

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2009

CITY OF RUSHFORD, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2009

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2009

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2009

Les Ladewig	Mayor
Larry Johnson	Council Member & <i>Mayor Pro-tem</i>
Nancy Benson	Council Member
Jim Wolter	Council Member
Robert Dahl	Council Member
Windy Block	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2009

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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, 2009, 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. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated April 16, 2009, we express unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund, Business Flood Recovery Loan Program Fund, Flood Restoration Fund, Capital Improvements Fund and the Economic Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, on our consideration of the City of Rushford, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 13, 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.

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

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, Schaefer and Associates, Ltd.

Rochester, Minnesota
April 29, 2010

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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$30,444,512 (*net assets*). Of this amount, \$4,966,933 (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 \$544,929.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$582,029 or 93 percent of total general fund expenditures. Given the uncertainty of state funding, the ongoing costs of flood recovery, the need to plan for the future and to be prepared for any future contingencies, we believe this is an appropriate amount.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$4,101,772. Approximately 10.5 percent of this total amount, or \$432,548, is reserved.
- The City of Rushford increased total outstanding debt by \$2,943,470 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 14-16 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 flood recovery loan program fund, flood restoration fund, capital improvements fund, and the economic development fund, all 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, special revenue, and enterprise funds. Budgetary comparison statements have been provided for the general fund (pages 23-28), business flood recovery loan program fund (page 29), flood restoration fund (page 30), capital improvements fund (page 31), economic development fund (page 32) and the special revenue funds (pages 62-67) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 17-22 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 33-36 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 37-56 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 58-61 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 prospectively.

**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 \$30,444,152 at the end of the most recent year.

A large portion of the City of Rushford's net assets (16 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 22,349,694	\$ 20,924,208	\$ 2,265,848	\$ 2,281,553	\$ 24,615,542	\$ 23,205,761
Capital assets	<u>5,767,927</u>	<u>4,600,457</u>	<u>8,104,345</u>	<u>7,224,236</u>	<u>13,872,272</u>	<u>11,824,693</u>
Total assets	<u>28,117,621</u>	<u>25,524,665</u>	<u>10,370,193</u>	<u>9,505,789</u>	<u>38,487,814</u>	<u>35,030,454</u>
Long-term liabilities						
outstanding	4,249,747	1,851,026	3,145,644	2,628,547	7,395,391	4,479,573
Other liabilities	<u>299,261</u>	<u>208,259</u>	<u>349,010</u>	<u>443,399</u>	<u>648,271</u>	<u>651,658</u>
Total liabilities	<u>4,549,008</u>	<u>2,059,285</u>	<u>3,494,654</u>	<u>3,071,946</u>	<u>8,043,662</u>	<u>5,131,231</u>
Net assets:						
Invested in capital assets,						
net of related debt	1,511,891	2,743,928	3,455,042	2,743,206	4,966,933	5,487,134
Restricted	17,174,124	17,240,005	3,017,864	3,160,152	20,191,988	20,400,157
Unrestricted	<u>4,882,598</u>	<u>3,481,447</u>	<u>402,633</u>	<u>530,485</u>	<u>5,285,231</u>	<u>4,011,932</u>
Total net assets	<u>\$ 23,568,613</u>	<u>\$ 23,465,380</u>	<u>\$ 6,875,539</u>	<u>\$ 6,433,843</u>	<u>\$ 30,444,152</u>	<u>\$ 29,899,223</u>

An additional portion of the City of Rushford's net assets, \$20,191,988 (66 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *Unrestricted Net Assets* of \$5,285,231 (18 percent) 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 separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City of Rushford's net assets by \$103,233, or 19 percent of the total growth in the net assets of the City. The most significant change in governmental net assets is due to 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 \$441,696 accounting for 81 percent of the total growth in the City's net assets.

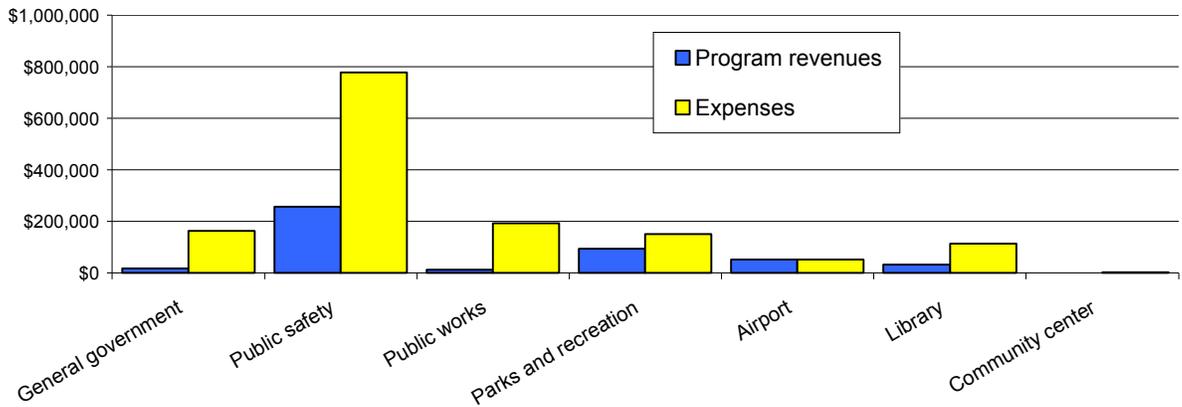
A condensed version of the Statement of Activities follows:

	City of Rushford, Minnesota's Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 283,203	\$ 345,575	\$ 2,356,268	\$ 924,646	\$ 2,639,471	\$ 1,270,221
Operating grants and contributions	187,673	96,240			187,673	96,240
Capital grants and contributions	578,789	14,354,897	109,155	142,888	687,944	14,497,785
General revenues:						
Property taxes	568,157	546,888			568,157	546,888
Grants and contributions not restricted to specific programs	790,884	706,002			790,884	706,002
Other	227,743	326,471	34,424	69,170	262,167	395,641
Total revenues	<u>2,636,449</u>	<u>16,376,073</u>	<u>2,499,847</u>	<u>1,136,704</u>	<u>5,136,296</u>	<u>17,512,777</u>
Expenses:						
General government	163,805	131,703			163,805	131,703
Economic development	364,610	470,091			364,610	470,091
Public safety	777,492	672,165			777,492	672,165
Public works	193,576	172,571			193,576	172,571
Parks and recreation	152,232	145,113			152,232	145,113
Airport	52,823	49,622			52,823	49,622
Library	113,377	104,595			113,377	104,595
Community center	2,657	1,471			2,657	1,471
Interest on long-term debt	82,518	75,622			82,518	75,622
Liquor			524,956	141,110	524,956	141,110
Utilities			2,095,501	1,046,523	2,095,501	1,046,523
Extraordinary items	100,817	339,836	(32,997)	(43,627)	67,820	296,209
Total expenses	<u>2,003,907</u>	<u>2,162,789</u>	<u>2,587,460</u>	<u>1,144,006</u>	<u>4,591,367</u>	<u>3,306,795</u>
Increase in net assets before transfers	632,542	14,213,284	(87,613)	(7,302)	544,929	14,205,982
Transfers	(529,309)	(227,803)	529,309	227,803		
Increase in net assets	103,233	13,985,481	441,696	220,501	544,929	14,205,982
Net assets, beginning of year	<u>23,465,380</u>	<u>9,479,899</u>	<u>6,433,843</u>	<u>6,213,342</u>	<u>29,899,223</u>	<u>15,693,241</u>
Net assets, end of year	<u>\$ 23,568,613</u>	<u>\$ 23,465,380</u>	<u>\$ 6,875,539</u>	<u>\$ 6,433,843</u>	<u>\$ 30,444,152</u>	<u>\$ 29,899,223</u>

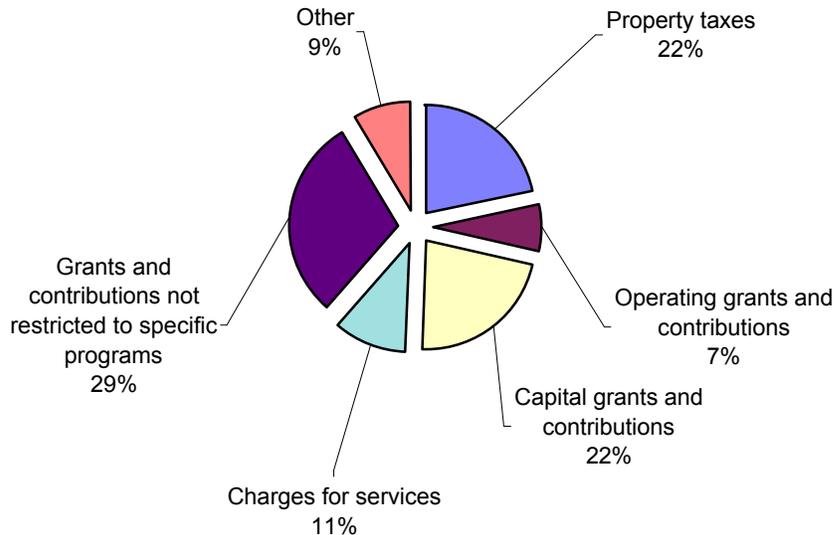
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



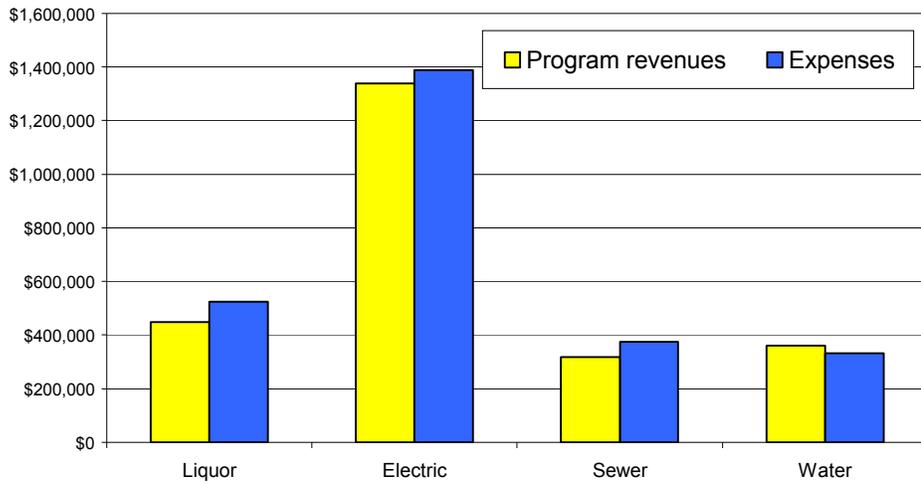
Revenues by Source - Governmental Activities



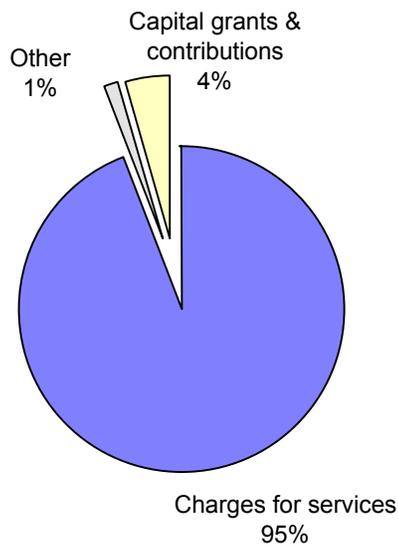
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**

FUND BASIS FINANCIAL 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 \$4,101,772, a decrease of \$4,999,064. Approximately 89 percent of this total amount, or \$3,669,224, 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 for flood recovery loans or to repay interfund advances or other debt (\$432,548).

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 \$582,029. 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 93 percent of total general fund expenditures.

The general fund's total fund balance increased by \$4,887 during the current fiscal year in part due to decreased spending on the recreation program.

The business flood recovery loan program fund's fund balance decreased by \$6,564,677 for the year after \$6,565,061 in business loans were made.

The flood restoration fund's fund balance increased \$11,306 for the year, while awaiting additional FEMA funding reimbursement.

The capital improvements fund decreased its fund balance by \$108,918 for the year, due to increased professional engineering services to study infrastructure repair/replacement needs, repairs and improvements to the aquatic center and city garage building.

The economic development fund increased its fund balance by \$64,604 for the year. Fund balances are needed to prepare for future land development and completion of the planned downtown City Center/Library Project.

The airport fund increased its fund balance by \$21,891, with one state grant project yet to be completed and finalized. The fire department fund increased its total fund balance by \$64,001 in part due to the annual fire contract fees building a balance for the designated purpose of fire truck replacement needs. The library fund increased its fund balance by \$13,047, due to decreased spending and preparing for the future library building project. The ambulance fund decreased its fund balance by \$104,768, due to increased allocation for uncollectible fees. Ambulance fund balance is designated for equipment replacement needs. The EDA Revolving Loan fund increased its fund balance by \$259,692, as loan payments continue to be made to the City in a timely manner and as new flood recovery loan payments begin to be made. The Community Center fund's fund balance decreased \$178,168 during the year in part due to work related to construction of a new community center.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The debt service funds have a total fund balance of \$428,833 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.

The Tax Increment Capital Project fund increased its fund balance by \$1,270, the Blandin Grant capital project fund decreased its fund balance by \$9,522 and the 2009 Improvement Project fund, new for 2009, increased its fund balance by \$1,500,679 due to issuance of debt.

