals for December 31, 2006

	2007				2006 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 12,000	\$ 12,140	\$ (140)	\$ 8,500
Meetings and conferences	500	600	572	28	769
General supplies	1,250	1,250	689	561	740
Printing and publishing	5,500	6,500	6,754	(254)	5,242
Professional services	3,000	6,500	4,653	1,847	1,128
Insurance	1,550	1,280	1,281	(1)	1,295
Dues, subscriptions and fees	4,500	3,500	3,677	(177)	4,323
Miscellaneous	1,200	900	929	(29)	730
Total Mayor and Council	<u>26,500</u>	<u>32,530</u>	<u>30,695</u>	<u>1,835</u>	<u>22,727</u>
Election Judges					
Salaries	800	500	447	53	1,336
Employee benefits and retirement	10	10		10	7
General supplies	610	610	6	604	40
Printing and publishing	350	350	442	(92)	10
Miscellaneous	40	40		40	66
Total Election Judges	<u>1,810</u>	<u>1,510</u>	<u>895</u>	<u>615</u>	<u>1,459</u>
City Hall Administration					
Salaries	29,200	30,500	29,455	1,045	25,793
Employee benefits and retirement	5,650	6,500	6,114	386	4,918
Office supplies and expense	1,800	1,800	1,811	(11)	1,682
Meetings and conferences	200				10
General supplies	300	300	337	(37)	264
Telephone	2,600	2,600	2,376	224	2,356
Printing and publishing	3,250	3,250	1,333	1,917	1,133
Insurance	260	650	602	48	547
Repairs and maintenance	1,200	850	727	123	971
Radio maintenance	4,300	3,300	3,298	2	3,315
Dues, subscriptions and fees	1,600	1,600	2,005	(405)	1,297
Miscellaneous	700		36	(36)	716
Total City Hall Administration	<u>51,060</u>	<u>51,350</u>	<u>48,094</u>	<u>3,256</u>	<u>43,002</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, 2007
With Comparative Totals for December 31, 2006

	2007				2006 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 18,725	\$ 17,525	\$ 16,744	\$ 781	\$ 17,689
Assessor	3,600	3,600	3,537	63	3,434
Cable television	10				
Total Professional Services	<u>22,335</u>	<u>21,125</u>	<u>20,281</u>	<u>844</u>	<u>21,123</u>
Building and Planning					
General supplies	220	220	75	145	291
Professional services	2,000	2,000	550	1,450	4,950
Consultant	500	500		500	438
Telephone	45	45	44	1	47
Printing and publishing	150	150	55	95	122
Total Building and Planning	<u>2,915</u>	<u>2,915</u>	<u>724</u>	<u>2,191</u>	<u>5,848</u>
Municipal Building					
General supplies	950	750	671	79	756
Insurance	600	600	410	190	494
Utilities	7,800	7,800	6,956	844	6,123
Repairs and maintenance	1,600	1,900	1,860	40	846
Total Municipal Building	<u>10,950</u>	<u>11,050</u>	<u>9,897</u>	<u>1,153</u>	<u>8,219</u>
Total General Government	<u>115,570</u>	<u>120,480</u>	<u>110,586</u>	<u>9,894</u>	<u>102,378</u>
Public Safety					
Police Protection					
Salaries	169,000	173,000	172,033	967	162,437
Employee benefits and retirement	22,560	23,300	23,363	(63)	19,474
Office supplies and expense	875	1,450	1,360	90	819
Meetings and conferences	2,000	1,700	1,664	36	2,274
Gas, oil and supplies	9,500	10,000	10,021	(21)	8,291
General supplies	2,500	3,600	3,367	233	2,069
Professional services	10,200	11,500	11,661	(161)	8,586
Telephone	1,500	1,500	1,524	(24)	1,607
Insurance	8,800	8,500	8,396	104	6,891
Utilities	3,150	2,500	2,598	(98)	2,458
Repairs and maintenance	2,700	1,600	1,489	111	3,581
Dues, subscriptions and fees	400	500	463	37	364
Miscellaneous	225	2,480	2,811	(331)	3,477
Total Police Protection	<u>\$ 233,410</u>	<u>\$ 241,630</u>	<u>\$ 240,750</u>	<u>\$ 880</u>	<u>\$ 222,328</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, 2007
With Comparative Totals for December 31, 2006

	2007				2006 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 6,784	\$ 6,784	\$ 6,784		\$ 6,784
Fire Protection					
Salaries	1,300	1,300	1,300		1,300
Employee benefits and retirement	2,250	2,250	2,250		2,250
Gas, oil and supplies	2,000	2,000	1,759	241	1,933
General supplies	4,000	2,500	2,308	192	5,171
Professional services	1,300	2,500	2,472	28	750
Telephone	400	400	403	(3)	404
Printing and publishing	50	50	52	(2)	134
Insurance	7,750	8,050	7,652	398	6,878
Utilities	3,450	3,550	3,853	(303)	3,062
Repairs and maintenance	350	450	415	35	429
Fire relief aid	22,000	22,000	21,966	34	24,384
Training and equipment reimbursement	6,000	1,600	1,613	(13)	4,336
Total Fire Protection	50,850	46,650	46,043	607	51,031
Building and Safety					
Salaries	2,900	2,900	2,874	26	2,799
Employee benefits and retirement	200	200	180	20	168
Professional services	10,230	14,230	14,024	206	14,187
Printing and publishing	300	300	185	115	230
Miscellaneous	605	605	468	137	560
Total Building and Safety	14,235	18,235	17,731	504	17,944
Civil Defense					
	470	1,245	1,180	65	477
Animal Control					
Salaries and wages	3,000	3,000	2,714	286	2,305
Insurance	110	110	37	73	85
Total Animal Control	3,110	3,110	2,751	359	2,390
Health and Welfare					
Health officer salary	100	100		100	100
Weed and insect control	3,900	3,900	3,670	230	3,571
Total Health and Welfare	4,000	4,000	3,670	330	3,671
Total Public Safety	\$ 312,859	\$ 321,654	\$ 318,909	\$ 2,745	\$ 304,625

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, 2007
With Comparative Totals for December 31, 2006

	2007				2006 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 16,500	\$ 20,400	\$ 20,626	\$ (226)	\$ 12,686
Employee benefits and retirement	2,800	2,800	2,933	(133)	1,877
Gas, oil and supplies	8,000	12,000	13,930	(1,930)	6,132
General supplies	6,050	5,350	4,925	425	5,948
Blacktop and surface materials	700	500	266	234	368
Professional services	200	650	450	200	
Insurance	6,100	5,100	4,824	276	4,210
Repairs and maintenance	6,500	8,000	8,949	(949)	11,408
Miscellaneous	4,300	4,200	1,279	2,921	1,136
City garage expense	4,250	3,950	3,759	191	3,827
Street lighting	20,000	16,000	16,082	(82)	16,478
Total Highways, Streets and Alleys	75,400	78,950	78,023	927	64,070
Dikes					
Salaries	6,450	5,350	3,733	1,617	4,591
Employee benefits and retirement	1,230	1,030	869	161	848
Gas, oil and supplies	1,800	1,800	1,519	281	1,184
General supplies	200	1,900	1,813	87	146
Insurance	930	730	374	356	697
Utilities	800	600	595	5	747
Repairs and maintenance	1,200	1,200	533	667	1,218
Professional services	2,100	3,600	162	3,438	1,932
Total Dikes	14,710	16,210	9,598	6,612	11,363
Total Public Works	90,110	95,160	87,621	7,539	75,433
Parks and Recreation					
Park Department					
Salaries	6,765	7,600	7,626	(26)	6,017
Employee benefits and retirement	1,200	1,200	1,193	7	1,038
Gas and oil	1,800	1,500	1,376	124	1,219
General supplies	2,000	1,800	1,542	258	1,941
Telephone	20	20		20	4
Insurance	3,725	3,200	2,846	354	3,084
Utilities	3,100	3,100	2,319	781	4,744
Repairs and maintenance	4,700	4,000	3,264	736	3,700
Professional services		850	840	10	
Miscellaneous	50	50	362	(312)	94
Total Park Department	\$ 23,360	\$ 23,320	\$ 21,368	\$ 1,952	\$ 21,841

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, 2007
With Comparative Totals for December 31, 2006

	2007				2006 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 27,500	\$ 25,500	\$ 25,213	\$ 287	\$ 25,923
Employee benefits and retirement	2,100	2,000	1,927	73	1,983
Meetings and conferences	1,000	1,400	1,650	(250)	1,534
General supplies	5,200	5,200	4,868	332	5,720
Telephone	300	200	157	43	256
Printing and publishing	190	190	141	49	149
Insurance	2,950	2,750	2,670	80	2,619
Utilities	9,500	8,000	7,132	868	7,240
Repairs and maintenance	1,800	1,200	846	354	2,592
Miscellaneous	50	150	108	42	30
Total Swimming Pool	50,590	46,590	44,712	1,878	48,046
Recreation Programs					
Salaries	7,500	7,500	7,044	456	7,061
Employee benefits and retirement	580	580	539	41	540
General supplies	1,500	1,500	1,456	44	858
Insurance	250	250	32	218	197
Dues, subscriptions and fees	100	100	75	25	75
Mileage	1,200	1,200	1,145	55	1,034
Miscellaneous	175	175	124	51	160
Total Recreation Programs	11,305	11,305	10,415	890	9,925
Tourism	4,260	3,360	2,864	496	3,713
Tree Board					
Salaries	1,100	1,100	1,100		1,100
General supplies	325	555	505	50	173
Contractual services	10,000	8,000	7,511	489	1,895
Insurance	50	50	21	29	17
Miscellaneous	20	20	15	5	15
Total Tree Board	11,495	9,725	9,152	573	3,200
Total Parks and Recreation	101,010	94,300	88,511	5,789	86,725
TOTAL EXPENDITURES	619,549	631,594	605,627	25,967	569,161
Excess (deficiency) of revenues over (under) expenditures	(53,399)	(46,563)	66,167	112,730	(8,414)
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	60,000	71,050	11,050	70,000
Transfers out					(161,156)
Total other financing sources (uses)	60,000	60,000	71,050	11,050	(91,156)
Net change in fund balances	6,601	13,437	137,217	123,780	(99,570)
FUND BALANCE, January 1	462,500	462,500	462,500		562,070
FUND BALANCE, December 31	\$ 469,101	\$ 475,937	\$ 599,717	\$ 123,780	\$ 462,500

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
BUSINESS FLOOD RECOVERY LOAN PROGRAM FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007			Variance Favorable (Unfavorable)	2006 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Intergovernmental Revenues					
State grants	\$	\$	\$ 3,500,000	\$ 3,500,000	\$
Interest Income			3,746	3,746	
TOTAL REVENUES			3,503,746	3,503,746	
EXPENDITURES					
Current					
Professional services			3,269	(3,269)	
Loans			666,893	(666,893)	
TOTAL EXPENDITURES			670,162	(670,162)	
Excess (deficiency) of revenues over (under) expenditures			2,833,584	2,833,584	
Net change in fund balances			2,833,584	2,833,584	
FUND BALANCES, Beginning					
FUND BALANCES, Ending	\$	\$	\$ 2,833,584	\$ 2,833,584	\$

CITY OF RUSHFORD, MINNESOTA
TENBORG COMMUNITY CENTER FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2006 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 6,774	\$ 6,774	\$ 6,381	\$ (393)	\$ 15,222
Intergovernmental Revenues					
Local government aid	10,000	10,000	10,364	364	
Market value credit	1,226	1,226	1,226		2,663
Total Intergovernmental revenues	11,226	11,226	11,590	364	2,663
Charges For Services					
Rental fees	1,500	1,500	769	(731)	1,455
SEMCAC	2,527	2,527	1,581	(946)	2,491
Total Charges For Services	4,027	4,027	2,350	(1,677)	3,946
Interest Income	1,000	1,000	1,925	925	1,422
TOTAL REVENUES	23,027	23,027	22,246	(781)	23,253
EXPENDITURES					
General Government					
Cleaning expense	11,387	11,387	7,008	4,379	10,735
General supplies	900	900	217	683	519
Telephone	450	450	316	134	459
Professional services	390	390	325	65	325
Insurance	1,300	1,500	1,474	26	1,098
Utilities	7,400	6,800	4,056	2,744	5,901
Repairs and maintenance	1,000	1,000	473	527	658
Capital outlay	500	900	901	(1)	
TOTAL EXPENDITURES	23,327	23,327	14,770	8,557	19,695
Excess (deficiency) of revenues over (under) expenditures	(300)	(300)	7,476	7,776	3,558
EXTRAORDINARY ITEMS					
Flood recovery costs			(48,108)	48,108	
Insurance proceeds			48,108	(48,108)	
Extraordinary items, net					
Net change in fund balance	(300)	(300)	7,476	7,776	3,558
FUND BALANCES, BEGINNING	62,229	62,229	62,229		58,671
FUND BALANCES, ENDING	\$ 61,929	\$ 61,929	\$ 69,705	\$ 7,776	\$ 62,229

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
FLOOD RESTORATION FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007			Variance Favorable (Unfavorable)	2006 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Intergovernmental Revenues					
FEMA grants	\$	\$	\$ 262,461	\$ 262,461	\$
Charges for Services			47,166	47,166	
TOTAL REVENUES			309,627	309,627	
OTHER FINANCING SOURCES (USES)					
Transfers out			(11,050)	(11,050)	
Total other financing sources (uses)			(11,050)	(11,050)	
EXTRAORDINARY ITEMS					
Flood recovery costs			(1,823,614)		
Insurance proceeds			13,231	13,231	
Extraordinary items, net			(1,810,383)	13,231	
Net change in fund balances			(1,511,806)	311,808	
FUND BALANCES, Beginning					
FUND BALANCES, Ending	\$	\$	\$(1,511,806)	\$ 311,808	\$

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
CAPITAL IMPROVEMENTS FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007				2006 Actual Amounts
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)	
	Original	Final			
REVENUES					
Property taxes	\$		\$	439	\$ 18,355
Special assessments		500		386	543
Intergovernmental revenues		228,000		228,020	228,000
Interest income		3,000		23,064	6,371
Miscellaneous revenues		1,732		5,587	5,180
TOTAL REVENUES		233,232		257,496	258,449
EXPENDITURES					
Current					
Capital outlay		208,000		295,494	161,669
TOTAL EXPENDITURES		208,000		295,494	161,669
Excess (deficiency) of revenues over (under) expenditures		25,232		(37,998)	96,780
OTHER FINANCING SOURCES (USES)					
Transfers in					100,000
Transfers out		(20,000)		(70,000)	(20,000)
Total other financing sources (uses)		(20,000)		(70,000)	80,000
EXTRAORDINARY ITEMS					
Flood recovery costs				(159,732)	(159,732)
Insurance proceeds				523,214	523,214
Extraordinary items, net				363,482	363,482
Net change in fund balances		5,232		255,484	176,780
FUND BALANCES, Beginning		510,941		510,941	334,161
FUND BALANCES, Ending	\$	516,173	\$	766,425	\$ 510,941

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2007
With Comparative Totals for December 31, 2006

	Enterprise Funds				Totals	
	Liquor Fund	Electric Department	Water Department	Sewer Department	2007	2006
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 76,598	\$ 534,179	\$ 16,091	\$	\$ 626,868	\$ 678,404
Accrued interest receivable		1,340		670	2,010	2,565
Accounts receivable		34,340	9,719	10,749	54,808	58,152
Accrued utility revenue		134,884	14,390	19,648	168,922	173,250
Due from other governmental units	862,394	437,803	820,005	1,205,465	3,325,667	
Advance to other funds		21,837			21,837	24,491
Merchandise inventory	20,644				20,644	42,373
Prepaid expense	5,212	418	771	771	7,172	10,205
Total Current Assets	964,848	1,164,801	860,976	1,237,303	4,227,928	989,440
Property and Equipment						
Property, plant and equipment	1,000	2,933,344	2,124,940	2,791,216	7,850,500	8,272,896
Less: Accumulated depreciation		1,166,840	897,254	1,155,285	3,219,379	4,126,063
Property and Equipment, Net	1,000	1,766,504	1,227,686	1,635,931	4,631,121	4,146,833
Construction work in process			134,334		134,334	144,807
Total Property and Equipment	1,000	1,766,504	1,362,020	1,635,931	4,765,455	4,291,640
Other Assets						
Restricted cash and cash equivalents		200,989	66,232	366,237	633,458	598,647
Total Assets	965,848	3,132,294	2,289,228	3,239,471	9,626,841	5,879,727
LIABILITIES						
Current Liabilities						
Accounts payable	1,172	147,708	2,912	3,625	155,417	187,181
Due to other funds		118,222	180,353	564,891	863,466	
Current maturities of bonds payable		45,000	40,000	54,959	139,959	137,121
Accrued interest			10,026	8,020	18,046	14,879
Accrued sales tax	1,629	9,938			11,567	15,632
Deferred revenue		1,758			1,758	313
Customer deposits		15,830			15,830	16,192
Total Current Liabilities	2,801	338,456	233,291	631,495	1,206,043	371,318
Long-Term Liabilities						
Notes payable, net of current maturities, and bond issuance costs		694,369	853,099	588,465	2,135,933	1,869,689
Accrued compensated absences	12,354	25,966	14,169	19,034	71,523	64,122
Total Liabilities	15,155	1,058,791	1,100,559	1,238,994	3,413,499	2,305,129
Net Assets						
Invested in capital assets, net of related debt	1,000	908,913	288,568	427,616	1,626,097	2,284,830
Restricted	862,394	638,792	886,237	1,571,702	3,959,125	475,726
Unrestricted	87,299	525,798	13,864	1,159	628,120	814,042
Total Net Assets	\$ 950,693	\$ 2,073,503	\$ 1,188,669	\$ 2,000,477	\$ 6,213,342	\$ 3,574,598

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Revenues, Expenses
 and Changes in Retained Earnings
 For the Year Ended December 31, 2007
 With Comparative Totals for December 31, 2006**