Proprietary funds. The City of Rushford's proprietary funds statements found on pages 33-36 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 – \$24,231, Electric – \$237,002, Water – \$64,437, and Sewer – \$76,963. The increase/(decrease) in net assets in the respective proprietary funds are Liquor - \$(72,692), Electric - \$(23,486), Water - \$330,259 and Sewer - \$207,615 and were due in part to increased spending due to flood related repairs and decreased revenues due to lower number of customers and lower usage of customers.

Water Utility rates were increased in 2009, with the base rate increasing approximately 10% as per the water rate schedule adopted in 2004. Extensive repairs were necessary to the water system following the 2007 flood event, resulting in the need to close one well, plan for a new well and a new water treatment facility. Funding sources for these projects include FEMA funds, PFA grants, PFA loans and increased water rates.

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 was updated in 2009 and will help guide and plan for future upgrades and improvements to the wastewater treatment plant as well as the aging collection system. Extensive repairs will be necessary to the wastewater treatment plant following damages caused by the 2007 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%. A rate study was conducted and implemented in 2009 to analyze increasing power supply costs, operating and maintenance expenses and decreases in energy sales. A rate increase was implemented that was estimated to be a break-even level. The increase affected different rate classes by different percentages, with an over-all percentage increase of approximately 11%.

General Fund Budgetary Highlights

The City's general fund reserve has been spent down consistently in the past years. The 2009 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.
- Additional flood loss aid received from the State of Minnesota.
- Increases in professional services for consulting engineering services.
- Increase in repairs needed to street equipment.
- Increased building permit fees collected offset by resulting increase in expenditures for inspection services.

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

OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS

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, 2009, amounts to \$13,872,272 (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 increase in the City of Rushford's reported investment in capital assets for the current fiscal year was \$2,047,579, after depreciation of \$706,721. 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			
	2009	2008	2009	2008	2009	2008
Land	\$ 1,358,823	\$ 1,364,927	\$ 105,460	\$ 105,460	\$ 1,464,283	\$ 1,470,387
Buildings	1,153,961	1,178,332	6,823,985	4,818,150	7,977,946	5,996,482
Machinery and equipment	1,042,069	1,196,489	506,246	519,157	1,548,315	1,715,646
Infrastructure	733,543	534,527			733,543	534,527
Construction in progress	1,479,531	326,182	668,654	1,781,469	2,148,185	2,107,651
Total	<u>\$ 5,767,927</u>	<u>\$ 4,600,457</u>	<u>\$ 8,104,345</u>	<u>\$ 7,224,236</u>	<u>\$ 13,872,272</u>	<u>\$ 11,824,693</u>

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 47-48).

Long-term debt. At the end of the current fiscal year, the City of Rushford had \$7,482,351 in bonds and notes outstanding. Of this amount, \$6,211,053 comprises debt backed by the full faith and credit of the government and \$1,271,298 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			
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 3,440,000	\$ 980,000	\$	\$	\$ 3,440,000	\$ 980,000
GO Revenue bonds			2,184,604	1,564,855	2,184,604	1,564,855
Revenue bonds			1,048,000	1,120,000	1,048,000	1,120,000
Notes payable	223,298	272,026		3,000	223,298	275,026
Contract for deed	586,449	599,000			586,449	599,000
Total	<u>\$ 4,249,747</u>	<u>\$ 1,851,026</u>	<u>\$ 3,232,604</u>	<u>\$ 2,687,855</u>	<u>\$ 7,482,351</u>	<u>\$ 4,538,881</u>

The City's total bonds and notes payable increased by \$2,943,470 during the current fiscal year. During 2009, the City issued 2009A Electric Revenue Refunding Bond to refund the 2000 Electric Department Revenue Bonds that were outstanding in the amount of \$680,000, issued 2009B Improvement G.O. Bonds in the amount of \$2,730,000 for governmental, Water and Sewer Capital Improvements and additional PFA General Obligation Water Revenue Notes for \$724,369. A more detailed breakdown of these obligations can be found in Note 7 (page 49).

Standard & Poor's conducted a bond rating study in November 2009, providing a long term rating of A+/Stable.

**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 2009 at 10.1 percent, and ended the fourth quarter of 2009 at 8.0 percent. In 2009 the average unemployment rate for the City of Rushford/Fillmore County was 8.38 percent compared to the state's average unemployment rate of 7.97 percent and the national average rate of 8.93 percent.
- The City's total market valuation increased by 8.2% for taxes payable year 2009. New construction and reconstruction of flood damaged properties 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 plant closing 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 was conducted post-flood 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. In 2008, a majority of these homes and businesses were still not functioning at pre-flood capacity. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets. Insurance proceeds, federal grants, and contributions have been used to begin the process of replacing the capital assets and supplies lost in the flood. The impact of the 2007 flood has been reported as an extraordinary item in the financial statements. Utility funds have seen the impact of fewer residential customers and reduced customer usage.
- Rushford's aging sewer and water infrastructure problems have been exacerbated by the 2007 flood event warranting careful planning and financing in order to provide citizens with quality services at affordable rates. The 2009 Improvement Project is the beginning phase of replacing this aging infrastructure and bringing residential services into compliance with sanitary sewer and water requirements. A combination of assessments and increased user fees will fund this project. State and Federal mandates will also have a significant impact on that planning, especially when the mandates are unfunded.

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

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

- Since significant reductions in local government aid in 2003 & 2004, local aid payments from the State of Minnesota have seen steady increases. At the end of 2008, the City received an unallotment of \$47,909 in local government aid revenue without adequate notice to budget or plan for this shortfall in the 2009 budget cycle. LGA was further cut in 2010 by \$97,112 with the potential for even further unallotment in 2010 as the State struggles with their budget deficit. The City routinely puts aside reserves to guard against these 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.

CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2009

With Comparative Totals for December 31, 2008

	Governmental Activities	Business-Type Activities	Totals	
			2009	2008
ASSETS				
Cash and investments	\$ 2,956,813	\$ 7,550	\$ 2,964,363	\$ 2,700,637
Accrued interest receivable	4,283	2,010	6,293	9,218
Receivables (net of allowance for uncollectibles)	287,944	60,727	348,671	471,077
Loans receivable	17,161,559		17,161,559	10,656,340
Accrued utility revenue		204,529	204,529	181,792
Internal balances	1,077,119	(1,077,119)		
Due from other governmental units	840,206	2,259,159	3,099,365	3,563,251
Inventory		46,062	46,062	38,221
Restricted cash and investments	12,682	758,705	771,387	5,573,454
Prepaid items	9,088	4,225	13,313	11,771
Capital assets:				
Nondepreciable	2,838,354	774,114	3,612,468	3,578,038
Depreciable, net	2,929,573	7,330,231	10,259,804	8,246,655
Total Assets	<u>28,117,621</u>	<u>10,370,193</u>	<u>38,487,814</u>	<u>35,030,454</u>
LIABILITIES				
Accounts payable	183,322	209,102	392,424	403,915
Accrued interest payable	55,507	28,618	84,125	86,538
Accrued compensation and payroll taxes payable		17,822	17,822	14,809
Deposits payable		16,074	16,074	19,132
Accrued compensated absences	60,432	77,394	137,826	127,264
Noncurrent liabilities:				
Due within one year	251,030	200,827	451,857	532,499
Due in more than one year	3,998,717	2,944,817	6,943,534	3,947,074
Total Liabilities	<u>4,549,008</u>	<u>3,494,654</u>	<u>8,043,662</u>	<u>5,131,231</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,511,891	3,455,042	4,966,933	5,487,134
Restricted	17,174,124	3,017,864	20,191,988	20,400,157
Unrestricted	4,882,598	402,633	5,285,231	4,011,932
Total Net Assets	<u>\$ 23,568,613</u>	<u>\$ 6,875,539</u>	<u>\$ 30,444,152</u>	<u>\$ 29,899,223</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 163,805	\$ 17,155	\$	\$
Economic development	364,610		116,952	464,618
Public safety	777,492	218,388	39,101	
Public works	193,576			12,673
Parks and recreation	152,232	33,322	1,852	60,185
Airport	52,823	10,946		41,313
Library	113,377	3,392	29,768	
Community center	2,657			
Interest and other charges	82,518			
Total governmental activities	1,903,090	283,203	187,673	578,789
Business-Type activities:				
Liquor	524,956	449,230		
Electric	1,389,562	1,338,803		
Sewer	374,575	279,008		38,642
Water	331,364	289,227		70,513
Total business-type activities	2,620,457	2,356,268		109,155
Total	\$ 4,523,547	\$ 2,639,471	\$ 187,673	\$ 687,944

General revenues:
 General property taxes
 Nonproperty taxes
 Grants and contributions not restricted to specific programs
 Interest earnings
 Miscellaneous revenues
 Extraordinary item (Note 14)
 Transfers in (out)
 Total general revenues and transfers

Change in net assets
 Net assets - beginning
 Net assets - ending

FORM A-2

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2009	2008
\$ (146,650)		\$ (146,650)	\$ (77,017)
216,960		216,960	13,835,560
(520,003)		(520,003)	(379,065)
(180,903)		(180,903)	(166,086)
(56,873)		(56,873)	(100,427)
(564)		(564)	6,609
(80,217)		(80,217)	(68,722)
(2,657)		(2,657)	(1,471)
(82,518)		(82,518)	(75,622)
<u>(853,425)</u>		<u>(853,425)</u>	<u>12,973,759</u>
	(75,726)	(75,726)	(81,233)
	(50,759)	(50,759)	(67,879)
	(56,925)	(56,925)	(73,830)
	<u>28,376</u>	<u>28,376</u>	<u>102,843</u>
	<u>(155,034)</u>	<u>(155,034)</u>	<u>(120,099)</u>
<u>(853,425)</u>	<u>(155,034)</u>	<u>(1,008,459)</u>	<u>12,853,660</u>
568,157		568,157	546,888
1,611		1,611	1,934
790,884		790,884	706,002
46,808	11,998	58,806	144,570
179,324	22,426	201,750	249,137
(100,817)	32,997	(67,820)	(296,209)
(529,309)	<u>529,309</u>		
<u>956,658</u>	<u>596,730</u>	<u>1,553,388</u>	<u>1,352,322</u>
103,233	441,696	544,929	14,205,982
<u>23,465,380</u>	<u>6,433,843</u>	<u>29,899,223</u>	<u>15,693,241</u>
<u>\$ 23,568,613</u>	<u>\$ 6,875,539</u>	<u>\$ 30,444,152</u>	<u>\$ 29,899,223</u>

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CITY OF RUSHFORD, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2009

CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009
With Comparative Totals for December 31, 2008

	Special Revenue Fund		Capital Projects Fund		
	204		700	406	202
	101	Business Flood Recovery Loan Program	Flood Restoration	Capital Improvements	Economic Development
	General				
ASSETS					
Cash and investments	\$ 17,674	\$	\$	\$ 32,379	\$ 55,881
Restricted cash		6,393			
Accrued interest receivable				2,516	
Accounts receivable	1,596			13,023	
Loans receivable		17,161,559			
Taxes receivable - delinquent	6,004			149	1,291
Special assessments receivable:					
Deferred				9,150	
Delinquent					
Due from other funds	568,677		882,822	627,250	111,648
Due from other governmental units	3,227		67,136		32,408
Prepaid expense	6,816				639
TOTAL ASSETS	\$ 603,994	\$ 17,167,952	\$ 949,958	\$ 684,467	\$ 201,867
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 15,961	\$ 117	\$ 18,230	\$ 3,485	\$ 3,568
Due to other funds			1,077,807	46,768	
Advance from other funds					
Deferred revenue	6,004	17,161,559	67,136	19,488	1,291
Total Liabilities	<u>21,965</u>	<u>17,161,676</u>	<u>1,163,173</u>	<u>69,741</u>	<u>4,859</u>
Fund Balance:					
Reserved		6,276			
Unreserved, designated:	40,823			614,726	197,008
Unreserved, undesignated, reported in:					
General fund	541,206				
Special revenue funds			(213,215)		
Capital projects funds			(213,215)		
Total Fund Balance	<u>582,029</u>	<u>6,276</u>	<u>(213,215)</u>	<u>614,726</u>	<u>197,008</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 603,994	\$ 17,167,952	\$ 949,958	\$ 684,467	\$ 201,867

See Notes to the Financial Statements

FORM B-1

Other Governmental Funds	Total Governmental Funds	
	2009	2008
\$ 2,850,879	\$ 2,956,813	2,475,695
6,289	12,682	4,862,983
1,767	4,283	7,314
222,807	237,426	357,684
	17,161,559	10,656,340
8,561	16,005	12,112
25,016	34,166	46,598
347	347	277
105,320	2,295,717	1,835,720
737,435	840,206	1,113,570
1,633	9,088	7,579
<u>\$ 3,960,054</u>	<u>\$23,568,292</u>	<u>\$21,375,872</u>
\$ 141,961	\$ 183,322	\$ 96,558
77,908	1,202,483	432,618
16,115	16,115	19,047
809,122	18,064,600	11,726,813
<u>1,045,106</u>	<u>19,466,520</u>	<u>12,275,036</u>
426,272	432,548	6,980,862
2,165,309	3,017,866	1,610,520
	541,206	529,110
323,367	323,367	204,865
	(213,215)	(224,521)
<u>2,914,948</u>	<u>4,101,772</u>	<u>9,100,836</u>
<u>\$ 3,960,054</u>	<u>\$23,568,292</u>	<u>\$21,375,872</u>