	Enterprise Funds				Totals	
	Liquor Fund	Electric Department	Water Department	Sewer Department	2007	2006
Operating Revenues						
Sales	\$ 358,071	\$ 1,281,709	\$ 262,767	\$ 294,230	\$ 2,196,777	\$ 2,409,332
Cost of sales and production	227,684	847,331	11,552	22,098	1,108,665	1,151,639
Total Operating Revenues	<u>130,387</u>	<u>434,378</u>	<u>251,215</u>	<u>272,132</u>	<u>1,088,112</u>	<u>1,257,693</u>
Operating Expenses						
Distribution expense		149,722	155,214	225,878	530,814	551,647
General administration		196,096	56,088	44,840	297,024	233,297
Liquor store operating expenses	162,642				162,642	182,843
Total Operating Expenses	<u>162,642</u>	<u>345,818</u>	<u>211,302</u>	<u>270,718</u>	<u>990,480</u>	<u>967,787</u>
Operating Income (Loss)	<u>(32,255)</u>	<u>88,560</u>	<u>39,913</u>	<u>1,414</u>	<u>97,632</u>	<u>289,906</u>
Nonoperating Revenue and (Expense)						
Other Income (Expense)	<u>9,564</u>	<u>(2,444)</u>	<u>(19,233)</u>	<u>(11,884)</u>	<u>(23,997)</u>	<u>(244,558)</u>
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	<u>(22,691)</u>	<u>86,116</u>	<u>20,680</u>	<u>(10,470)</u>	<u>73,635</u>	<u>45,348</u>
Capital contributions and grants	862,394	455,780	820,005	1,220,211	3,358,390	63,358
Extraordinary gain (loss)	(38,144)	(199,926)	(188,842)	(269,369)	(696,281)	
Transfers in				60,000	60,000	61,156
Transfers out	(30,000)	(30,000)	(97,000)		(157,000)	(70,000)
Change in Net Assets	<u>771,559</u>	<u>311,970</u>	<u>554,843</u>	<u>1,000,372</u>	<u>2,638,744</u>	<u>99,862</u>
Net Assets, Beginning of Year	<u>179,134</u>	<u>1,761,533</u>	<u>633,826</u>	<u>1,000,105</u>	<u>3,574,598</u>	<u>3,474,736</u>
Net Assets, End of Year	<u>\$ 950,693</u>	<u>\$ 2,073,503</u>	<u>\$ 1,188,669</u>	<u>\$ 2,000,477</u>	<u>\$ 6,213,342</u>	<u>\$ 3,574,598</u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2007
 With Comparative Totals for December 31, 2006**

	Enterprise Funds				Totals	
	Liquor Fund	Electric Department	Water Department	Sewer Department	2007	2006
Cash Flows From Operating Activities						
Cash received from customers	\$ 358,071	\$ 1,284,047	\$ 263,831	\$ 299,583	\$ 2,205,532	\$ 2,369,590
Cash paid to employees for services	(103,566)	(151,094)	(74,953)	(98,096)	(427,709)	(412,854)
Cash paid to suppliers	(262,092)	(890,536)	(142,836)	(85,827)	(1,381,291)	(1,379,416)
Net Cash Provided By (Used In) Operating Activities	(7,587)	242,417	46,042	115,660	396,532	577,320
Cash Flows From Noncapital Financing Activities						
Increase in due to other funds		118,222	180,353	564,891	863,466	
Grant aid received		17,977		14,746	32,723	
Flood recovery costs		(145,750)	(180,353)	(172,594)	(498,697)	
Other income	5,336	17,314	1,313		23,963	10,454
Transfers in (out)	(30,000)	(30,000)	(97,000)	60,000	(97,000)	(8,844)
Net Cash Provided By (Used In) Noncapital Financing Activities	(24,664)	(22,237)	(95,687)	467,043	324,455	1,610
Cash Flows From Capital and Related Financing Activities						
Capital contributions						9,358
Proceeds from issuance of debt			400,992		400,992	
Principal payment on long-term debt		(45,000)	(39,000)	(53,121)	(137,121)	(129,345)
Purchase of capital assets		(155,727)	(309,909)	(493,364)	(959,000)	(168,883)
Repayment of advances		2,654	(2,654)			
Interest paid on debt		(47,102)	(14,529)	(23,440)	(85,071)	(91,212)
Net Cash Provided By (Used In) Capital and Related Financing Activities		(245,175)	34,900	(569,925)	(780,200)	(380,082)
Cash Flows From Investing Activities						
Interest earnings on investments	3,763	27,358	466	10,901	42,488	25,979
Net Cash Provided By Investing Activities	3,763	27,358	466	10,901	42,488	25,979
Net Increase (Decrease) In Cash and Cash Equivalents						
	(28,488)	2,363	(14,279)	23,679	(16,725)	224,827
Cash and Cash Equivalents - January 1	105,086	732,805	96,602	342,558	1,277,051	1,052,224
Cash and Cash Equivalents - December 31	\$ 76,598	\$ 735,168	\$ 82,323	\$ 366,237	\$ 1,260,326	\$ 1,277,051
Shown on the Balance Sheet as:						
Cash and investments	\$ 76,598	\$ 534,179	\$ 16,091	\$	\$ 626,868	\$ 678,404
Restricted cash and investments		200,989	66,232	366,237	633,458	598,647
Total	\$ 76,598	\$ 735,168	\$ 82,323	\$ 366,237	\$ 1,260,326	\$ 1,277,051

See Notes to the Financial Statements

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

	Enterprise Funds				Totals	
	Liquor Fund	Electric Department	Water Department	Sewer Department	2007	2006
Operating Income (Loss)	\$ (32,255)	\$ 88,560	\$ 39,913	\$ 1,414	\$ 97,632	\$ 289,906
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	7,268	109,109	70,946	106,490	293,813	293,285
(Increase) Decrease In:						
Accounts receivable		3,386	(227)	185	3,344	(12,309)
Other accounts receivable		(2,131)	1,291	5,168	4,328	(27,844)
Merchandise inventory	21,729				21,729	(2,186)
Prepaid insurance	2,800	(81)	(158)	472	3,033	(7,326)
Increase (Decrease) In:						
Accounts payable	(7,531)	39,497	(67,964)	167	(35,831)	40,732
Accrued wages	402	2,994	2,241	1,764	7,401	2,651
Deferred revenue		1,445			1,445	(711)
Customer deposits		(362)			(362)	1,122
Net Cash Provided by Operating Activities	\$ (7,587)	\$ 242,417	\$ 46,042	\$ 115,660	\$ 396,532	\$ 577,320
Non Cash Transactions Paid						
Purchase of capital assets included in accounts payable at year end	\$	\$	\$	\$	\$	\$ 80,034
Contribution of capital assets						54,000
Loss on disposal of capital assets	38,144	54,176	8,489	96,775	197,584	188,134

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the City of Rushford, Minnesota, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

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

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

Component Units - Component units are legally separate organizations for which the elected officials of the City of Rushford are financially accountable or for which the nature or significance of their general relationship with the City of Rushford would, if excluded, cause the general purpose financial statements to be misleading or incomplete. Based on these criteria, there were no component units of the City of Rushford during 2007.

Specific organizations and the related accounting are as follows:

Rushford Volunteer Fire Department

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

Rushford Volunteer Fire Department Relief Association

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

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 *business flood recovery loan program fund* accounts for all activity of the City's business flood recovery loan program.

The *Tenborg Community Center fund* accounts for the activity of the City's community center.

The *flood restoration fund* accounts for the collection and distribution of flood recovery donations.

The *capital improvements fund* accounts for the acquisition and construction of major capital facilities other than those financed by the enterprise funds.

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

The City reports the following major proprietary-enterprise funds:

The *electric fund* accounts for the operations of the City owned electric utility system.

The *liquor fund* accounts for the operations of the City owned liquor store.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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, and Net Assets or Equity

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statement purposes all investments are considered to be cash and cash equivalents.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Interfund Transactions

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

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

Property Taxes

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

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

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The amount of delinquent taxes receivable are fully offset by deferred revenue 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 revenue 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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Inventory

The inventory, representing liquor fund merchandise for resale in the Enterprise Fund, is valued at the lower of cost or market on a first-in, first-out basis.

Capital Assets

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

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

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

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

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 had 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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

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.

E. Comparative Data

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

F. Budgets and Budgetary Accounting

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

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

G. Conduit Debt Obligations

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

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

As of December 31, 2007, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$913,618.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2007, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash on Hand</u>	
Change funds	\$ 1,971
Deposits	4,393,460
Certificates of deposit	<u>855,493</u>
Total	<u>\$ 5,250,924</u>

Recorded on the Statement of Net Assets as follows:

Cash and investments	\$ 4,546,690
Restricted cash and investments	<u>704,234</u>
Total	<u>\$ 5,250,924</u>

Investments Authorized by Minnesota Statutes

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

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

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices. The City's investment ratings are from Standard & Poor Investor Service.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. At December 31, 2007, there were no individual investments greater than 5 percent of the City's total investments.

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service Funds	Capital Projects Funds	Total
1994	\$ 447	\$	\$ 447
1999	3,072		3,072
2000	43,045		43,045
2002	21,011		21,011
2004	2,305		2,305
2006	1,847		1,847
Total	\$ 71,727	\$	\$ 71,727

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

4. Due From Other Governmental Units

Fund Type	Fillmore County	State of Minnesota	Federal Government	Total
General	\$ 18,513	\$ 97,966	\$	\$ 116,479
Special Revenue	7,864	104,321	726,801	838,986
Capital Project	4,155		2,027,972	2,032,127
Debt Service	60,019			60,019
Enterprise			3,325,667	3,325,667
Totals	\$ 90,551	\$ 202,287	\$ 6,080,440	\$ 6,373,278

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans and Leases Receivable

Debt Service

In 1997, the City entered into an agreement to lease of a portion of the Bakery Block property to Winona General Hospital Association (Rushford Clinic). Semi-Annual lease payments are due under the lease through December 2007. The minimum lease payment will be at least equal to the annual principal and interest amounts due on the 1996 G.O. Improvement Bonds. Payments received under this lease totaled \$37,526 for the year ended December 31, 2007.

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 the program, the City can issue \$17,250,000 loans under the following types:

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 zero percent interest and are forgivable beginning after five years at the rate of 20% per year. All payments are deferred for the first three years.

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.

Category 2 Loans – Loans to businesses that were adversely affected by the flood, 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.

6. Capital Assets

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 566,481	\$ 724,000	\$	\$ 1,290,481
Construction in progress	\$ 100,438		100,438	
Total capital assets, not being depreciated	<u>666,919</u>	<u>724,000</u>	<u>100,438</u>	<u>1,290,481</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,629,474	115,019	367,538	2,376,955
Infrastructure	213,559	325,401		538,960
Machinery and equipment	1,664,639	571,223	795,471	1,440,391
Total capital assets, being depreciated	<u>4,507,672</u>	<u>1,011,643</u>	<u>1,163,009</u>	<u>4,356,306</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,250,679	75,301	176,233	1,149,747
Infrastructure	15,915	16,882		32,797
Machinery and equipment	986,372	157,446	637,295	506,523
Total accumulated depreciation	<u>2,252,966</u>	<u>249,629</u>	<u>813,528</u>	<u>1,689,067</u>
Total capital assets, being depreciated, net	<u>2,254,706</u>	<u>762,014</u>	<u>349,481</u>	<u>2,667,239</u>
Governmental activities capital assets, net	<u>\$ 2,921,625</u>	<u>\$ 1,486,014</u>	<u>\$ 449,919</u>	<u>\$ 3,957,720</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 105,460	\$	\$	\$ 105,460
Construction in progress	<u>144,807</u>	<u>134,334</u>	<u>144,807</u>	<u>134,334</u>
Total capital assets, not being depreciated	<u>250,267</u>	<u>134,334</u>	<u>144,807</u>	<u>239,794</u>
Capital assets, being depreciated:				
Buildings and improvements	7,531,600	931,811	1,161,714	7,301,697
Machinery and equipment	<u>635,836</u>	<u>37,661</u>	<u>230,154</u>	<u>443,343</u>
Total capital assets, being depreciated	<u>8,167,436</u>	<u>969,472</u>	<u>1,391,868</u>	<u>7,745,040</u>
Less accumulated depreciation for:				
Buildings and improvements	3,780,819	260,422	998,721	3,042,520
Machinery and equipment	<u>345,244</u>	<u>28,179</u>	<u>196,564</u>	<u>176,859</u>
Total accumulated depreciation	<u>4,126,063</u>	<u>288,601</u>	<u>1,195,285</u>	<u>3,219,379</u>
Total capital assets, being depreciated, net	<u>4,041,373</u>	<u>680,871</u>	<u>196,583</u>	<u>4,525,661</u>
Business-type activities capital assets, net	<u>\$ 4,291,640</u>	<u>\$ 815,205</u>	<u>\$ 341,390</u>	<u>\$ 4,765,455</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 11,181
Public safety	109,288
Public works	50,007
Airport	19,153
Library	8,350
Park and recreation	49,817
Community center	<u>1,833</u>
Total depreciation expense - governmental activities	<u>\$249,629</u>
Business-Type Activities:	
Electric	\$ 107,138
Water	67,705
Sewer	106,490
Liquor	<u>7,268</u>
Total depreciation expense - business-type activities	<u>\$288,601</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2007 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Accrued Interest
GOVERNMENTAL ACTIVITIES							
Bonds and Notes Payable:							
General obligation bonds:							
1996 Tax Increment Bonds	5.40% - 5.70%	\$ 40,000	\$	\$ 40,000	\$	\$	
1998 Improvement Bonds	4.38% - 4.50%	50,000		25,000	25,000	25,000	93
1999 Improvement Bonds	4.35% - 4.55%	20,000		20,000			
2000 Improvement Bonds	5.30% - 5.80%	140,000		25,000	115,000	25,000	2,749
2001 Improvement Bonds	4.70% - 5.15%	430,000		65,000	365,000	70,000	7,645
2002 Improvement Bonds	4.50%	135,000		25,000	110,000	25,000	2,056
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	790,000		140,000	650,000	140,000	8,010
Notes payable:							
2001 USDA Loan	4.88%	66,170		7,635	58,535	4,552	433
2002 USDA Loan	4.75%	78,513		78,513			
Contract for deed - land	5.00%		699,000	50,000	649,000	50,000	8,788
Governmental Activities							
Long-term Liabilities		<u>1,749,683</u>	<u>699,000</u>	<u>476,148</u>	<u>1,972,535</u>	<u>339,552</u>	<u>29,774</u>
BUSINESS-TYPE ACTIVITIES							
Bonds and Notes Payable:							
Note Payable	0.00%	9,000		3,000	6,000	3,000	
General Obligation Revenue Note:							
1999 Water Department	3.04%	561,000		36,000	525,000	37,000	5,800
1996A Sewer Department	3.43%	696,544		53,121	643,423	54,959	8,020
Revenue Bonds:							
2000 Electric Department	5.25 - 6.10%	810,000		45,000	765,000	45,000	
2007A Water Revenue Bonds	4.25%		400,992		400,992		4,226
Less: Unamortized Discount		(69,734)	5,211		(64,523)		
Business-type Activities							
Long-term Liabilities		<u>2,006,810</u>	<u>406,203</u>	<u>137,121</u>	<u>2,275,892</u>	<u>139,959</u>	<u>18,046</u>
Total		<u>\$ 3,756,493</u>	<u>\$ 1,105,203</u>	<u>\$ 613,269</u>	<u>\$ 4,248,427</u>	<u>\$ 479,511</u>	<u>\$ 47,820</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding at December 31, 2007, excluding compensated absences, are summarized as below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds/Refunding Bonds		General Obligation Revenue Bonds/Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2008	\$ 145,000	\$ 28,114	\$ 140,000	\$ 17,538	\$	\$	\$ 55,007	\$ 2,854
2009	120,000	20,974	150,000	13,913			17,802	32,560
2010	135,000	14,509	55,000	11,213			18,685	31,676
2011	135,000	7,595	55,000	9,563			19,612	30,750
2012	80,000	2,060	60,000	7,778			20,586	29,776
2013-2017			190,000	10,620			115,233	132,499
2018-2022							107,584	104,919
2023-2027							137,307	75,194
2028-2032							175,243	37,259
2033-2037							40,476	3,951
Totals	\$ 615,000	\$ 73,252	\$ 650,000	\$ 70,625	\$	\$	\$ 707,535	\$ 481,438
Business-Type Activities								
2008					\$ 136,959	\$ 96,447	\$ 3,000	\$
2009					176,860	93,144	3,000	
2010					181,827	85,870		
2011					191,862	78,409		
2012					201,968	70,430		
2013-2017					1,129,947	216,458		
2018-2022					314,992	20,890		
Totals	\$	\$	\$	\$	\$ 2,334,415	\$ 661,648	\$ 6,000	\$

Under the terms of various bond and installment note agreements, the City is required to maintain reserves for system replacement and debt service. The City also sets aside \$19,135 each year in the Sewer Fund for equipment replacement. Restricted net assets and restricted cash balances at December 31 were as follows:

	2007	2006
Bond Agreement Restrictions:		
Sewer system replacement	\$ 128,480	\$ 116,800
Debt Service		
Sewer Revenue Note of 1996	95,701	91,874
PFA Water Loan of 1999	66,232	63,679
Electric Revenue Bonds of 2000	200,989	203,374
Restricted Net Assets	491,402	475,727
Debt Service		
USDA Fire Hall/ Police Garage of 2002	4,717	3,931
USDA Fire Truck/Camera of 2003		6,141
Donor Restriction:		
Flood relief	66,059	
Municipal Restriction:		
Equipment replacement - Sewer Fund	142,056	122,920
Total Restricted Cash	\$ 704,234	\$ 608,719

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The City of Rushford is the administering authority for the following tax increment finance district:

City of Rushford Tax Increment Financing Plan, No. 1.

The district is a redevelopment type, authorized under Minnesota law chapter 472(A), established in 1980 and will continue until December 31, 2008.

Original base tax capacity including modifications	\$ 33,945
Current net tax capacity	161,018
Captured net tax capacity Retained by authority	127,073
Shared with other taxing authorities	
General Obligation Tax Increment Bonds Issues by year of issue:	
1982	\$ 200,000
1983	410,000
1984	250,000
1985	70,000
1986	30,000
1990	120,000
1994	455,000
1995	1,335,000
1996	270,000
2004	990,000
Loans incurred:	
\$150,000 Loan from City of Rushford Utilities Enterprise Fund	150,000
\$52,102 Loan from City of Rushford Economic Development Capital Project Fund	<u>52,102</u>
Total Bonds and Loans Issued	4,332,102
Less: Amounts retired	<u>3,682,102</u>
Total Outstanding Tax Increment Bonds at December 31, 2007	<u>\$ 650,000</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Segment Information for Enterprise Funds

The City maintains Enterprise Funds, which provide utilities services and operate an on and off sale liquor store. Segment information for the year ended December 31, 2007 is as follows:

	Liquor Fund	Utilities Fund
	<u> </u>	<u> </u>
Net Operating Revenues	\$ 130,387	\$ 957,725
Operating Expenses:		
Depreciation and Amortization	7,268	286,545
Other	155,374	541,293
Operating Income	(32,255)	129,887
Nonoperating Revenues (Expenses) net	(32,255)	129,887
Net Income (Loss) Before Operating Transfers	(22,691)	96,326
Property and Equipment Additions		1,103,806
Net Working Capital	949,693	2,059,838
Transfers from (to) other funds	(30,000)	(30,000)
Total Assets	965,848	8,660,993
Total Net Assets	950,693	5,262,649

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Individual Fund Disclosures

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue Fund:		
EDA Revolving Loan Fund	\$	\$ 21,837
Enterprise Funds:		
Electric Fund	<u>21,837</u>	
Total	<u>\$ 21,837</u>	<u>\$ 21,837</u>