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Special Revenue Fund		Capital Projects Fund		
	101 General	204 Business Flood Recovery Loan Program	700 Flood Restoration	406 Capital Improvements	202 Economic Development
REVENUES					
Property taxes	\$ 197,836	\$	\$	\$ 585	\$ 43,381
Tax increment revenues					
Lodging taxes	1,611				
Special assessments				209	
Licenses and permits	19,801				
Fines and forfeits	10,542				
Intergovernmental revenues	359,628		358,400	214,309	338,173
Charges for services	33,322				
Interest income	3,739		(5,431)	9,923	18,385
Miscellaneous revenues	9,338	384	40,372	71,872	1,101
TOTAL REVENUES	635,817	384	393,341	296,898	401,040
EXPENDITURES					
Current					
General government	126,167				
Economic development		6,565,061			303,882
Public safety	312,891				
Public works	100,286				
Parks and recreation	84,377				
Airport					
Library					
Community center					
Capital outlay				571,146	58,979
Debt service					
TOTAL EXPENDITURES	623,721	6,565,061		571,146	362,861
Excess (deficiency) of revenues over (under) expenditures	12,096	(6,564,677)	393,341	(274,248)	38,179
OTHER FINANCING SOURCES (USES)					
Issuance of debt					
Transfers in				352,945	52,850
Transfers out	(7,209)			(187,615)	(26,425)
Total other financing sources (uses)	(7,209)			165,330	26,425
EXTRAORDINARY ITEMS					
Flood recovery costs			(382,035)		
Insurance proceeds					
Extraordinary items, net			(382,035)		
Net change in fund balances	4,887	(6,564,677)	11,306	(108,918)	64,604
FUND BALANCES, Beginning	577,142	6,570,953	(224,521)	723,644	132,404
FUND BALANCES, Ending	\$ 582,029	\$ 6,276	\$ (213,215)	\$ 614,726	\$ 197,008

See Notes to the Financial Statements

FORM B-2

Other Governmental Funds	Total Governmental Funds	
	2009	2008
\$ 311,894	\$ 553,696	\$ 399,704
10,499	10,499	148,263
	1,611	1,934
24,896	25,105	31,613
	19,801	56,229
	10,542	10,523
233,005	1,503,515	16,933,556
216,989	250,311	254,520
20,192	46,808	122,811
270,876	393,943	256,284
<u>1,088,351</u>	<u>2,815,831</u>	<u>18,215,437</u>
	126,167	137,011
886	6,869,829	10,459,537
316,775	629,666	814,341
	100,286	94,575
	84,377	95,812
56,144	56,144	48,560
104,241	104,241	102,451
198,772	198,772	1,471
420,583	1,050,708	430,545
410,208	410,208	392,805
<u>1,507,609</u>	<u>9,630,398</u>	<u>12,577,108</u>
<u>(419,258)</u>	<u>(6,814,567)</u>	<u>5,638,329</u>
2,726,320	2,726,320	221,498
55,163	460,958	50,003
<u>(769,018)</u>	<u>(990,267)</u>	<u>(277,806)</u>
<u>2,012,465</u>	<u>2,197,011</u>	<u>(6,305)</u>
	(382,035)	(559,386)
527	527	30,357
<u>527</u>	<u>(381,508)</u>	<u>(529,029)</u>
1,593,734	(4,999,064)	5,102,995
1,321,214	9,100,836	3,997,841
<u>\$ 2,914,948</u>	<u>\$ 4,101,772</u>	<u>\$ 9,100,836</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, 2009**

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

Total governmental fund balances (page 18)		\$ 4,101,772
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 8,110,950	
Less: Accumulated depreciation	<u>(2,343,023)</u>	
		5,767,927
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	\$ 16,352	
Deferred special assessments	34,166	
Contracts receivable	15,868	
FEMA receivable	793,937	
Business loan receivable	17,161,559	
Other deferred receivables	<u>42,718</u>	
		18,064,600
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, and unamortized bond issuance costs	\$ (4,249,747)	
Compensated absences	(60,432)	
Accrued interest	<u>(55,507)</u>	
		<u>(4,365,686)</u>
Net assets of governmental activities (page 14)		<u><u>\$ 23,568,613</u></u>

CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

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

Net change in fund balances - total governmental funds (page 20)	\$	(4,999,064)
<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	\$	1,528,933
Depreciation expense		<u>(349,514)</u>
		1,179,419
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
Other		(15,629)
<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	\$	18,064,600
Deferred revenue, Beginning of year		<u>11,726,814</u>
		6,337,786
<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	\$	326,950
Issuance of debt		(2,726,320)
Change in accrued interest		<u>91</u>
		<u>(2,399,279)</u>
Change in net assets of governmental activities (pages 15 and 16)	\$	<u>103,233</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, 2009
With Comparative Totals for December 31, 2008

	2009			Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
General Tax Levy	\$ 239,948	\$ 210,948	\$ 197,836	\$ (13,112)	\$ 151,949
Licenses and Permits					
Business	4,625	4,040	4,640	600	3,515
Nonbusiness	11,160	15,160	15,161	1	52,714
Total Licenses and Permits	15,785	19,200	19,801	601	56,229
Lodging Taxes	2,000	2,000	1,611	(389)	1,934
Intergovernmental Revenues					
Local government aid	285,000	267,408	267,408		243,497
Market value credit		29,000	18,320	(10,680)	32,657
Disaster credit					54,948
Flood loss aid			49,880	49,880	
Police aid	19,000	21,906	21,905	(1)	19,831
Fire relief aid					19,148
Snowmobile and canoe trail aids	35,000	86,397	86,047	(350)	93,745
Snowmobile trail assistance	(35,000)	(86,000)	(86,047)	(47)	(93,745)
Other aid	2,115	1,765	2,115	350	2,115
Total Intergovernmental Revenues	306,115	320,476	359,628	39,152	372,196
Fines and Forfeits	9,650	10,500	10,542	42	10,523
Charges For Services					
Swimming pool	32,500	30,750	30,957	207	31,449
Baseball and recreation	6,000				6,400
Park usage fees	2,500	2,500	2,365	(135)	4,298
Total Charges For Services	41,000	33,250	33,322	72	42,147
Interest Income	8,000	4,000	3,739	(261)	10,493
Miscellaneous Revenues					
Other	6,550	9,600	9,338	(262)	17,300
TOTAL REVENUES	\$ 629,048	\$ 609,974	\$ 635,817	\$ 25,843	\$ 662,771

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, 2009
With Comparative Totals for December 31, 2008

	2009				2008 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 8,540	\$ 460	\$ 8,560
Meetings and conferences	1,200	1,200	717	483	894
General supplies	1,400	1,400	610	790	823
Printing and publishing	8,500	8,500	6,060	2,440	7,872
Professional services	2,000	2,000	1,205	795	875
Insurance	1,250	950	855	95	1,089
Dues, subscriptions and fees	4,000	4,000	3,837	163	2,083
Miscellaneous	1,050	1,050	653	397	909
Total Mayor and Council	<u>28,400</u>	<u>28,100</u>	<u>22,477</u>	<u>5,623</u>	<u>23,105</u>
Election Judges					
Salaries	700	350	322	28	1,359
Employee benefits and retirement	10	10	4	6	6
General supplies	310	1,210	1,133	77	15
Printing and publishing	350	350	289	61	
Miscellaneous	100	200	160	40	56
Total Election Judges	<u>1,470</u>	<u>2,120</u>	<u>1,908</u>	<u>212</u>	<u>1,436</u>
City Hall Administration					
Salaries	41,000	41,000	41,416	(416)	40,601
Employee benefits and retirement	8,300	8,000	7,859	141	7,307
Office supplies and expense	1,950	1,850	1,636	214	1,580
General supplies	100	250	259	(9)	72
Telephone	2,600	3,000	3,011	(11)	2,687
Printing and publishing	1,750	1,200	1,164	36	1,597
Insurance	1,000	850	823	27	850
Repairs and maintenance	800	800		800	345
Radio maintenance	2,000	500	35	465	
Dues, subscriptions and fees	6,000	6,000	4,296	1,704	6,374
Total City Hall Administration	<u>65,500</u>	<u>63,500</u>	<u>60,528</u>	<u>2,972</u>	<u>61,413</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, 2009
With Comparative Totals for December 31, 2008

	2009					2008 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)		
	Original	Final				
General Government (Continued)						
Professional Services						
Legal and audit	\$ 19,675	\$ 22,675	\$ 23,017	\$ (342)	\$ 17,425	
Assessor	3,800	3,800	3,643	157	3,643	
Total Professional Services	<u>23,475</u>	<u>26,475</u>	<u>26,660</u>	<u>(185)</u>	<u>21,068</u>	
Building and Planning						
General supplies	520	820	835	(15)	438	
Professional services	200	3,200	3,210	(10)	1,960	
Consultant	3,000	700	348	352	18,033	
Telephone	50	50	23	27	17	
Printing and publishing	450	450	138	312	1,000	
Total Building and Planning	<u>4,220</u>	<u>5,220</u>	<u>4,554</u>	<u>666</u>	<u>21,448</u>	
Municipal Building						
General supplies	600	600	471	129	542	
Insurance	650	650	476	174	503	
Utilities	8,950	7,450	6,712	738	6,212	
Repairs and maintenance	1,750	2,650	2,381	269	1,284	
Total Municipal Building	<u>11,950</u>	<u>11,350</u>	<u>10,040</u>	<u>1,310</u>	<u>8,541</u>	
Total General Government	<u>135,015</u>	<u>136,765</u>	<u>126,167</u>	<u>10,598</u>	<u>137,011</u>	
Public Safety						
Police Protection						
Salaries	193,500	193,800	192,797	1,003	183,490	
Employee benefits and retirement	29,700	30,200	30,213	(13)	25,303	
Office supplies and expense	1,125	1,125	536	589	678	
Meetings and conferences	1,700	1,700	1,508	192	1,561	
Gas, oil and supplies	12,000	8,500	7,672	828	11,677	
General supplies	3,300	3,300	2,627	673	2,231	
Professional services	12,300	10,300	10,156	144	21,583	
Telephone	2,100	2,100	2,146	(46)	2,069	
Insurance	8,650	10,950	10,162	788	9,926	
Utilities	2,900	2,600	2,057	543	2,162	
Repairs and maintenance	1,200	1,400	1,364	36	1,115	
Dues, subscriptions and fees	600	600	460	140	448	
Miscellaneous	200	2,054	1,970	84	1,023	
Total Police Protection	<u>\$ 269,275</u>	<u>\$ 268,629</u>	<u>\$ 263,668</u>	<u>\$ 4,961</u>	<u>\$ 263,266</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, 2009
With Comparative Totals for December 31, 2008

	2009				2008 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
Gas, oil and supplies					2,495
General supplies					2,121
Professional services					1,765
Telephone					493
Printing and publishing					79
Insurance					9,634
Utilities					3,533
Repairs and maintenance					511
Fire relief aid					20,398
Total Fire Protection					42,329
Building and Safety					
Salaries	3,000	250	241	9	2,892
Employee benefits and retirement	200				188
Professional services	9,230	33,472	33,512	(40)	63,279
Printing and publishing	200	200	260	(60)	312
Miscellaneous	515	445	329	116	603
Total Building and Safety	13,145	34,367	34,342	25	67,274
Civil Defense					
	1,225	1,475	1,341	134	1,109
Animal Control					
Salaries and wages	3,300	3,300	3,251	49	3,119
Insurance	90	90	91	(1)	78
Total Animal Control	3,390	3,390	3,342	48	3,197
Health and Welfare					
Health officer salary	100	100		100	
Weed and insect control	4,520	4,250	3,414	836	3,989
Total Health and Welfare	4,620	4,350	3,414	936	3,989
Total Public Safety	\$ 298,439	\$ 318,995	\$ 312,891	\$ 6,104	\$ 387,948

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, 2009
With Comparative Totals for December 31, 2008

	2009				2008 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 18,000	\$ 18,000	\$ 18,075	\$ (75)	\$ 17,376
Employee benefits and retirement	2,955	2,955	2,836	119	2,747
Gas, oil and supplies	15,000	11,000	9,765	1,235	11,491
General supplies	5,000	5,000	7,421	(2,421)	8,911
Blacktop and surface materials	500	1,500	1,447	53	742
Professional services			225	(225)	30
Insurance	6,925	7,025	6,770	255	5,266
Repairs and maintenance	7,000	21,000	20,189	811	15,406
Miscellaneous	800	800	795	5	613
City garage expense	4,050	4,050	3,937	113	3,888
Street lighting	18,000	19,500	19,448	52	17,725
Total Highways, Streets and Alleys	78,230	90,830	90,908	(78)	84,195
Dikes					
Salaries	4,500	4,500	4,506	(6)	4,201
Employee benefits and retirement	1,155	1,155	992	163	994
Gas, oil and supplies	2,300	1,500	1,260	240	2,670
General supplies	700	800	109	691	337
Insurance	700	500	420	80	589
Utilities	700	900	892	8	713
Repairs and maintenance	800	1,100	782	318	686
Professional services			417	(417)	190
Total Dikes	10,855	10,455	9,378	1,077	10,380
Total Public Works	89,085	101,285	100,286	999	94,575
Parks and Recreation					
Park Department					
Salaries	9,500	9,500	8,200	1,300	8,788
Employee benefits and retirement	1,200	1,150	882	268	1,443
Gas and oil	2,500	1,500	1,246	254	2,884
General supplies	1,500	3,000	3,271	(271)	1,122
Telephone	10	10	7	3	
Insurance	3,850	4,200	4,223	(23)	3,537
Utilities	2,550	2,150	1,930	220	2,115
Repairs and maintenance	4,200	6,300	6,710	(410)	4,781
Miscellaneous	500	100	86	14	804
Total Park Department	\$ 25,810	\$ 27,910	\$ 26,555	\$ 1,355	\$ 25,474