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 71,050	\$
Special Revenue Funds:		
Fire Fund	20,000	
Capital Project Funds:		
Capital improvements		70,000
Tax increment	37,000	
Flood restoration		11,050
Debt Service		
EDA land purchase	50,000	
2004 G.O. refunding bonds	450	
1996 G.O. improvement		450
Enterprise Funds:		
Sewer Fund	60,000	
Electric Fund		30,000
Water Fund		97,000
Liquor Fund		<u>30,000</u>
Total	<u>\$ 238,500</u>	<u>\$ 238,500</u>

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 66,772	\$
Capital Improvements		106,858
Business Flood Recovery		
Loan Program	1,300,511	
Flood Restoration		428,739
Airport Operations		55,722
Ambulance Fund	16,094	19,356
Fire Rescue Rig Debt Service		1,109
Fire Fund	<u>91,873</u>	
Subtotal Governmental Funds	1,475,250	611,784
Enterprise		<u>863,466</u>
Totals	<u>\$ 1,475,250</u>	<u>\$ 1,475,250</u>

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Fund Balance and Net Assets

The City has reserved or designated portions of the fund balance and net assets in several funds. The reserved fund balance and net assets represents the portion not available for expenditures or legally segregated for specific future use. A summary of designated and reserved fund and net assets at December 31, 2007 is as follows:

<u>Fund</u>	<u>Designated Amount</u>
General Fund	
Cash and investments designated for future equipment purchases	\$ 40,823
Special Revenue Funds:	
Firemen's Fund	
Cash and investments designated for future equipment purchases	179,364
Firemen's Mill Rate Fund	
Cash and investments designated for future equipment purchases	101,797
Ambulance Fund	
Cash and investments designated for future equipment purchases	317,612
Capital Project Funds	
Cash and investments designated for future capital expenditures	<u>886,001</u>
Total Designated	<u>\$ 1,525,597</u>
	<u>Reserved Amount</u>
Debt Service	
Tax Increment and General Obligation Improvement Bonds	
Cash and investments reserved for debt service and capital expenditures	<u>\$ 3,271,967</u>
Enterprise Fund	
Restricted for future debt service and capital expenditures	<u>\$ 3,959,125</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Benefit Pension Plans - Statewide

Plan Description

All full-time and certain part-time employees of the City of Rushford are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Benefit Pension Plans - Statewide (Continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2007 to 6.0%. PEPFF members are required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, and 11.7% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9% respectively, effective January 1, 2008. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$34,471, \$29,004, and \$26,711, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$18,757, \$15,864, and \$13,451, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

12. Defined Contribution Pension Plan - Volunteer Fire Relief Association

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

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

Volunteers of the fire department pay annual dues of \$1 each. During 2007, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2006 and as of December 31, 2007 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 2007 totaling \$21,966 together with an additional contribution of \$2,250 from the City General Fund.

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

CITY OF HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. 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 2007.

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 2007. 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.

14. Pronouncements Issued Not Yet Implemented

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the City.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions will be effective for the City beginning with its year ending December 31, 2009. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. OPEB are part of an exchange of salaries and benefits for employee services rendered. From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided.

CITY OF HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Extraordinary Item

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

Insurance proceeds, federal grants, and contributions 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.

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CITY OF RUSHFORD, MINNESOTA

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

DECEMBER 31, 2007

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2007

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, 2007**

	Special Revenue						Debt Service	
	Airport Operations	Fire Department	Library	Ambulance	EDA Revolving Loan	Flood Relief	Total	Tax Increment District 2004 G.O. Refunding Bonds
ASSETS								
Cash and investments	\$	\$ 182,516	\$ 77,730	\$ 208,648	\$ 6,457	\$	\$ 475,351	\$ 121,504
Accrued interest receivable		942		3,668			4,610	
Accounts receivable		5,850	338	126,401	21,837		154,426	
Special assessments receivable:								
Deferred								911
Delinquent	319						319	
Prepaid expense	46		170	948			1,164	
Taxes receivable - delinquent			1,496				1,496	985
Due from other funds		91,873		16,094			107,967	
Due from other governmental units	105,470	79,762	6,100	54,273			245,605	45,646
Restricted cash						66,059	66,059	
TOTAL ASSETS	\$ 105,835	\$ 360,943	\$ 85,834	\$ 410,032	\$ 28,294	\$ 66,059	\$ 1,056,997	\$ 169,046
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 15,067	\$ 20	\$ 1,442	\$ 2,923	\$	\$	\$ 19,452	\$
Due to other funds	55,722			19,356			75,078	
Advance from other funds					21,837		21,837	
Deferred revenue	19,078	79,762	1,496	70,141	21,837		192,314	1,896
Total Liabilities	<u>89,867</u>	<u>79,782</u>	<u>2,938</u>	<u>92,420</u>	<u>43,674</u>		<u>308,681</u>	<u>1,896</u>
Fund Balance								
Reserved						66,059	66,059	167,150
Unreserved								
Designated		281,161		317,612			598,773	
Undesignated	15,968		82,896		(15,380)		83,484	
Total Fund Balance	<u>15,968</u>	<u>281,161</u>	<u>82,896</u>	<u>317,612</u>	<u>(15,380)</u>	<u>66,059</u>	<u>748,316</u>	<u>167,150</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 105,835	\$ 360,943	\$ 85,834	\$ 410,032	\$ 28,294	\$ 66,059	\$ 1,056,997	\$ 169,046

Tax Increment District 1996 G.O. Improvement	Debt Service				Capital Project				
	G.O. Bonds	Fire & Police Garage	Fire Rescue Rig	EDA Land Purchase	Total	Tax Increment	Blandin Grant	Economic Development	Total
\$	\$ 164,632	\$	\$ 22,561	\$	\$ 308,697	\$ 42,388	\$ 13,840	\$ 61,890	\$ 902,166
									4,610
									154,426
	70,816				71,727				71,727
								26	319
	3,241	286	414		4,926			1,113	1,190
									7,535
									107,967
	11,851	1,029	1,492		60,018			4,149	309,772
		4,717			4,717				70,776
	<u>\$ 250,540</u>	<u>\$ 6,032</u>	<u>\$ 24,467</u>	<u>\$</u>	<u>\$ 450,085</u>	<u>\$ 42,388</u>	<u>\$ 13,840</u>	<u>\$ 67,178</u>	<u>\$ 1,630,488</u>
\$	\$	\$ 1,109	\$	\$	\$ 1,109	\$	\$	\$ 2,717	\$ 22,169
									76,187
	74,056	286	414		76,652			1,113	21,837
	74,056	1,395	414		77,761			3,830	270,079
									390,272
	176,484	4,637	24,053		372,324				438,383
						42,388	13,840	63,348	718,349
									83,484
	<u>176,484</u>	<u>4,637</u>	<u>24,053</u>		<u>372,324</u>	<u>42,388</u>	<u>13,840</u>	<u>63,348</u>	<u>1,240,216</u>
\$	\$ 250,540	\$ 6,032	\$ 24,467	\$	\$ 450,085	\$ 42,388	\$ 13,840	\$ 67,178	\$ 1,630,488

**CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007**

	Special Revenue						Debt Service	
	Airport Operations	Fire Department	Library	Ambulance	EDA Revolving Loan	Flood Relief	Total	Tax Increment District 2004 G.O. Refunding Bonds
REVENUES								
Property tax	\$ 12,576	\$	\$52,875	\$	\$	\$	\$ 65,451	\$ 31,872
Tax increments								131,980
Intergovernmental	138,658		42,098	4,500			185,256	6,278
Charges for services	8,720	53,983	5,786	157,021			225,510	
Special assessments								565
Interest income	663	10,223	2,138	7,525	1,427	93	22,069	2,040
Miscellaneous	2,033	36,616		14,229	2,654	245,266	300,798	
TOTAL REVENUES	162,650	100,822	102,897	183,275	4,081	245,359	799,084	172,735
EXPENDITURES								
Public safety		28,585		250,253			278,838	
Airport	156,652						156,652	
Library			96,638				96,638	
Debt service								161,469
Capital outlay								
Economic development					1,164	179,300	180,464	
TOTAL EXPENDITURES	156,652	28,585	96,638	250,253	1,164	179,300	712,592	161,469
Excess (deficiency) of revenues over (under) expenditures	5,998	72,237	6,259	(66,978)	2,917	66,059	86,492	11,266
OTHER FINANCING SOURCES (USES)								
Transfers in		20,000					20,000	450
Transfer out								
Total other financing sources (uses)		20,000					20,000	450
EXTRAORDINARY ITEMS								
Flood recovery costs		(220,055)		(53,180)			(273,235)	
Insurance proceeds		255,953		134,398			390,351	
Extraordinary items, net		35,898		81,218			117,116	
Net change in fund balances	5,998	128,135	6,259	14,240	2,917	66,059	223,608	11,716
FUND BALANCES, Beginning	9,970	153,026	76,637	303,372	(18,297)		524,708	155,434
FUND BALANCES, Ending	\$ 15,968	\$ 281,161	\$82,896	\$ 317,612	\$ (15,380)	\$ 66,059	\$748,316	\$ 167,150