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, 2009
With Comparative Totals for December 31, 2008

	2009				2008 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 28,000	\$ 25,000	\$ 24,999	\$ 1	\$ 26,756
Employee benefits and retirement	2,200	2,200	1,910	290	2,047
Meetings and conferences	1,400	1,400	1,283	117	1,297
General supplies	4,500	6,900	7,145	(245)	4,518
Telephone	300	650	650		295
Printing and publishing	150	150	144	6	118
Insurance	3,150	2,900	3,036	(136)	2,926
Utilities	10,300	8,000	7,718	282	12,016
Repairs and maintenance	1,700	2,900	2,596	304	2,321
Miscellaneous	200	450	440	10	410
Total Swimming Pool	51,900	50,550	49,921	629	52,704
Recreation Programs					
Salaries	8,000	8,000		8,000	7,446
Employee benefits and retirement	650	650		650	570
General supplies	1,300	300	20	280	1,425
Insurance	280	280	247	33	292
Dues, subscriptions and fees	75	75		75	75
Mileage	1,400				1,358
Miscellaneous	150	150	30	120	118
Total Recreation Programs	11,855	9,455	297	9,158	11,284
Tourism	4,451	4,451	3,215	1,236	3,005
Tree Board					
Salaries	1,300	1,300	1,300		1,200
General supplies	730	730	329	401	508
Contractual services	10,000	2,550	2,520	30	1,600
Insurance	50	200	225	(25)	22
Miscellaneous	20	20	15	5	15
Total Tree Board	12,100	4,800	4,389	411	3,345
Total Parks and Recreation	106,116	97,166	84,377	12,789	95,812
TOTAL EXPENDITURES	628,655	654,211	623,721	30,490	715,346
Excess (deficiency) of revenues over (under) expenditures	393	(44,237)	12,096	56,333	(52,575)
OTHER FINANCING SOURCES (USES)					
Transfers in					30,000
Transfers out		(7,200)	(7,209)	(9)	
Total other financing sources (uses)		(7,200)	(7,209)	(9)	30,000
Net change in fund balances	393	(51,437)	4,887	56,324	(22,575)
FUND BALANCE, January 1	577,142	577,142	577,142		599,717
FUND BALANCE, December 31	\$ 577,535	\$ 525,705	\$ 582,029	\$ 56,324	\$ 577,142

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, 2009
With Comparative Totals for December 31, 2008

	2009			Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Intergovernmental Revenues					
State grants	\$	\$	\$	\$	\$ 14,000,000
Miscellaneous	350	350	384	34	1,982
TOTAL REVENUES	350	350	384	34	14,001,982
EXPENDITURES					
Current					
Professional services		60,000	59,842	158	275,167
Loans		6,500,000	6,505,219	(5,219)	9,989,446
TOTAL EXPENDITURES		6,560,000	6,565,061	(5,061)	10,264,613
Excess (deficiency) of revenues over (under) expenditures	350	(6,559,650)	(6,564,677)	(5,027)	3,737,369
Net change in fund balances	350	(6,559,650)	(6,564,677)	(5,027)	3,737,369
FUND BALANCES, Beginning	6,570,953	6,570,953	6,570,953		2,833,584
FUND BALANCES, Ending	\$ 6,571,303	\$ 11,303	\$ 6,276	\$ (5,027)	\$ 6,570,953

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, 2009
With Comparative Totals for December 31, 2008

	2009			Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Intergovernmental Revenues					
FEMA grants	\$ 210,000	\$ 300,000	\$ 358,400	\$ 58,400	\$ 1,951,704
Interest income (expense)			(5,431)	(5,431)	(14,824)
Miscellaneous	40,800	40,700	40,372	(328)	167,594
TOTAL REVENUES	250,800	340,700	393,341	52,641	2,104,474
OTHER FINANCING SOURCES (USES)					
Transfers out					(257,803)
Total other financing sources (uses)					(257,803)
EXTRAORDINARY ITEMS					
Flood recovery costs		(435,400)	(382,035)	53,365	(559,386)
Extraordinary items, net		(435,400)	(382,035)	53,365	(559,386)
Net change in fund balances	250,800	(94,700)	11,306	106,006	1,287,285
FUND BALANCES, Beginning	(224,521)	(224,521)	(224,521)		(1,511,806)
FUND BALANCES, Ending	\$ 26,279	\$ (319,221)	\$ (213,215)	\$ 106,006	\$ (224,521)

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, 2009
With Comparative Totals for December 31, 2008

	2009			Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Property taxes	\$	\$	\$ 585	\$ 585	\$
Special assessments		120	209	89	
Intergovernmental revenues					
Local government aid	228,407	214,309	214,309		227,949
Interest income	2,000	7,500	9,923	2,423	17,619
Miscellaneous	1,807	79,087	71,872	(7,215)	23,857
TOTAL REVENUES	232,214	301,016	296,898	(4,118)	269,425
EXPENDITURES					
Current					
Capital outlay	208,407	208,407	571,146	(362,739)	321,948
TOTAL EXPENDITURES	208,407	208,407	571,146	(362,739)	321,948
Excess (deficiency) of revenues over (under) expenditures	23,807	92,609	(274,248)	(366,857)	(52,523)
OTHER FINANCING SOURCES (USES)					
Transfers in		345,736	352,945	7,209	
Transfers out	(20,000)	(20,000)	(187,615)	(167,615)	(20,000)
Total other financing sources (uses)	(20,000)	325,736	165,330	(160,406)	(20,000)
EXTRAORDINARY ITEMS					
Insurance proceeds					29,742
Extraordinary items, net					29,742
Net change in fund balances	3,807	418,345	(108,918)	(527,263)	(42,781)
FUND BALANCES, Beginning	723,644	723,644	723,644		766,425
FUND BALANCES, Ending	\$ 727,451	\$ 1,141,989	\$ 614,726	\$ (527,263)	\$ 723,644

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
ECONOMIC DEVELOPMENT FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008**

	2009			Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Property taxes	\$ 50,000	\$ 43,750	\$ 43,381	\$ (369)	\$ 33,171
Intergovernmental revenues					
State EDA grant aid	100,000	249,000	248,629	(371)	110,873
Local government aid	80,000	75,062	75,062		28,129
Market value credit		6,250	3,981	(2,269)	19,158
Other state aid			10,501	10,501	
Interest income		18,000	18,385	385	88,147
Miscellaneous		1,000	1,101	101	4,000
TOTAL REVENUES	230,000	393,062	401,040	7,978	283,478
EXPENDITURES					
Current					
Capital outlay	252,650	275,668	58,979	216,689	92,439
Economic development		303,882	303,882		121,983
TOTAL EXPENDITURES	252,650	579,550	362,861	216,689	214,422
Excess (deficiency) of revenues over (under) expenditures	(22,650)	(186,488)	38,179	224,667	69,056
OTHER FINANCING SOURCES (USES)					
Transfers in		52,850	52,850		
Transfers out			(26,425)	(26,425)	
Total other financing sources (uses)		52,850	26,425	(26,425)	
Net change in fund balances	(22,650)	(133,638)	64,604	198,242	69,056
FUND BALANCES, Beginning	132,404	132,404	132,404		63,348
FUND BALANCES, Ending	\$ 109,754	\$ (1,234)	\$ 197,008	\$ 198,242	\$ 132,404

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2009
With Comparative Totals for December 31, 2008

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2009	2008
ASSETS						
Current Assets						
Cash and cash equivalents	\$	\$ 7,550	\$	\$	\$ 7,550	\$ 224,942
Accrued interest receivable	385	1,083		542	2,010	1,904
Accounts receivable		42,124	9,471	9,132	60,727	54,405
Accrued utility revenue		164,541	17,708	22,280	204,529	181,792
Due from other funds		355,932			355,932	93,704
Due from other governmental units	123,959	437,803	568,565	1,128,832	2,259,159	2,449,681
Advance to other funds		16,115			16,115	19,047
Merchandise inventory	46,062				46,062	38,221
Prepaid expense	1,407	616	1,040	1,162	4,225	4,192
Total Current Assets	171,813	1,025,764	596,784	1,161,948	2,956,309	3,067,888
Property and Equipment						
Property, plant and equipment	842,055	3,070,515	4,493,653	2,926,329	11,332,552	8,982,421
Less: Accumulated depreciation	29,894	1,401,950	1,091,527	1,373,490	3,896,861	3,539,654
Property and Equipment, Net	812,161	1,668,565	3,402,126	1,552,839	7,435,691	5,442,767
Construction work in process		14,602	306,704	347,348	668,654	1,781,469
Total Property and Equipment	812,161	1,683,167	3,708,830	1,900,187	8,104,345	7,224,236
Other Assets						
Restricted cash and cash equivalents		200,809	122,374	435,522	758,705	710,471
Total Assets	983,974	2,909,740	4,427,988	3,497,657	11,819,359	11,002,595
LIABILITIES						
Current Liabilities						
Accounts payable	6,236	119,019	51,749	32,098	209,102	307,357
Due to other funds	161,091	127,773	536,285	624,017	1,449,166	1,496,806
Current maturities of bonds payable		55,000	87,000	58,827	200,827	204,240
Accrued interest		4,615	17,377	6,626	28,618	30,940
Accrued sales tax	4,047	13,775			17,822	14,809
Deferred revenue		159			159	3,632
Customer deposits		15,915			15,915	15,500
Total Current Liabilities	171,374	336,256	692,411	721,568	1,921,609	2,073,284
Long-Term Liabilities						
Notes payable, net of current maturities, and bond issuance costs		570,450	1,901,589	472,778	2,944,817	2,424,307
Accrued compensated absences	13,340	26,238	17,030	20,786	77,394	71,161
Total Liabilities	184,714	932,944	2,611,030	1,215,132	4,943,820	4,568,752
Net Assets						
Invested in capital assets, net of related debt	651,070	1,101,182	1,061,582	641,208	3,455,042	2,743,206
Restricted	123,959	638,612	690,939	1,564,354	3,017,864	3,160,152
Unrestricted	24,231	237,002	64,437	76,963	402,633	530,485
Total Net Assets	\$ 799,260	\$ 1,976,796	\$ 1,816,958	\$ 2,282,525	\$ 6,875,539	\$ 6,433,843

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, 2009
With Comparative Totals for December 31, 2008

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2009	2008
Operating Revenues						
Sales	\$ 449,230	\$ 1,338,803	\$ 289,227	\$ 279,008	\$ 2,356,268	\$ 2,022,282
Operating Expenses						
Cost of sales and production	317,861	937,733			1,255,594	1,097,636
Distribution expense		182,155	239,220	304,979	726,354	610,908
General administration		222,631	56,017	50,604	329,252	325,381
Liquor store operating expenses	207,095				207,095	141,110
Total Operating Expenses	524,956	1,342,519	295,237	355,583	2,518,295	2,175,035
Operating Income (Loss)	(75,726)	(3,716)	(6,010)	(76,575)	(162,027)	(152,753)
Nonoperating Revenue and (Expense)						
Other Income (Expense)	3,034	(19,770)	33,639	24,514	41,417	101,824
Income (Loss) Before Transfers, Capital Contributions, and Extraordinary Items	(72,692)	(23,486)	27,629	(52,061)	(120,610)	(50,929)
Capital contributions			302,630	226,679	529,309	
Extraordinary gain (loss)				32,997	32,997	43,627
Transfers in						257,803
Transfers out						(30,000)
Change in Net Assets	(72,692)	(23,486)	330,259	207,615	441,696	220,501
Net Assets, Beginning of Year	871,952	2,000,282	1,486,699	2,074,910	6,433,843	6,213,342
Net Assets, End of Year	\$ 799,260	\$ 1,976,796	\$ 1,816,958	\$ 2,282,525	\$ 6,875,539	\$ 6,433,843

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2009
 With Comparative Totals for December 31, 2008**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2009	2008
Cash Flows From Operating Activities						
Cash received from customers	\$ 449,230	\$ 1,310,098	\$ 286,602	\$ 278,219	\$ 2,324,149	\$ 2,011,359
Cash paid to employees for services	(130,369)	(176,774)	(80,415)	(104,343)	(491,901)	(465,036)
Cash paid to suppliers	(453,127)	(1,057,714)	(156,850)	(145,469)	(1,813,160)	(1,303,647)
Net Cash Provided By (Used In) Operating Activities	(134,266)	75,610	49,337	28,407	19,088	242,676
Cash Flows From Noncapital Financing Activities						
Increase (decrease) in due to other funds	(24,366)	(134,455)	(183,704)	32,657	(309,868)	539,636
Grant aid received	162,315		22,087	115,275	299,677	1,018,876
Flood recovery insurance reimbursement				32,997	32,997	43,627
Other income	3,531	18,141		508	22,180	46,237
Transfers in (out)						227,803
Net Cash Provided By (Used In) Noncapital Financing Activities	141,480	(116,314)	(161,617)	181,437	44,986	1,876,179
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of debt		668,934	724,369		1,393,303	488,391
Principal payment on long-term debt		(720,000)	(82,760)	(56,860)	(859,620)	(140,951)
Purchase of capital assets	(19,511)	(83,253)	(469,888)	(103,000)	(675,652)	(2,719,697)
Repayment of advances		2,932			2,932	2,790
Interest paid on debt		(42,288)	(42,355)	(19,701)	(104,344)	(96,446)
Net Cash Provided By Capital and Related Financing Activities	(19,511)	(173,675)	129,366	(179,561)	(243,381)	(2,465,913)
Cash Flows From Investing Activities						
Interest earnings on investments	(603)	7,138	(745)	4,359	10,149	22,145
Net Cash Provided By (Used In) Investing Activities	(603)	7,138	(745)	4,359	10,149	22,145
Net Increase (Decrease) In Cash and Cash Equivalents						
	(12,900)	(207,241)	16,341	34,642	(169,158)	(324,913)
Cash and Cash Equivalents - January 1	12,900	415,600	106,033	400,880	935,413	1,260,326
Cash and Cash Equivalents - December 31	\$	\$ 208,359	\$ 122,374	\$ 435,522	\$ 766,255	\$ 935,413
Shown on the Balance Sheet as:						
Cash and investments	\$	\$ 7,550	\$	\$	\$ 7,550	\$ 224,942
Restricted cash and investments		200,809	122,374	435,522	758,705	710,471
Total	\$	\$ 208,359	\$ 122,374	\$ 435,522	\$ 766,255	\$ 935,413