Tax Increment District 1996 G.O. Improvement	Debt Service				Capital Project				
	G.O. Bonds	Fire & Police Garage	Fire Rescue Rig	EDA Land Purchase	Total	Tax Increment	Blandin Grant	Economic Development	Total
\$ 4,753	\$ 111,486	\$ 9,958	\$ 14,441		\$167,757	\$ 10,442	\$	\$ 39,867	\$ 273,075
	20,015	1,785	2,588		136,733				147,175
					30,666			33,114	249,036
	38,062				38,627				225,510
133	3,014	59	136		5,382	1,529	435	1,330	38,627
37,526					37,526	800	12,500	780	30,745
									352,404
42,412	172,577	11,802	17,165		416,691	12,771	12,935	75,091	1,316,572
									278,838
									156,652
									96,638
42,280	196,371	10,861	83,727	50,000	544,708	63,169	11,678	39,500	544,708
									114,347
									180,464
42,280	196,371	10,861	83,727	50,000	544,708	63,169	11,678	39,500	1,371,647
132	(23,794)	941	(66,562)	(50,000)	(128,017)	(50,398)	1,257	35,591	(55,075)
(450)				50,000	50,450	37,000			107,450
					(450)				(450)
(450)				50,000	50,000	37,000			107,000
									(273,235)
			85,000		85,000				475,351
			85,000		85,000				202,116
(318)	(23,794)	941	18,438		6,983	(13,398)	1,257	35,591	254,041
318	200,278	3,696	5,615		365,341	55,786	12,583	27,757	986,175
	\$ 176,484	\$ 4,637	\$ 24,053		\$372,324	\$ 42,388	\$ 13,840	\$ 63,348	\$ 1,240,216

CITY OF RUSHFORD, MINNESOTA
AIRPORT FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2006 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 11,008	\$ 11,008	\$ 12,576	\$ 1,568	\$ 11,017
Intergovernmental Revenues					
State grants	59,324	137,324	136,666	(658)	19,999
Market value credit	1,992	1,992	1,992		1,923
Total Intergovernmental revenues	61,316	139,316	138,658	(658)	21,922
Charges for Services					
Land leases	2,476	2,470	2,595	125	3,621
Hangar rentals	6,480	5,222	5,130	(92)	5,400
Fuel and utilities	750	750	995	245	390
Total Charges For Services	9,706	8,442	8,720	278	9,411
Interest Income					
	100	100	663	563	337
Miscellaneous Revenues					
			2,033	2,033	904
TOTAL REVENUES	82,130	158,866	162,650	3,784	43,591
EXPENDITURES					
Airport					
Salaries	3,700	3,700	3,700		3,600
General supplies	500	500	101	399	357
Fuel	1,300	1,100	847	253	892
Professional services	700	1,050	1,439	(389)	535
Insurance	4,900	4,900	2,952	1,948	4,283
Utilities	3,435	4,150	3,861	289	2,778
Repairs and maintenance	2,000	4,900	4,742	158	1,713
Dues, subscriptions and fees	1,200	1,200	1,037	163	1,066
Taxes on property	260	260	254	6	232
Capital outlay	63,000	140,000	137,719	2,281	23,668
TOTAL EXPENDITURES	80,995	161,760	156,652	5,108	39,124
Excess (deficiency) of revenues over (under) expenditures	1,135	(2,894)	5,998	8,892	4,467
FUND BALANCES, BEGINNING	9,970	9,970	9,970		5,503
FUND BALANCES, ENDING	\$ 11,105	\$ 7,076	\$ 15,968	\$ 8,892	\$ 9,970

CITY OF RUSHFORD, MINNESOTA
FIREMEN'S FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	Budgeted Amounts		2007 Actual Amounts			Variance with	2006
	Original	Final	General	Mill Rate	Total	Final Budget Favorable (Unfavorable)	Actual Amounts
REVENUES							
Charges For Services							
Reimbursement from City of Rushford	\$	\$	\$	\$	\$	\$	\$ 3,432
Township contributions	42,650	46,673		46,673	46,673		44,744
Fire calls, contracts and water hauling	12,000	12,000	7,310		7,310	(4,690)	17,420
Total Charges For Services	54,650	58,673	7,310	46,673	53,983	(4,690)	65,596
Interest Income	1,500	3,500	5,544	4,679	10,223	6,723	7,528
Miscellaneous Revenues							
Donations	4,500	9,600	26,616		26,616	17,016	16,082
Benefit dances and meetings	6,000	900	10,000		10,000	9,100	
Total Miscellaneous	10,500	10,500	36,616		36,616	26,116	16,082
TOTAL REVENUES	66,650	72,673	49,470	51,352	100,822	28,149	89,206
EXPENDITURES							
Public Safety							
Salaries	10,300	10,300	10,275		10,275	(25)	12,308
Office supplies	300	300				(300)	
Meeting and conferences	5,000	3,000	2,592		2,592	(408)	4,615
General supplies	2,500	4,850	4,003	830	4,833	(17)	3,415
Benefit dances	1,000						195
Repairs and maintenance	3,200	2,200	165	1,316	1,481	(719)	3,843
Dues, subscriptions and fees	1,300	1,300	1,169		1,169	(131)	1,057
Miscellaneous	2,200	3,350	1,087	1,924	3,011	(339)	3,428
Capital outlay	2,000		5,224		5,224	5,224	198,762
TOTAL EXPENDITURES	27,800	25,300	24,515	4,070	28,585	3,285	227,623
Excess (deficit) revenues over (under) expenditures	38,850	47,373	24,955	47,282	72,237	24,864	(138,417)
OTHER FINANCING SOURCES (USES)							
Transfers in	20,000	20,000	20,000		20,000		20,000
EXTRAORDINARY ITEMS							
Flood recovery costs		(61,000)	(159,965)	(60,090)	(220,055)	(159,055)	
Insurance proceeds			195,863	60,090	255,953	255,953	
Extraordinary items, net		(61,000)	35,898		35,898	96,898	
Net change in fund balance	58,850	6,373	80,853	47,282	128,135	121,762	(118,417)
FUND BALANCES, BEGINNING	153,026	153,026	98,511	54,515	153,026		271,443
FUND BALANCES, ENDING	211,876	159,399	179,364	101,797	281,161	121,762	153,026

CITY OF RUSHFORD, MINNESOTA
LIBRARY FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2006 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 51,652	\$ 51,652	\$ 52,875	\$ 1,223	\$ 51,597
Intergovernmental Revenues					
County apportionment and other revenue	20,300	22,386	22,386		21,504
Local government aid	10,000	10,000	10,364	364	2,322
Market value credit	9,348	9,348	9,348		9,024
Total Intergovernmental Revenues	39,648	41,734	42,098	364	32,850
Interest Income	1,100	1,800	2,138	338	1,223
Miscellaneous Revenues					
Fines, books and other	5,000	5,000	5,786	786	4,764
TOTAL REVENUES	97,400	100,186	102,897	2,711	90,434
EXPENDITURES					
Library					
Librarian salary	63,965	61,985	58,443	3,542	54,713
Employee benefits and retirement	8,740	8,740	7,444	1,296	6,841
Office supplies	1,200	1,150	1,247	(97)	687
General supplies	1,400	1,500	1,614	(114)	1,021
Professional services	625	575	575		603
Telephone	900	800	704	96	710
Insurance	1,300	1,350	1,253	97	1,164
Utilities	1,800	1,850	1,697	153	1,486
Repairs and maintenance	1,500	1,800	1,502	298	848
Dues, subscriptions and fees	1,250	1,450	1,542	(92)	1,443
Computer line fee	4,300	4,700	4,704	(4)	5,696
Miscellaneous	2,150	2,500	2,474	26	2,026
Capital outlay	17,700	17,700	13,439	4,261	14,725
TOTAL EXPENDITURES	106,830	106,100	96,638	9,462	91,963
Excess (deficiency) of revenues over (under) expenditures	(9,430)	(5,914)	6,259	12,173	(1,529)
FUND BALANCES, BEGINNING	76,637	76,637	76,637		78,166
FUND BALANCES, ENDING	\$ 67,207	\$ 70,723	\$ 82,896	\$ 12,173	\$ 76,637

AMBULANCE FUND

	Budgeted Amounts				
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Charges For Services					
Fees from runs	90,000	100,000	141,153	41,153	137,274
City and township contracts	15,868	15,868	15,868		7,934
Total Charges For Services	105,868	115,868	157,021	41,153	145,208
Interest Income	2,000	3,900	7,525	3,625	11,279
Miscellaneous Revenues					
Other	4,000	13,439	14,229	790	6,354
Total Miscellaneous revenues	4,000	13,439	14,229	790	6,354
TOTAL REVENUES	116,368	137,707	183,275	45,568	167,341
EXPENDITURES					
Public Safety					
Salaries	54,000	55,700	50,530	5,170	49,464
Employee benefits and retirement			4,637	(4,637)	4,248
Office supplies and expense	1,100	1,100	688	412	1,082
Meeting and conferences	13,000	13,000	12,096	904	12,711
Gas, oil and supplies	3,000	3,500	3,497	3	3,259
General supplies	8,325	9,350	9,673	(323)	9,136
Professional services	750	785	785		793
Telephone	1,300	1,300	1,324	(24)	1,275
Insurance	5,500	4,800	4,564	236	4,317
Utilities	2,700	2,700	2,685	15	2,766
Repairs and maintenance	2,500	2,300	21,562	(19,262)	1,854
Dues, subscriptions and fees	400	400	421	(21)	833
Miscellaneous	3,000	4,000	4,008	(8)	2,164
Capital outlay	128,500	133,783	133,783		2,370
TOTAL EXPENDITURES	224,075	232,718	250,253	(17,535)	96,272
Excess (deficiency) of revenues over (under) expenditures	(107,707)	(95,011)	(66,978)	28,033	71,069
EXTRAORDINARY ITEMS					
Flood recovery costs		(34,217)	(53,180)	(18,963)	
Insurance proceeds		68,250	134,398	66,148	
Extraordinary items, net		34,033	81,218	47,185	
Net change in fund balance	(107,707)	(60,978)	14,240	(19,152)	71,069
FUND BALANCES, BEGINNING	303,372	303,372	303,372		232,303
FUND BALANCES, ENDING	\$ 195,665	\$ 242,394	\$ 317,612	\$ (19,152)	\$ 303,372