See Notes to the Financial Statements

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

	Enterprise Funds				Totals	
	609	604	601	602	2009	2008
	Liquor Fund	Electric Department	Water Department	Sewer Department		
Operating Income (Loss)	\$ (75,726)	\$ (3,716)	\$ (6,010)	\$ (76,575)	\$ (162,027)	\$ (152,753)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	27,667	121,884	106,583	109,273	365,407	325,487
(Increase) Decrease In:						
Accounts receivable		(6,452)	(154)	283	(6,323)	403
Other accounts receivable		(19,195)	(2,471)	(1,072)	(22,738)	(12,870)
Merchandise inventory	(7,841)				(7,841)	(17,577)
Prepaid insurance	(157)	(1)	126	(2)	(34)	2,980
Increase (Decrease) In:						
Accounts payable	(78,578)	9,008	(52,155)	(5,875)	(127,600)	95,824
Accrued wages	369	70	3,418	2,375	6,232	(362)
Deferred revenue		(3,473)			(3,473)	1,874
Bond issuance costs		(22,930)			(22,930)	
Customer deposits		415			415	(330)
Net Cash Provided By (Used In) Operating Activities	\$ (134,266)	\$ 75,610	\$ 49,337	\$ 28,407	\$ 19,088	\$ 242,676
Non Cash Transactions Paid						
Purchase of capital assets included in accounts payable at year end	\$	\$ 1,728	\$ 1,177	\$ 29,451	\$ 32,356	\$ 59,360
Contribution of capital assets			302,630	226,679	529,309	

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 2009.

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 *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.

The *economic development fund* accounts for the City's economic development activities.

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market value. For financial statement purposes all investments are considered to be cash and cash equivalents.

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.

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The revenue is recognized as intergovernmental revenue when received.

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)

Compensated Absences

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

Long-term Obligations

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

Concentration of Credit Risk

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

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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

—
1. Summary of Significant Accounting Policies (Continued)

—
G. Conduit Debt Obligations

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

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

As of December 31, 2009, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$857,352.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2009, 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	\$ 3,069
Deposits	3,117,398
Certificates of deposit	615,283
Total	<u>\$ 3,735,750</u>

Recorded on the Statement of Net Assets as follows:

Cash and investments	\$ 2,964,363
Restricted cash and investments	771,387
Total	<u>\$ 3,735,750</u>

Investments Authorized by Minnesota Statues

The City is authorized by Minnesota Statues 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.
-

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes (continued)

- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer into the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

The City 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, 2009, there were no individual investments greater than 5 percent of the City's total investments.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service Funds	Capital Projects Funds	Total
2000	\$ 13,551		\$ 13,551
2002	9,697		9,697
2004	1,153		1,153
2006	615		615
2009		9,150	9,150
Total	\$ 25,016	\$ 9,150	\$ 34,166

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	\$ 3,227	\$	\$	\$ 3,227
Special Revenue	1,459	5,062	726,800	733,321
Capital Project	708	31,700	67,136	99,544
Debt Service	4,113			4,113
Enterprise			2,259,160	2,259,160
Totals	\$ 9,507	\$ 36,762	\$ 3,053,096	\$ 3,099,365

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans and Leases Receivable

Business Flood Recovery Program

In 2007, the City established the Business Flood Recovery Loan Program with the proceeds of a \$17,500,000 grant from the Minnesota Department of Employment and Economic Development. Under 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 of the loan.

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

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

A summary of business flood recovery loans is as follows:

	<u>2009</u>	<u>2008</u>
Business Flood Recovery Loans:		
Category 1 Loans	\$ 13,623,662	\$ 9,916,164
Category 1-A Loans	1,648,702	380,589
Category 2 Loans	<u>1,889,197</u>	<u>359,587</u>
Total	<u>\$ 17,161,561</u>	<u>\$ 10,656,340</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,364,927	\$	\$ 6,104	\$ 1,358,823
Construction in progress	<u>326,182</u>	<u>1,378,058</u>	<u>224,709</u>	<u>1,479,531</u>
Total capital assets, not being depreciated	<u>1,691,109</u>	<u>1,378,058</u>	<u>230,813</u>	<u>2,838,354</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,397,187	45,865		2,443,052
Infrastructure	604,579	241,126		845,705
Machinery and equipment	<u>1,934,070</u>	<u>88,593</u>	<u>38,824</u>	<u>1,983,839</u>
Total capital assets, being depreciated	<u>4,935,836</u>	<u>375,584</u>	<u>38,824</u>	<u>5,272,596</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,218,855	70,236		1,289,091
Infrastructure	70,052	42,110		112,162
Machinery and equipment	<u>737,581</u>	<u>237,168</u>	<u>32,979</u>	<u>941,770</u>
Total accumulated depreciation	<u>2,026,488</u>	<u>349,514</u>	<u>32,979</u>	<u>2,343,023</u>
Total capital assets, being depreciated, net	<u>2,909,348</u>	<u>26,070</u>	<u>5,845</u>	<u>2,929,573</u>
Governmental activities capital assets, net	<u><u>\$ 4,600,457</u></u>	<u><u>\$ 1,404,128</u></u>	<u><u>\$ 236,658</u></u>	<u><u>\$ 5,767,927</u></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>1,781,469</u>	<u>1,077,177</u>	<u>2,189,992</u>	<u>668,654</u>
Total capital assets, not being depreciated	<u>1,886,929</u>	<u>1,077,177</u>	<u>2,189,992</u>	<u>774,114</u>
Capital assets, being depreciated:				
Buildings and improvements	8,144,698	2,315,273		10,459,971
Machinery and equipment	<u>732,263</u>	<u>34,858</u>		<u>767,121</u>
Total capital assets, being depreciated	<u>8,876,961</u>	<u>2,350,131</u>		<u>11,227,092</u>
Less accumulated depreciation for:				
Buildings and improvements	3,326,548	309,438		3,635,986
Machinery and equipment	<u>213,106</u>	<u>47,769</u>		<u>260,875</u>
Total accumulated depreciation	<u>3,539,654</u>	<u>357,207</u>		<u>3,896,861</u>
Total capital assets, being depreciated, net	<u>5,337,307</u>	<u>1,992,924</u>		<u>7,330,231</u>
Business-type activities capital assets, net	<u>\$ 7,224,236</u>	<u>\$ 3,070,101</u>	<u>\$ 2,189,992</u>	<u>\$ 8,104,345</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 10,425
Public safety	153,838
Public works	86,210
Airport	27,869
Library	21,328
Park and recreation	<u>49,844</u>
Total depreciation expense - governmental activities	<u>\$ 349,514</u>
Business-Type Activities:	
Electric	\$ 116,925
Water	103,342
Sewer	109,273
Liquor	<u>27,667</u>
Total depreciation expense - business-type activities	<u>\$ 357,207</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2009 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:							
2000 Improvement Bonds	5.30% - 5.80%	\$ 90,000	\$	\$ 25,000	\$ 65,000	\$ 30,000	\$ 1,566
2001 Improvement Bonds	4.70% - 5.15%	295,000		70,000	225,000	75,000	4,468
2002 Improvement Bonds	4.50%	85,000		25,000	60,000	30,000	1,121
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	510,000		150,000	360,000	55,000	4,999
2009B Improvement Bonds (1)	3.00% - 4.50%		2,730,000		2,730,000		6,483
Notes payable:							
2001 USDA Loan	4.88%	50,528		8,362	42,166	5,608	1,027
2008 Fire Rescue Rig Capital Lease	4.65%	121,498		22,142	99,356	23,172	3,262
2008 Ambulance Capital Lease	4.65%	100,000		18,224	81,776	19,072	3,259
Contract for deed - land	5.00%	599,000		12,551	586,449	13,178	29,322
Governmental Activities							
Long-term Liabilities		<u>1,851,026</u>	<u>2,730,000</u>	<u>331,279</u>	<u>4,249,747</u>	<u>251,030</u>	<u>55,507</u>
BUSINESS-TYPE ACTIVITIES (1)							
Bonds and Notes Payable:							
Note Payable	0.00%	3,000		3,000			
General Obligation Revenue Note:							
1999 Water Department	3.04%	488,000		38,000	450,000	39,000	4,971
1996A Sewer Department	3.43%	588,464		56,860	531,604	58,827	6,626
2008 Water Department	1.35%	488,391	724,369	9,760	1,203,000	14,000	5,911
Revenue Bonds:							
2000 Electric Department	5.25 - 6.10%	720,000		720,000			
2007A Water Revenue Bonds	4.25%	400,000		32,000	368,000	34,000	6,495
2009A Electric Revenue Refunding	2.40 - 4.10%		680,000		680,000	55,000	4,615
Less: Unamortized Discount		(59,308)	(27,652)		(86,960)		
Business-type Activities							
Long-term Liabilities		<u>2,628,547</u>	<u>1,376,717</u>	<u>859,620</u>	<u>3,145,644</u>	<u>200,827</u>	<u>28,618</u>
Total		<u>\$ 4,479,573</u>	<u>\$ 4,106,717</u>	<u>\$ 1,190,899</u>	<u>\$ 7,395,391</u>	<u>\$ 451,857</u>	<u>\$ 84,125</u>

(1) The 2009B Improvement Project Bond proceeds were expended as follows: 27% Water Fund improvements, 19% Sewer Fund improvements, and 54% Capital Improvement Project Fund improvements. The Sewer and Water Funds will transfer amounts to the 2009 Improvement Project Debt Service Fund to cover their allocated share of this debt.

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, 2009, 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								
2010	\$ 135,000	\$ 84,242	\$ 55,000	\$ 11,213			\$ 61,030	\$ 39,998
2011	135,000	112,193	55,000	9,563			63,934	37,095
2012	175,000	105,233	60,000	7,778			66,974	34,055
2013	95,000	100,323	60,000	5,798			70,160	30,867
2014	100,000	97,398	65,000	3,608			22,831	27,530
2015-2019	550,000	399,205	65,000	1,214			104,121	120,625
2020-2024	670,000	344,616					118,612	93,891
2025-2029	830,000	198,390					151,381	61,121
2030-2031	390,000	26,550					150,704	19,297
Totals	\$ 3,080,000	\$ 1,468,150	\$ 360,000	\$ 39,174	\$	\$	\$ 809,747	\$ 464,479

Business-Type Activities

2010					\$ 200,827	\$ 92,386		
2011					241,862	80,208		
2012					265,968	72,690		
2013					277,146	65,554		
2014					282,399	57,463		
2015-2019					1,360,402	151,959		
2020-2024					370,000	30,960		
2025-2027					234,000	6,354		
Totals	\$	\$	\$	\$	\$ 3,232,604	\$ 557,574	\$	\$

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:

	2009	2008
Bond Agreement Restrictions:		
WIF Replacement Account	\$ 151,840	\$ 140,160
Debt Service		
Sewer Revenue Note of 1996	103,357	99,529
PFA Water Loan of 1999 and 2008	122,374	106,033
Electric Revenue Bonds of 2000	200,809	203,559
Restricted Net Assets	578,380	549,281
Debt Service		
USDA Fire Hall/ Police Garage of 2002	6,289	5,503
Donor Restriction:		
Flood relief		7,209
Flood loans	6,393	4,850,271
Municipal Restriction:		
Equipment replacement - Sewer Fund	180,325	161,190
Total Restricted Cash	\$ 771,387	\$ 5,573,454

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue Fund:		
EDA Revolving Loan Fund	\$	\$ 16,115
Enterprise Fund - Electric Fund	16,115	
Total	<u>\$ 16,115</u>	<u>\$ 16,115</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 7,209
Special Revenue Funds:		
Ambulance		22,874
Fire Fund	20,000	
Capital Project Funds:		
Capital improvements	352,945	187,615
Economic Development	52,850	26,425
2009 Improvement Project		733,855
Debt Service		
2008 Ambulance Capital Lease	22,874	
2009 Improvement Project	12,289	
1999 G.O. refunding bonds		3,032
1998 G.O. improvement		9,257
Transfers of governmental capital assets:		
From governmental capital assets		
to the Sewer Fund	226,679	
to the Water Fund	302,630	
Total Transfers	<u>\$ 990,267</u>	<u>\$ 990,267</u>
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 568,677	\$
Capital Improvements	627,250	46,768
Economic Development	111,648	
Flood Restoration	882,822	1,077,807
EDA Revolving Loan Fund	58,552	
Ambulance Fund	16,094	19,356
Community Center		58,552
Fire Fund	30,674	
Subtotal Governmental Funds	2,295,717	1,202,483
Enterprise	355,932	1,449,166
Totals	<u>\$ 2,651,649</u>	<u>\$ 2,651,649</u>

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Fund Balance

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, 2009 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	199,480
Firemen's Mill Rate Fund	
Cash and investments designated for future equipment purchases	187,214
Ambulance Fund	
Cash and investments designated for future equipment purchases	230,825
Capital Project Funds	
Cash and investments designated for future capital expenditures	<u>2,359,524</u>
Total Designated	<u>\$ 3,017,866</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>\$ 432,548</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Net Assets

	Restricted Net Assets Imposed By				Total
	Grantors	Contributors	Bond Reserve	Legally Enforceable	
<u>Major Governmental Funds:</u>					
Business Flood Recovery Loan Program Fund:					
Flood Recovery Loans	\$ 17,167,835	\$	\$	\$	\$ 17,167,835
<u>Nonmajor Governmental Funds:</u>					
Fire and Police Garage Debt Service Fund:					
Restricted for future debt service			6,289		6,289
 Total Governmental Activities	<u>17,167,835</u>		<u>6,289</u>		<u>\$ 17,174,124</u>
<u>Major Proprietary Funds:</u>					
Liquor Fund:					
Due from FEMA	\$ 123,959	\$	\$	\$	\$ 123,959
Electric Utility Fund:					
Restricted for future debt service and capital expenditures			638,612		638,612
Water Utility Fund:					
Restricted for future debt service and capital expenditures			690,939		690,939
Sewer Utility Fund:					
Restricted for future debt service and capital expenditures			1,564,354		1,564,354
 Total Business-Type Activities	<u>123,959</u>		<u>2,893,905</u>		<u>3,017,864</u>
 Total Restricted Net Assets	<u>\$ 17,291,794</u>	<u>\$</u>	<u>\$ 2,900,194</u>	<u>\$</u>	<u>\$ 20,191,988</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 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$38,524, \$35,200, and \$34,471, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2009, 2008, and 2007 were \$26,121, \$22,742, and \$18,757, 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 2009, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2009 and as of December 31, 2009 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 2009 totaling \$15,827 together with an additional contribution of \$2,877 from the City General Fund.

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

CITY OF RUSHFORD, 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 2009.

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 2009. 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. 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 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, 2009

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2009

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, 2009**

Special Revenue

	<u>612</u>	<u>614</u>	<u>211</u>	<u>607</u>	<u>203</u> EDA Revolving Loan	<u>213</u> Community Center	Total
	Airport Operations	Fire Department	Library	Ambulance			
ASSETS							
Cash and investments	\$ 70,533	\$ 347,515	\$ 104,478	\$ 55,234	\$ 205,497	\$	\$ 783,257
Accrued interest receivable		813		954			1,767
Accounts receivable	2,473	7,976		196,243	16,115		222,807
Special assessments receivable:							
Deferred							
Delinquent	347						347
Prepaid expense	78		247	1,308			1,633
Taxes receivable - delinquent		499	1,671			87	2,257
Due from other funds		30,674		16,094	58,552		105,320
Due from other governmental units	5,247	80,144	892	53,657		593,382	733,322
Restricted cash							
TOTAL ASSETS	<u>\$ 78,678</u>	<u>\$ 467,621</u>	<u>\$ 107,288</u>	<u>\$ 323,490</u>	<u>\$ 280,164</u>	<u>\$ 593,469</u>	<u>\$ 1,850,710</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 2,403	\$ 666	\$ 1,117	\$ 3,784	\$	\$ 32,590	\$ 40,560
Due to other funds				19,356		58,552	77,908
Advance from other funds					16,115		16,115
Deferred revenue	16,761	80,261	1,671	69,525	16,115	593,469	777,802
Total Liabilities	<u>19,164</u>	<u>80,927</u>	<u>2,788</u>	<u>92,665</u>	<u>32,230</u>	<u>684,611</u>	<u>912,385</u>
Fund Balance							
Reserved							
Unreserved							
Designated		386,694		230,825			617,519
Undesignated	59,514		104,500		247,934	(91,142)	320,806
Total Fund Balance	<u>59,514</u>	<u>386,694</u>	<u>104,500</u>	<u>230,825</u>	<u>247,934</u>	<u>(91,142)</u>	<u>938,325</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 78,678</u>	<u>\$ 467,621</u>	<u>\$ 107,288</u>	<u>\$ 323,490</u>	<u>\$ 280,164</u>	<u>\$ 593,469</u>	<u>\$ 1,850,710</u>

Debt Service							Capital Project			
Tax Increment District										
<u>378</u>	<u>350</u>	<u>351,352</u>	<u>381</u>	<u>382 / 383</u>	<u>360</u>			<u>501</u>	<u>802</u>	
2004	2009	<u>353,354,355</u>	Fire & Police	Equipment Capital Leases	EDA Land Purchase	Total	<u>405</u>	2009	Blandin	
G.O. Refunding Bonds	Improvement Project	G.O. Bonds	Garage				Tax Increment	Improvement Project	Grant	Total
\$ 99,396	\$ 102,752	\$ 170,021	\$ 2,396	\$ 35,272	\$ 8,594	\$ 418,431	\$ 46,197	\$ 1,602,080	\$ 914	\$ 2,850,879
										1,767
										222,807
		25,016				25,016				25,016
										347
1,592		3,155	311	451	795	6,304				1,633
										8,561
										105,320
981		2,119	165	239	609	4,113				737,435
			6,289			6,289				6,289
<u>\$ 101,969</u>	<u>\$ 102,752</u>	<u>\$ 200,311</u>	<u>\$ 9,161</u>	<u>\$ 35,962</u>	<u>\$ 9,998</u>	<u>\$ 460,153</u>	<u>\$ 46,197</u>	<u>\$ 1,602,080</u>	<u>\$ 914</u>	<u>\$ 3,960,054</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$ 101,401	\$	\$ 141,961
										77,908
										16,115
1,592		28,171	311	451	795	31,320				809,122
<u>1,592</u>		<u>28,171</u>	<u>311</u>	<u>451</u>	<u>795</u>	<u>31,320</u>		<u>101,401</u>		<u>1,045,106</u>
100,377	102,752	172,140	6,289	35,511	9,203	426,272				426,272
							46,197	1,500,679	914	2,165,309
			2,561			2,561				323,367
<u>100,377</u>	<u>102,752</u>	<u>172,140</u>	<u>8,850</u>	<u>35,511</u>	<u>9,203</u>	<u>428,833</u>	<u>46,197</u>	<u>1,500,679</u>	<u>914</u>	<u>2,914,948</u>
\$ 101,969	\$ 102,752	\$ 200,311	\$ 9,161	\$ 35,962	\$ 9,998	\$ 460,153	\$ 46,197	\$ 1,602,080	\$ 914	\$ 3,960,054

CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	Special Revenue						
	<u>612</u>	<u>614</u>	<u>211</u>	<u>607</u>	<u>203</u> EDA Revolving	<u>213</u> Community Center	Total
	Airport Operations	Fire Department	Library	Ambulance	Loan		
REVENUES							
Property tax	\$ 11,282	\$ 23,076	\$ 54,664	\$	\$	\$ 105	\$ 89,127
Tax increments							
Intergovernmental	54,357	22,127	58,606	4,500		20,110	159,700
Charges for services	10,946	48,752	3,392	153,899			216,989
Special assessments							
Interest income	220	6,803	626	1,981	8,149	389	18,168
Miscellaneous	1,230	13,485		3,732	252,429		270,876
TOTAL REVENUES	<u>78,035</u>	<u>114,243</u>	<u>117,288</u>	<u>164,112</u>	<u>260,578</u>	<u>20,604</u>	<u>754,860</u>
EXPENDITURES							
Public safety		70,242		246,533			316,775
Airport	56,144						56,144
Library			104,241				104,241
Community center						198,772	198,772
Debt service							
Capital outlay							
Economic development					886		886
TOTAL EXPENDITURES	<u>56,144</u>	<u>70,242</u>	<u>104,241</u>	<u>246,533</u>	<u>886</u>	<u>198,772</u>	<u>676,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,891</u>	<u>44,001</u>	<u>13,047</u>	<u>(82,421)</u>	<u>259,692</u>	<u>(178,168)</u>	<u>78,042</u>
OTHER FINANCING SOURCES (USES)							
Issuance of debt							
Transfers in		20,000					20,000
Transfer out				(22,874)			(22,874)
Total other financing sources (uses)		<u>20,000</u>		<u>(22,874)</u>			<u>(2,874)</u>
EXTRAORDINARY ITEMS							
Insurance proceeds				527			527
Extraordinary items, net				<u>527</u>			<u>527</u>
Net change in fund balances	21,891	64,001	13,047	(104,768)	259,692	(178,168)	75,695
FUND BALANCES, Beginning	<u>37,623</u>	<u>322,693</u>	<u>91,453</u>	<u>335,593</u>	<u>(11,758)</u>	<u>87,026</u>	<u>862,630</u>
FUND BALANCES, Ending	<u>\$ 59,514</u>	<u>\$ 386,694</u>	<u>\$ 104,500</u>	<u>\$ 230,825</u>	<u>\$ 247,934</u>	<u>\$ (91,142)</u>	<u>\$ 938,325</u>

Debt Service						Capital Project				
<u>378</u>										
Tax Increment District 2004 G.O. Refunding Bonds	<u>350</u> 2009 Improvement Project	<u>351,352</u> <u>353,354,355</u> G.O. Bonds	<u>381</u> Fire & Police Garage	<u>382 / 383</u> Equipment Capital Leases	<u>360</u> EDA Land Purchase	Total	<u>405</u> Tax Increment	<u>501</u> 2009 Improvement Project	<u>802</u> Blandin Grant	Total
\$ 61,770	\$	\$ 99,492	\$ 10,105	\$ 14,651	\$ 36,749	\$ 222,767	\$	\$	\$	\$ 311,894
15,079		35,784	3,552	5,283	13,607	73,305	10,499			10,499
492		24,404				24,896				233,005
257	18	329	30	1,045	(146)	1,533	220	226	45	216,989
										24,896
										20,192
										270,876
<u>77,598</u>	<u>18</u>	<u>160,009</u>	<u>13,687</u>	<u>20,979</u>	<u>50,210</u>	<u>322,501</u>	<u>10,719</u>	<u>226</u>	<u>45</u>	<u>1,088,351</u>
										316,775
										56,144
										104,241
164,344		141,836	10,861	50,666	42,501	410,208				198,772
							9,449	401,567	9,567	410,208
										420,583
										886
<u>164,344</u>		<u>141,836</u>	<u>10,861</u>	<u>50,666</u>	<u>42,501</u>	<u>410,208</u>	<u>9,449</u>	<u>401,567</u>	<u>9,567</u>	<u>1,507,609</u>
<u>(86,746)</u>	<u>18</u>	<u>18,173</u>	<u>2,826</u>	<u>(29,687)</u>	<u>7,709</u>	<u>(87,707)</u>	<u>1,270</u>	<u>(401,341)</u>	<u>(9,522)</u>	<u>(419,258)</u>
	90,445					90,445		2,635,875		2,726,320
	12,289			22,874		35,163				55,163
		(12,289)				(12,289)		(733,855)		(769,018)
	102,734	(12,289)		22,874		113,319		1,902,020		2,012,465
										527
										527
(86,746)	102,752	5,884	2,826	(6,813)	7,709	25,612	1,270	1,500,679	(9,522)	1,593,734
187,123		166,256	6,024	42,324	1,494	403,221	44,927		10,436	1,321,214
<u>\$ 100,377</u>	<u>\$ 102,752</u>	<u>\$ 172,140</u>	<u>\$ 8,850</u>	<u>\$ 35,511</u>	<u>\$ 9,203</u>	<u>\$ 428,833</u>	<u>\$ 46,197</u>	<u>\$ 1,500,679</u>	<u>\$ 914</u>	<u>\$ 2,914,948</u>

CITY OF RUSHFORD, MINNESOTA
AIRPORT FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2008 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 13,000	\$ 11,375	\$ 11,282	\$ (93)	\$ 8,641
Intergovernmental Revenues					
State grants	12,324	39,400	41,313	1,913	38,504
Local government aid	10,000	9,384	9,384		8,581
Flood loss aid			2,625	2,625	
Market value and disaster credit		1,625	1,035	(590)	4,981
Total Intergovernmental revenues	22,324	50,409	54,357	3,948	52,066
Charges for Services					
Land leases	2,592	4,800	5,972	1,172	3,338
Hangar rentals	4,320	3,900	3,990	90	4,365
Fuel and utilities	900	834	984	150	1,443
Total Charges For Services	7,812	9,534	10,946	1,412	9,146
Interest Income					
	250	220	220		242
Miscellaneous Revenues					
		1,230	1,230		120
TOTAL REVENUES	43,386	72,768	78,035	5,267	70,215
EXPENDITURES					
Airport					
Salaries	4,100	4,100	4,100		3,900
General supplies	300	450	402	48	266
Fuel	2,000	1,600	1,387	213	1,575
Professional services	1,650	18,750	18,419	331	8,631
Insurance	3,750	5,550	5,096	454	4,636
Utilities	4,330	4,830	4,851	(21)	3,727
Repairs and maintenance	3,200	6,900	6,805	95	5,600
Dues, subscriptions and fees	1,300	1,300	1,328	(28)	1,233
Taxes on property	300	300	300		266
Capital outlay	15,000	13,500	13,456	44	18,726
TOTAL EXPENDITURES	35,930	57,280	56,144	1,136	48,560
Excess of revenues over expenditures	7,456	15,488	21,891	6,403	21,655
FUND BALANCES, BEGINNING	37,623	37,623	37,623		15,968
FUND BALANCES, ENDING	\$ 45,079	\$ 53,111	\$ 59,514	\$ 6,403	\$ 37,623