CITY OF RUSHFORD, MINNESOTA
FLOOD RELIEF
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2006 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$	\$	\$ 93	\$ 93	
Miscellaneous Revenues					
Flood donations		245,270	245,266	(4)	
TOTAL REVENUES		245,270	245,359	89	
EXPENDITURES					
Economic Development, Aid disbursement		179,300	179,300		
Excess (deficiency) of revenues over (under) expenditures		65,970	66,059	(89)	
FUND BALANCES, BEGINNING					
FUND BALANCES, ENDING	\$	\$ 65,970	\$ 66,059	\$ (89)	\$

CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

December 31, 2007

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Comparative Balance Sheets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 76,598	\$ 105,086
Accrued interest receivable		535
Due from other governmental units	862,394	
Merchandise inventory	20,644	42,373
Prepaid insurance	5,212	8,012
Total Current Assets	964,848	156,006
Property and Equipment		
Building	1,000	258,424
Furniture and equipment		72,141
Total	1,000	330,565
Less: Accumulated depreciation		285,153
Net Property, Plant and Equipment	1,000	45,412
TOTAL ASSETS	\$ 965,848	\$ 201,418
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,172	\$ 5,848
Accrued wages	12,354	11,952
Accrued sales tax	1,629	4,484
Total Liabilities	15,155	22,284
Net Assets	950,693	179,134
TOTAL LIABILITIES AND NET ASSETS	\$ 965,848	\$ 201,418

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007	2006
Operating Revenues		
Total sales	\$ 358,071	\$ 556,289
Cost of sales	227,684	373,160
Gross Profit	130,387	183,129
Operating Expenses		
Salaries and wages	91,855	103,356
Employee benefits and retirement	12,113	13,295
Office supplies	1,022	912
General supplies	4,869	7,213
Contracted services	14,778	9,117
Advertising	1,550	1,775
Telephone	480	601
Utilities	8,375	11,784
Insurance	11,422	14,799
Repairs and maintenance	1,953	4,087
Depreciation	7,268	11,727
Licenses, dues and subscriptions	2,108	3,878
Miscellaneous expense	4,849	299
Total Operating Expenses	162,642	182,843
Operating Income (Loss)	(32,255)	286
Nonoperating Revenue and (Expense)		
Interest income	3,228	3,134
Rental income	6,336	10,305
Loss on disposal of capital assets		(1,282)
Total Nonoperating Revenue and (Expense)	9,564	12,157
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items		
	(22,691)	12,443
Capital contributions and grants	862,394	
Extraordinary items		
Flood recovery costs	(143,757)	
Insurance proceeds	105,613	
Transfers out	(30,000)	(30,000)
Change in Net Assets	771,559	(17,557)
Net Assets, Beginning of Year	179,134	196,691
Net Assets, End of Year	\$ 950,693	\$ 179,134

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Gross Profit Schedule
December 31, 2007
With Comparative Totals for December 31, 2006

	Liquor	Beer	Misc	Totals	
				2007	2006
Sales					
On sale	\$ 28,527	\$ 55,525	\$ 5,488	\$ 89,540	\$ 137,085
Off sale	83,923	178,508	6,100	268,531	419,204
Total Sales	112,450	234,033	11,588	358,071	556,289
Cost of Sales					
Inventory, January 1	20,704	20,052	1,617	42,373	40,187
Purchases	58,996	138,162	6,727	203,885	373,060
Freight	2,071			2,071	2,286
Total	81,771	158,214	8,344	248,329	415,533
Less: Inventory, December 31	12,023	8,435	187	20,645	42,373
Total Cost of Sales	69,748	149,779	8,157	227,684	373,160
Gross Profit	\$ 42,702	\$ 84,254	\$ 3,431	\$ 130,387	\$ 183,129
Gross Profit Percentage 2007	38%	36%	30%	36%	33%
Gross Profit Percentage:					
2006	40%	30%	28%	33%	
2005	42%	30%	27%	33%	
2004	42%	29%	22%	33%	
2003	43%	28%	21%	32%	
2002	43%	29%	21%	32%	
2001	42%	29%	26%	32%	
2000	41%	28%	29%	32%	
1999	40%	29%	29%	32%	
1998	40%	28%	33%	32%	
1997	38%	29%	29%	32%	
1996	38%	28%	26%	31%	

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
ELECTRIC DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,500,000	\$ 1,281,709	\$ (218,291)	\$ 1,292,185
Cost of Production				
Purchased power	875,000	847,331	27,669	746,032
Net Operating Revenue	625,000	434,378	(190,622)	546,153
Operating Expenses				
Distribution				
Salaries	2,900	5,394	(2,494)	40,336
Gas, oil and supplies	1,400	1,153	247	955
General supplies	3,000	2,009	991	2,230
Professional services	10,000	3,568	6,432	19,579
Repairs and maintenance	29,000	28,489	511	28,909
Depreciation and amortization	90,000	109,109	(19,109)	105,320
Total Distribution	136,300	149,722	(13,422)	197,329
General Administration				
Salaries	149,300	148,694	606	103,642
Employee benefits and retirement	20,800	20,716	84	18,559
Office supplies and expense	1,800	1,314	486	1,736
Professional services	5,200	4,570	630	8,871
Postage	5,300	5,399	(99)	3,542
Printing and publishing	800	798	2	719
Insurance	8,200	7,534	666	7,693
Dues, subscriptions and fees	5,000	4,810	190	4,647
Miscellaneous	3,150	2,261	889	2,412
Total General Administration	199,550	196,096	3,454	151,821
Total Operating Expenses	335,850	345,818	(9,968)	349,150
Operating Income (Loss)	289,150	88,560	(200,590)	197,003
Nonoperating Revenue and (Expense)				
Interest expense	(47,102)	(47,102)		(49,202)
Interest income	18,818	27,344	8,526	14,811
Penalty income	6,000	6,823	823	8,586
Service fee - refuse billings	4,000	3,325	(675)	4,655
Loss on disposal of capital assets				(186,831)
Legal settlement				(25,000)
Compost site fees	(75)	(283)	(208)	2,268
Miscellaneous income	5,000	7,449	2,449	9,619
Total Other Income (Expense)	(13,359)	(2,444)	10,915	(221,094)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	275,791	86,116	(189,675)	(24,091)
Capital contributions and grants		455,780	455,780	9,358
Extraordinary items				
Flood recovery costs	(122,300)	(199,926)	(77,626)	
Transfers out	(30,000)	(30,000)		(40,000)
Change in Net Assets	123,491	311,970	188,479	(54,733)
Net Assets, Beginning of Year	1,761,533	1,761,533		1,816,266
Net Assets, End of Year	\$ 1,885,024	\$ 2,073,503	\$ 188,479	\$ 1,761,533

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
WATER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006

	2007		Variance Favorable (Unfavorable)	2006 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 292,000	\$ 262,767	\$ (29,233)	\$ 268,383
Cost of Production				
Utilities and fuel oil	12,000	11,552	448	10,033
Net Operating Revenue	280,000	251,215	(28,785)	258,350
Operating Expenses Distribution				
Salaries	51,900	52,724	(824)	45,267
Gas, oil and supplies	10,700	5,063	5,637	9,971
General supplies	2,000	329	1,671	990
Professional services				1,825
Repairs and maintenance	25,500	25,624	(124)	8,508
Depreciation and amortization	60,000	70,946	(10,946)	65,089
Sewage and water testing	1,000	528	472	761
Total Distribution	151,100	155,214	(4,114)	132,411
General Administration				
Salaries	24,500	24,470	30	18,481
Employee benefits and retirement	11,000	10,054	946	8,732
Office supplies and expense	600	501	99	599
Professional services	2,550	5,693	(3,143)	2,435
Postage	350	202	148	307
Printing and publishing	900	1,108	(208)	650
Insurance	4,900	4,186	714	3,933
Dues, subscriptions and fees		6,761	(6,761)	1,669
Miscellaneous	6,200	3,113	3,087	2,292
Total General Administration	51,000	56,088	(5,088)	39,098
Total Operating Expenses	202,100	211,302	(9,202)	171,509
Operating Income (Loss)	77,900	39,913	(37,987)	86,841
Nonoperating Revenue and (Expense)				
Interest expense	(53,054)	(20,883)	32,171	(18,932)
Interest income	900	466	(434)	1,236
Loss on disposal of capital assets				
Miscellaneous income		1,184	1,184	
Total Other Income (Expense)	(52,154)	(19,233)	32,921	(17,696)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	25,746	20,680	(5,066)	69,145
Capital contributions and grants		820,005	820,005	34,000
Extraordinary items				
Flood recovery costs	(74,200)	(188,842)	(114,642)	
Transfers in				61,156
Transfers out	(90,000)	(97,000)	(7,000)	
Change in Net Assets	(138,454)	554,843	693,297	164,301
Net Assets, Beginning of Year	633,826	633,826		469,525
Net Assets, End of Year	\$ 495,372	\$ 1,188,669	\$ 693,297	\$ 633,826

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
SEWER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Totals for December 31, 2006**

2007

Cost of Production

Net Operating Revenue	282,900	272,132	(10,768)	270,061
Operating Expenses				
Distribution				
Salaries	77,900	81,648	(3,748)	74,653
Gas, oil and supplies	1,700	1,388	312	1,081
General supplies	6,000	4,907	1,093	3,309
Professional services	26,000	14,241	11,759	16,035
Repairs and maintenance	90,500	12,676	77,824	11,355
Depreciation	95,000	106,490	(11,490)	111,146
Sewage and water testing	4,000	4,528	(528)	4,328
Total Distribution	301,100	225,878	75,222	221,907
General Administration				
Salaries	18,200	18,212	(12)	16,475
Employee benefits and retirement	13,800	13,458	342	12,296
Professional services	3,000	2,855	145	2,369
Printing and publishing	900	610	290	840
Insurance	4,400	4,453	(53)	4,902
Dues, subscriptions and fees	3,300	3,027	273	2,990
Miscellaneous	2,650	2,225	425	2,506
Total General Administration	46,250	44,840	1,410	42,378
Total Operating Expenses	347,350	270,718	76,632	264,285
Operating Income (Loss)	(64,450)	1,414	65,864	5,776
Nonoperating Revenue and (Expense)				
Interest expense	(23,440)	(22,778)	662	(24,576)
Interest income	6,000	10,794	4,794	6,651
Miscellaneous income		100	100	
Total Other Income (Expense)	(17,440)	(11,884)	5,556	(17,925)
Income (Loss) Before Transfers, Capital Contributions and Grants, and Extraordinary Items	(81,890)	(10,470)	71,420	(12,149)
Capital contributions and grants		1,220,211	1,220,211	20,000
Extraordinary items				
Flood recovery costs		(278,440)	(278,440)	
Insurance proceeds		9,071	9,071	
Transfers in	60,000	60,000		
Change in Net Assets	(21,890)	1,000,372	1,022,262	7,851
Net Assets, Beginning of Year	1,000,105	1,000,105		992,254
Net Assets, End of Year	\$ 978,215	\$ 2,000,477	\$ 1,022,262	\$ 1,000,105

CITY OF RUSHFORD, MINNESOTA
PFA WATER LOAN OF 1999
LOAN RETIREMENT DEBT SERVICE FUND
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

Revenues	\$ 55,607
Expenditures	
Principal	36,000
Interest	17,054
Total expenditures	53,054
Excess Revenues (Expenditures)	2,553
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	2,553
Fund Balance, January 1	63,679
Fund Balance, December 31	\$ 66,232

CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2007

CHANGE FUNDS	<u>\$ 1,969</u>
 CHECKING ACCOUNTS	
<i>Associated Bank</i>	
General checking account	996,791
Flood checking account	66,059
<i>Rushford State Bank:</i>	
General checking account	<u>42,698</u>
TOTAL CHECKING ACCOUNTS	<u>1,105,548</u>
 SAVINGS ACCOUNTS	
<i>Associated Bank:</i>	
Money market funds account	<u>3,287,914</u>
TOTAL SAVINGS ACCOUNTS	<u>3,287,914</u>
TOTAL CHANGE FUNDS AND DEMAND ACCOUNTS	<u><u>\$ 4,395,431</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2007

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Associated Bank</i>		
Certificate	3.94%	\$ 13,060
Certificate	5.10%	100,000
<i>Rushford State Bank</i>		
Certificate	4.02%	100,000
Certificate	4.02%	100,000
Certificate	5.00%	20,000
Certificate	5.00%	20,000
Certificate	5.00%	20,000
Certificate	5.25%	100,000
Certificate	4.90%	100,000
Certificate	5.15%	50,000
Certificate	5.25%	29,621
Certificate	4.00%	22,094
Certificate	5.00%	30,177
Certificate	5.25%	150,000
<i>Colonial Savings and Loan</i>		
Government National Mortgage Association Certificate	9.50%	<u>541</u>
TOTAL INVESTMENTS		855,493
TOTAL CHANGE FUNDS AND DEMAND ACCOUNTS (from prior page)		<u>4,395,431</u>
TOTAL CASH AND INVESTMENTS, December 31, 2007		<u><u>\$ 5,250,924</u></u>

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2007**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 54,959	\$ 21,602	\$ 76,561
2009	56,860	19,701	76,561
2010	58,827	17,734	76,561
2011	60,862	15,699	76,561
2012	62,968	13,593	76,561
2013	65,146	11,415	76,561
2014	67,400	9,161	76,561
2015	69,731	6,830	76,561
2016	72,144	4,417	76,561
2017	74,526	1,922	76,448
TOTAL	\$ 643,423	\$ 122,074	\$ 765,497

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 37,000	\$ 15,960	\$ 52,960
2009	38,000	14,835	52,835
2010	39,000	13,680	52,680
2011	40,000	12,494	52,494
2012	42,000	11,278	53,278
2013	43,000	10,002	53,002
2014	44,000	8,694	52,694
2015	46,000	7,356	53,356
2016	47,000	5,958	52,958
2017	48,000	4,530	52,530
2018	50,000	3,070	53,070
2019	51,000	1,550	52,550
TOTAL	\$ 525,000	\$ 109,407	\$ 634,407

\$15,000 NOTE PAYABLE OF 2005
WATER NOTE

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 3,000	\$	\$ 3,000
2009	3,000		3,000
TOTAL	\$ 6,000	\$	\$ 6,000

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2007**

\$400,000 SERIES 2007A
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$	\$ 5,667	\$ 5,667
2009	32,000	17,000	49,000
2010	34,000	15,640	49,640
2011	36,000	14,195	50,195
2012	37,000	12,665	49,665
2013	39,000	11,093	50,093
2014	41,000	9,435	50,435
2015	43,000	7,693	50,693
2016	44,000	5,865	49,865
2017	46,000	3,995	49,995
2018	48,992	2,040	51,032
TOTAL	\$ 400,992	\$ 105,288	\$ 506,280

\$1,070,000 SERIES 2000
ELECTRIC REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 45,000	\$ 44,718	\$ 89,718
2009	50,000	42,287	92,287
2010	50,000	39,538	89,538
2011	55,000	36,787	91,787
2012	60,000	33,680	93,680
2013	60,000	30,290	90,290
2014	65,000	26,810	91,810
2015	70,000	23,040	93,040
2016	70,000	18,840	88,840
2017	75,000	14,640	89,640
2018	80,000	10,065	90,065
2019	85,000	5,185	90,185
TOTAL	\$ 765,000	\$ 325,880	\$ 1,090,880

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2007**

\$250,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 1998

YEAR	PRINCIPAL	INTEREST	AMOUNT
2008	\$ 25,000	\$ 1,126	\$ 26,126

\$240,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2000

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 25,000	\$ 5,907	\$ 30,907
2009	25,000	4,483	29,483
2010	30,000	2,900	32,900
2011	35,000	1,015	36,015
TOTAL	\$ 115,000	\$ 14,305	\$ 129,305

\$680,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 70,000	\$ 16,693	\$ 86,693
2009	70,000	13,228	83,228
2010	75,000	9,584	84,584
2011	70,000	5,905	75,905
2012	80,000	2,060	82,060
TOTAL	\$ 365,000	\$ 47,470	\$ 412,470

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2007**

\$200,000 GENERAL OBLIGATION
IMPROVEMENT REFUNDING BONDS OF 2002

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 25,000	\$ 4,388	\$ 29,388
2009	25,000	3,263	28,263
2010	30,000	2,025	32,025
2011	30,000	675	30,675
TOTAL	\$ 110,000	\$ 10,351	\$ 120,351

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 140,000	\$ 17,538	\$ 157,538
2009	150,000	13,913	163,913
2010	55,000	11,213	66,213
2011	55,000	9,563	64,563
2012	60,000	7,778	67,778
2013	60,000	5,798	65,798
2014	65,000	3,608	68,608
2015	65,000	1,214	66,214
TOTAL	\$ 650,000	\$ 70,625	\$ 720,625

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2007**

\$99,000 USDA LOAN OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 4,920	\$ 2,941	\$ 7,861
2009	5,160	2,701	7,861
2010	5,411	2,450	7,861
2011	5,675	2,186	7,861
2012	5,952	1,909	7,861
2013	6,242	1,619	7,861
2014	6,546	1,315	7,861
2015	6,865	996	7,861
2016	7,200	661	7,861
2017	4,564	310	4,874
TOTAL	\$ 58,535	\$ 17,088	\$ 75,623

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
2008	\$ 50,000	\$	\$ 50,000
2009	12,551	29,950	42,501
2010	13,178	29,322	42,500
2011	13,837	28,664	42,501
2012	14,529	27,971	42,500
2013	15,255	27,246	42,501
2014	16,018	26,482	42,500
2015	16,819	25,682	42,501
2016	17,660	24,840	42,500
2017	18,543	23,958	42,501
2018	19,470	23,030	42,500
2019	20,443	22,058	42,501
2020	21,466	21,034	42,500
2021	22,539	19,962	42,501
2022	23,666	18,834	42,500
2023	24,849	17,652	42,501
2024	26,092	16,408	42,500
2025	27,396	15,105	42,501
2026	28,766	13,734	42,500
2027	30,204	12,297	42,501
2028	31,715	10,785	42,500
2029	33,300	9,201	42,501
2030	34,965	7,535	42,500
2031	36,714	5,787	42,501
2032	38,549	3,951	42,500
2033	40,476	2,025	42,501
TOTAL	\$ 649,000	\$ 463,513	\$ 1,112,513

AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2007, and have issued our report thereon dated April 23, 2008.

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

The *Minnesota Legal Compliance Audit Guide for Local Government* covers 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 study included all of the listed categories.

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

The City purchased land under a contract for deed. Certain terms of the contract for deed did not comply with Minnesota Statutes.

This report is intended solely for the use of the City of Rushford, Minnesota and is not intended to be, and should not be, used by anyone other than those specified parties.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 23, 2008