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Budgeted Amounts		2009 Actual Amounts			Variance with Final Budget Favorable (Unfavorable)	2008 Actual Amounts
	Original	Final	General	Mill Rate	Total		
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 27,000	\$ 23,625	\$ 23,076		\$ 23,076	\$ (549)	
Intergovernmental Revenues							
Fire relief aid	22,000	15,827	15,827		15,827		
Market value, county & grant aid		6,300	6,300		6,300		
Total Intergovernmental revenues	22,000	22,127	22,127		22,127		
Charges For Services							
Township contributions	46,673	41,503		41,503	41,503		46,673
Fire calls, contracts and water hauling	7,000	7,000	7,249		7,249	249	13,584
Total Charges For Services	53,673	48,503	7,249	41,503	48,752	249	60,257
Interest Income							
	3,600	5,000	4,266	2,537	6,803	1,803	7,924
Miscellaneous Revenues							
Donations	10,000	14,000	13,485		13,485	(515)	16,811
TOTAL REVENUES	116,273	113,255	70,203	44,040	114,243	988	84,992
EXPENDITURES							
Public Safety							
Salaries	14,500	12,000	11,441		11,441	559	12,816
Fire relief aid	24,250	18,677	18,704		18,704	(27)	
Office supplies	450	450	247		247	203	415
Meeting and conferences	5,800	5,800	5,557		5,557	243	6,031
General supplies	6,350	9,250	7,676	230	7,906	1,344	4,472
Professional services	900	1,000	1,035		1,035	(35)	
Telephone	500	500	548		548	(48)	
Insurance	9,150	10,200	9,750		9,750	450	
Utilities	4,225	3,850	3,324		3,324	526	
Benefit dances	1,000	500	651		651	(151)	914
Repairs and maintenance	3,300	2,700	980	1,468	2,448	252	2,106
Dues, subscriptions and fees	1,400	1,400	1,174		1,174	226	1,356
Miscellaneous	11,350	9,300	5,274	63	5,337	3,963	6,972
Capital outlay	7,000	6,500	2,120		2,120	4,380	150,180
TOTAL EXPENDITURES	90,175	82,127	68,481	1,761	70,242	11,885	185,262
Excess (deficit) revenues over (under) expenditures	26,098	31,128	1,722	42,279	44,001	12,873	(100,270)
OTHER FINANCING SOURCES (USES)							
Issuance of debt							121,498
Transfers in	20,000	20,000	20,000		20,000		20,000
Total other financing sources (uses)	20,000	20,000	20,000		20,000		141,498
EXTRAORDINARY ITEMS							
Insurance proceeds							304
Net change in fund balance	46,098	51,128	21,722	42,279	64,001	12,873	41,532
FUND BALANCES, BEGINNING	322,693	322,693	177,758	144,935	322,693		281,161
FUND BALANCES, ENDING	\$ 368,791	\$ 373,821	\$ 199,480	\$ 187,214	\$ 386,694	\$ 12,873	\$ 322,693

CITY OF RUSHFORD, MINNESOTA
LIBRARY FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2008 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 63,000	\$ 55,125	\$ 54,664	\$ (461)	\$ 41,133
Intergovernmental Revenues					
County apportionment and other revenue	29,000	29,500	29,768	268	29,510
Flood loss aid			14,438	14,438	
Local government aid	10,000	9,384	9,384		8,581
Market value and disaster credit		7,875	5,016	(2,859)	24,139
Total Intergovernmental Revenues	39,000	46,759	58,606	11,847	62,230
Interest Income	1,800	1,000	626	(374)	1,282
Miscellaneous Revenues					
Fines, books and other	5,200	5,200	3,392	(1,808)	6,363
TOTAL REVENUES	109,000	108,084	117,288	9,204	111,008
EXPENDITURES					
Library					
Salaries	70,500	67,000	65,866	1,134	58,962
Employee benefits and retirement	8,800	8,800	8,981	(181)	7,661
Office supplies	1,300	1,400	926	474	1,063
General supplies	1,900	1,900	1,309	591	2,053
Professional services	700	800	790	10	665
Telephone	750	750	646	104	569
Insurance	1,650	1,900	1,764	136	1,567
Utilities	2,250	2,250	1,603	647	1,501
Repairs and maintenance	2,550	2,550	2,323	227	1,008
Dues, subscriptions and fees	1,500	1,500	1,343	157	1,528
Computer line fee	6,000	6,000	3,667	2,333	4,830
Miscellaneous	3,100	3,600	2,830	770	2,648
Capital outlay	17,700	17,700	12,193	5,507	18,396
TOTAL EXPENDITURES	118,700	116,150	104,241	11,909	102,451
Excess (deficit) of revenues over (under) expenditures	(9,700)	(8,066)	13,047	21,113	8,557
FUND BALANCES, BEGINNING	91,453	91,453	91,453		82,896
FUND BALANCES, ENDING	\$ 81,753	\$ 83,387	\$ 104,500	\$ 21,113	\$ 91,453

CITY OF RUSHFORD, MINNESOTA
AMBULANCE FUND
Statement of Revenues and Expenditures - Budget and Actual
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2008 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Charges For Services					
Fees from runs	200,000	200,000	138,031	(61,969)	120,123
City and township contracts	15,868	15,868	15,868		16,484
Total Charges For Services	215,868	215,868	153,899	(61,969)	136,607
Interest Income	4,000	1,500	1,981	481	5,683
Miscellaneous Revenues					
Other	3,500	4,250	3,732	(518)	12,011
Total Miscellaneous revenues	3,500	4,250	3,732	(518)	12,011
TOTAL REVENUES	227,868	226,118	164,112	(62,006)	158,801
EXPENDITURES					
Public Safety					
Salaries		58,000	57,591	409	48,173
Employee benefits and retirement		5,300	5,220	80	4,846
Office supplies and expense		1,000	706	294	1,022
Meeting and conferences		12,000	11,278	722	12,865
Gas, oil and supplies		3,500	3,019	481	5,210
General supplies		10,700	9,340	1,360	11,076
Professional services		1,000	1,000		1,000
Telephone		1,450	1,352	98	1,399
Insurance		6,430	5,960	470	5,692
Utilities		3,100	2,952	148	2,630
Repairs and maintenance		3,500	2,615	885	3,149
Dues, subscriptions and fees		3,000	610	2,390	1,769
Miscellaneous		1,700	1,657	43	2,914
Bad debt expense			139,928	(139,928)	
Capital outlay		4,000	3,305	695	139,386
TOTAL EXPENDITURES		114,680	246,533	(131,853)	241,131
Excess (deficiency) of revenues over (under) expenditures	227,868	111,438	(82,421)	(193,859)	(82,330)
OTHER FINANCING SOURCES (USES)					
Issuance of debt					100,000
Transfer out		(22,874)	(22,874)		
Total other financing sources (uses)		(22,874)	(22,874)		100,000
EXTRAORDINARY ITEMS					
Insurance proceeds			527	527	311
Net change in fund balance	227,868	88,564	(104,768)	(193,332)	17,981
FUND BALANCES, BEGINNING	335,593	335,593	335,593		317,612
FUND BALANCES, ENDING	\$ 563,461	\$ 424,157	\$ 230,825	\$ (193,332)	\$ 335,593

CITY OF RUSHFORD, MINNESOTA
EDA REVOLVING LOAN FUND
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)	2008 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$ 986	\$ 16,000	\$ 8,149	\$ (7,851)	\$ 1,136
Miscellaneous Revenues					
Loan principal	2,933	117,000	116,952	(48)	3,524
Other		135,500	135,477	(23)	
Total miscellaneous revenues	2,933	252,500	252,429	(71)	3,524
TOTAL REVENUES	3,919	268,500	260,578	(7,922)	4,660
EXPENDITURES					
Economic Development					
General supplies					10
Interest expense	886	886	886		1,028
TOTAL EXPENDITURES	886	886	886		1,038
Excess of revenues over expenditures	3,033	267,614	259,692	7,922	3,622
FUND BALANCES, BEGINNING	(11,758)	(11,758)	(11,758)		(15,380)
FUND BALANCES, ENDING	\$ (8,725)	\$ 255,856	\$ 247,934	\$ 7,922	\$(11,758)

CITY OF RUSHFORD, MINNESOTA
COMMUNITY CENTER FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	Budgeted Amounts		2009	Variance with	2008
	Original	Final	Actual Amounts	Final Budget Favorable (Unfavorable)	Actual Amounts
REVENUES					
Property Tax Levy					
Property taxes collected	\$	\$	\$ 105	\$ 105	\$ 6,038
Intergovernmental Revenues					
Local government aid	20,000	18,766	18,766		8,581
Flood loss aid		163,500	1,707	(161,793)	
Market value and disaster credit			(363)	(363)	3,065
Total Intergovernmental Revenues	20,000	182,266	20,110	(162,156)	11,646
Charges For Services					
Rental fees					
Total Charges For Services					
Interest Income					
		300	389	89	1,108
TOTAL REVENUES	20,000	182,566	20,604	(161,962)	18,792
EXPENDITURES					
General Government					
Cleaning expense	11,000	2,000	1,838	162	
General supplies	500				
Telephone	500				
Professional services	500	500	400	100	440
Insurance	1,500	1,200	418	782	1,013
Utilities	5,000				18
Repairs and maintenance	1,000				
Capital outlay		163,500	196,116	(32,616)	
TOTAL EXPENDITURES	20,000	167,200	198,772	(31,572)	1,471
Excess (deficit) of revenues over (under) expenditures		15,366	(178,168)	(193,534)	17,321
FUND BALANCES, BEGINNING	87,026	87,026	87,026		69,705
FUND BALANCES, ENDING	\$ 87,026	\$ 102,392	\$ (91,142)	\$ (193,534)	\$ 87,026

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CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

December 31, 2009

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Comparative Balance Sheets
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$	\$ 12,900
Accounts receivable	385	279
Due from other governmental units	123,959	286,274
Merchandise inventory	46,062	38,221
Prepaid insurance	1,407	1,250
Total Current Assets	171,813	338,924
Property and Equipment		
Building	766,148	753,121
Furniture and equipment	75,907	69,423
Total	842,055	822,544
Less: Accumulated depreciation	29,894	2,227
Net Property, Plant and Equipment	812,161	820,317
TOTAL ASSETS	\$ 983,974	\$ 1,159,241
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,236	\$ 85,075
Due to other funds	161,091	185,457
Accrued wages	13,340	12,971
Accrued sales tax	4,047	3,786
Total Liabilities	184,714	287,289
Net Assets	799,260	871,952
TOTAL LIABILITIES AND NET ASSETS	\$ 983,974	\$ 1,159,241

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	2009	2008
Operating Revenues		
Total sales	\$ 449,230	\$ 265,007
Cost of sales	317,861	205,130
Gross Profit	131,369	59,877
Operating Expenses		
Salaries and wages	115,134	92,640
Employee benefits and retirement	15,604	12,418
Office supplies	1,110	737
General supplies	6,536	2,645
Contracted services	9,074	5,325
Advertising	2,297	2,795
Telephone	1,242	234
Utilities	13,691	1,611
Insurance	7,841	10,149
Repairs and maintenance	2,076	648
Depreciation	27,667	2,227
Licenses, dues and subscriptions	4,438	3,587
Miscellaneous expense	385	6,094
Total Operating Expenses	207,095	141,110
Operating Income (Loss)	(75,726)	(81,233)
Nonoperating Revenue and (Expense)		
Interest income	(603)	(156)
Rental income	3,637	342
Total Nonoperating Revenue and (Expense)	3,034	186
Net Loss Before Transfers	(72,692)	(81,047)
Transfers in		2,306
Change in Net Assets	(72,692)	(78,741)
Net Assets, Beginning of Year	871,952	950,693
Net Assets, End of Year	\$ 799,260	\$ 871,952

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND
Gross Profit Schedule
December 31, 2009
With Comparative Totals for December 31, 2008

	Liquor	Beer	Misc	Totals	
				2009	2008
Sales					
On sale	\$ 40,765	\$ 57,137	\$ 4,629	\$ 102,531	\$ 21,445
Off sale	107,708	231,639	7,352	346,699	243,562
Total Sales	148,473	288,776	11,981	449,230	265,007
Cost of Sales					
Inventory, January 1	22,274	14,296	1,651	38,221	20,645
Purchases	107,351	207,052	8,892	323,295	220,843
Freight	2,407			2,407	1,863
Total	132,032	221,348	10,543	363,923	243,351
Less: Inventory, December 31	27,268	16,720	2,074	46,062	38,221
Total Cost of Sales	104,764	204,628	8,469	317,861	205,130
Gross Profit	\$ 43,709	\$ 84,148	\$ 3,512	\$ 131,369	\$ 59,877
Gross Profit Percentage	29%	29%	29%	29%	23%
Gross Profit Percentage:					
2008	20%	24%	33%	23%	
2007	38%	36%	30%	36%	
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, 2009
With Comparative Totals for December 31, 2008

	2009		Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,342,000	\$ 1,338,803	\$ (3,197)	\$ 1,234,682
Operating Expenses				
Cost of Production				
Purchased power	938,000	937,733	267	858,776
Distribution				
Salaries	3,740	3,808	(68)	2,758
Gas, oil and supplies	1,500	1,184	316	2,580
General supplies	2,800	2,779	21	1,676
Professional services	6,931	7,518	(587)	2,471
Repairs and maintenance	69,800	44,982	24,818	57,377
Depreciation and amortization	100,000	121,884	(21,884)	120,157
Total Distribution	184,771	182,155	2,616	187,019
General Administration				
Salaries	172,200	173,036	(836)	161,518
Employee benefits and retirement	24,500	23,887	613	21,946
Office supplies and expense	1,500	1,392	108	1,221
Professional services	5,200	5,886	(686)	6,125
Postage	4,500	4,179	321	4,509
Printing and publishing	1,200	952	248	773
Insurance	6,300	5,780	520	6,737
Dues, subscriptions and fees	21,000	5,995	15,005	5,678
Miscellaneous	3,531	1,524	2,007	2,648
Total General Administration	239,931	222,631	17,300	211,155
Total Operating Expenses	1,362,702	1,342,519	20,183	1,256,950
Operating Income (Loss)	(20,702)	(3,716)	16,986	(22,268)
Nonoperating Revenue and (Expense)				
Interest expense	(42,288)	(46,903)	(4,615)	(44,717)
Interest income	8,818	8,992	174	13,295
Penalty income	8,000	8,407	407	4,818
Service fee - refuse billings	4,000	3,993	(7)	3,579
Legal settlement				(1,218)
Compost site fees	(200)	(140)	60	(894)
Miscellaneous income	6,000	5,881	(119)	4,184
Total Other Income (Expense)	(15,670)	(19,770)	(4,100)	(20,953)
Net Income (Loss) Before Transfers	(36,372)	(23,486)	12,886	(43,221)
Transfers out				(30,000)
Change in Net Assets	(36,372)	(23,486)	12,886	(73,221)
Net Assets, Beginning of Year	2,000,282	2,000,282		2,073,503
Net Assets, End of Year	\$ 1,963,910	\$ 1,976,796	\$ 12,886	\$ 2,000,282

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
WATER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	2009		Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 292,000	\$ 289,227	\$ (2,773)	\$ 257,038
Operating Expenses				
Distribution				
Salaries	52,700	55,210	(2,510)	53,549
Utilities and fuel oil	16,100	15,512	588	11,142
Gas, oil and supplies	13,500	12,630	870	6,633
General supplies	2,000	1,325	675	1,212
Professional services	7,573	6,510	1,063	8,778
Repairs and maintenance	20,500	40,215	(19,715)	14,935
Depreciation and amortization	70,000	106,583	(36,583)	94,171
Sewage and water testing	1,200	1,235	(35)	768
Total Distribution	<u>183,573</u>	<u>239,220</u>	<u>(55,647)</u>	<u>191,188</u>
General Administration				
Salaries	28,600	28,623	(23)	25,795
Employee benefits and retirement	11,855	11,525	330	10,872
Office supplies and expense	600	480	120	526
Professional services	4,550	4,328	222	10,035
Postage	150	46	104	675
Printing and publishing	1,000	756	244	2,212
Insurance	6,350	6,234	116	5,744
Dues, subscriptions and fees	2,000	1,392	608	2,043
Miscellaneous	3,550	2,633	917	3,699
Total General Administration	<u>58,655</u>	<u>56,017</u>	<u>2,638</u>	<u>61,601</u>
Total Operating Expenses	<u>242,228</u>	<u>295,237</u>	<u>(53,009)</u>	<u>252,789</u>
Operating Income (Loss)	<u>49,772</u>	<u>(6,010)</u>	<u>(55,782)</u>	<u>4,249</u>
Nonoperating Revenue and (Expense)				
Interest expense	(122,114)	(36,127)	85,987	(43,706)
Interest income		(747)	(747)	1,539
Grants		70,513	70,513	142,300
Miscellaneous income	900		(900)	4,185
Total Other Income (Expense)	<u>(121,214)</u>	<u>33,639</u>	<u>154,853</u>	<u>104,318</u>
Income (Loss) Before Transfers, Capital Contributions, and Grants	<u>(71,442)</u>	<u>27,629</u>	<u>99,071</u>	<u>108,567</u>
Capital contributions		302,630	302,630	
Transfers in				<u>189,463</u>
Change in Net Assets	<u>(71,442)</u>	<u>330,259</u>	<u>401,701</u>	<u>298,030</u>
Net Assets, Beginning of Year	<u>1,486,699</u>	<u>1,486,699</u>		<u>1,188,669</u>
Net Assets, End of Year	<u>\$ 1,415,257</u>	<u>\$ 1,816,958</u>	<u>\$ 401,701</u>	<u>\$ 1,486,699</u>

CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND
SEWER DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2009
With Comparative Totals for December 31, 2008

	2009		Variance Favorable (Unfavorable)	2008 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 279,219	\$ 279,008	\$ (211)	\$ 265,555
Operating Expenses				
Distribution				
Salaries	84,400	86,115	(1,715)	96,713
Utilities and fuel oil	25,500	25,404	96	22,588
Gas, oil and supplies	1,500	1,104	396	3,206
General supplies	4,500	3,982	518	3,642
Professional services	6,042	5,131	911	20,707
Repairs and maintenance	28,000	69,840	(41,840)	6,029
Depreciation	90,000	109,273	(19,273)	108,932
Sewage and water testing	5,000	4,130	870	4,614
Total Distribution	<u>244,942</u>	<u>304,979</u>	<u>(60,037)</u>	<u>266,431</u>
General Administration				
Salaries	21,000	20,603	397	19,283
Employee benefits and retirement	15,355	14,806	549	15,807
Professional services	4,700	4,655	45	3,475
Printing and publishing	1,250	791	459	1,142
Insurance	5,100	5,064	36	5,662
Dues, subscriptions and fees	2,000	1,890	110	2,704
Miscellaneous	2,800	2,795	5	4,552
Total General Administration	<u>52,205</u>	<u>50,604</u>	<u>1,601</u>	<u>52,625</u>
Total Operating Expenses	<u>297,147</u>	<u>355,583</u>	<u>(58,436)</u>	<u>319,056</u>
Operating Income (Loss)	<u>(17,928)</u>	<u>(76,575)</u>	<u>(58,647)</u>	<u>(53,501)</u>
Nonoperating Revenue and (Expense)				
Interest expense	(19,701)	(18,992)	709	(20,917)
Interest income	3,800	4,356	556	7,081
Grants	115,500	38,642	(76,858)	588
Miscellaneous income	33,505	508	(32,997)	31,521
Total Other Income (Expense)	<u>133,104</u>	<u>24,514</u>	<u>(108,590)</u>	<u>18,273</u>
Income (Loss) Before Transfers, Capital Contributions, and Extraordinary Items	<u>115,176</u>	<u>(52,061)</u>	<u>(167,237)</u>	<u>(35,228)</u>
Capital contributions		226,679	226,679	
Extraordinary item - insurance proceeds		32,997	32,997	43,627
Transfers in				66,034
Change in Net Assets	<u>115,176</u>	<u>207,615</u>	<u>92,439</u>	<u>74,433</u>
Net Assets, Beginning of Year	<u>2,074,910</u>	<u>2,074,910</u>		<u>2,000,477</u>
Net Assets, End of Year	<u>\$ 2,190,086</u>	<u>\$ 2,282,525</u>	<u>\$ 92,439</u>	<u>\$ 2,074,910</u>

**CITY OF RUSHFORD, MINNESOTA
PFA WATER LOAN OF 1999 AND 2008
LOAN RETIREMENT DEBT SERVICE FUND**
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenues	\$ 138,455	\$ 106,928
Expenditures		
Principal	79,760	37,000
Interest	42,354	30,127
Total expenditures	122,114	67,127
Excess Revenues	16,341	39,801
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	16,341	39,801
Fund Balance, January 1	106,033	66,232
Fund Balance, December 31	\$ 122,374	\$ 106,033

CITY OF RUSHFORD, MINNESOTA
SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2009

CHANGE FUNDS	<u>\$ 3,069</u>
CHECKING ACCOUNTS	
<i>Associated Bank</i>	
General checking account	1,055,348
Flood checking account	6,393
<i>Rushford State Bank:</i>	
General checking account	<u>25,896</u>
TOTAL CHECKING ACCOUNTS	<u>1,087,637</u>
SAVINGS ACCOUNTS	
<i>Associated Bank:</i>	
Money market funds account	<u>2,029,761</u>
TOTAL SAVINGS ACCOUNTS	<u>2,029,761</u>
TOTAL CHANGE FUNDS AND DEMAND ACCOUNTS	<u><u>\$ 3,120,467</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2009

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Rushford State Bank</i>		
Certificate	3.25%	\$ 100,000
Certificate	3.25%	100,000
Certificate	2.65%	70,000
Certificate	2.43%	32,705
Certificate	3.25%	152,000
Certificate	2.75%	60,000
Certificate	4.90%	100,000
 <i>Colonial Savings and Loan</i>		
Government National Mortgage Association Certificate		<u>578</u>
TOTAL INVESTMENTS		615,283
TOTAL CHANGE FUNDS AND DEMAND ACCOUNTS (from prior page)		<u>3,120,467</u>
TOTAL CASH AND INVESTMENTS, December 31, 2009		<u><u>\$ 3,735,750</u></u>

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2009**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 531,604	\$ 80,771	\$ 612,375

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 450,000	\$ 78,612	\$ 528,612

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2009**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 55,000	\$ 29,790	\$ 84,790
2011	60,000	22,512	82,512
2012	60,000	21,072	81,072
2013	65,000	19,272	84,272
2014	65,000	17,322	82,322
2015	70,000	14,886	84,886
2016	70,000	12,260	82,260
2017	75,000	9,636	84,636
2018	80,000	6,560	86,560
2019	80,000	3,280	83,280
TOTAL	\$ 680,000	\$ 156,590	\$ 836,590

\$400,000 SERIES 2007A
WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
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	48,000	2,040	50,040
TOTAL	\$ 368,000	\$ 82,621	\$ 450,621

**CITY OF RUSHFORD, MINNESOTA
BUSINESS-TYPE ACTIVITIES
Debt Retirement Schedule
December 31, 2009**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 14,000	\$ 16,264	\$ 30,264
2011	45,000	16,075	61,075
2012	64,000	15,466	79,466
2013	65,000	14,601	79,601
2014	66,000	13,722	79,722
2015	67,000	12,830	79,830
2016	68,000	11,924	79,924
2017	69,000	11,005	80,005
2018	70,000	10,072	80,072
2019	71,000	9,126	80,126
2020	72,000	8,166	80,166
2021	73,000	7,192	80,192
2022	74,000	6,205	80,205
2023	75,000	5,205	80,205
2024	76,000	4,191	80,191
2025	77,000	3,163	80,163
2026	78,000	2,122	80,122
2027	79,000	1,068	80,068
TOTAL	\$ 1,203,000	\$ 168,397	\$ 1,371,397

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2009**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
2010	\$	\$ 69,733	\$ 69,733
2011		104,598	104,598
2012	95,000	103,173	198,173
2013	95,000	100,323	195,323
2014	100,000	97,398	197,398
2015	100,000	94,398	194,398
2016	105,000	91,323	196,323
2017	110,000	87,961	197,961
2018	115,000	84,305	199,305
2019	120,000	80,336	200,336
2020	120,000	76,136	196,136
2021	130,000	71,696	201,696
2022	135,000	66,825	201,825
2023	140,000	61,494	201,494
2024	145,000	55,794	200,794
2025	150,000	49,894	199,894
2026	160,000	43,494	203,494
2027	165,000	36,588	201,588
2028	175,000	29,254	204,254
2029	180,000	21,488	201,488
2030	190,000	13,275	203,275
2031	200,000	4,500	204,500
TOTAL	\$2,730,000	\$ 1,443,986	\$ 4,173,986

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2009**

\$240,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2000

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 30,000	\$ 2,900	\$ 32,900
2011	35,000	1,015	36,015
TOTAL	\$ 65,000	\$ 3,915	\$ 68,915

\$680,000 GENERAL OBLIGATION
IMPROVEMENT BONDS OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 75,000	\$ 9,584	\$ 84,584
2011	70,000	5,905	75,905
2012	80,000	2,060	82,060
TOTAL	\$ 225,000	\$ 17,549	\$ 242,549

CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2009

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 30,000	\$ 2,025	\$ 32,025
2011	30,000	675	30,675
TOTAL	\$ 60,000	\$ 2,700	\$ 62,700

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 360,000	\$ 39,174	\$ 399,174

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2009**

\$99,000 USDA LOAN OF 2001

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 5,611	\$ 2,250	\$ 7,861
2011	6,038	1,823	7,861
2012	6,340	1,521	7,861
2013	6,656	1,205	7,861
2014	6,987	874	7,861
2015	7,336	525	7,861
2016	3,198	159	3,357
TOTAL	\$ 42,166	\$ 8,357	\$ 50,523

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 586,449	\$ 433,563	\$ 1,020,012

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2009**

\$121,498 FIRE RESCUE VEHICLE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 23,172	\$ 4,620	\$ 27,792
2011	24,250	3,542	27,792
2012	25,377	2,415	27,792
2013	26,557	1,235	27,792
TOTAL	\$ 99,356	\$ 11,812	\$ 111,168

\$100,000 AMBULANCE CAPITAL LEASE OF 2008

YEAR	PRINCIPAL	INTEREST	TOTAL
2010	\$ 19,072	\$ 3,803	\$ 22,875
2011	19,959	2,916	22,875
2012	20,887	1,988	22,875
2013	21,858	1,016	22,874
TOTAL	\$ 81,776	\$ 9,723	\$ 91,499

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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, 2009, and have issued our report thereon dated April 29, 2010.

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 did not receive a performance bond and payment related to a construction contract entered into during 2009 as required by Minnesota State Statute.
- The City was under collateralized with regard to City cash deposits at December 31, 2009 as required by Minnesota State Statute. This under collateralization has been corrected and the City is properly collateralized as of April 29, 2010.

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, Schaffer and Associates, Ltd.

Rochester, Minnesota
April 29, 2010