

CITY OF RUSHFORD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2014

CITY OF RUSHFORD, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2014

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CITY OF RUSHFORD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2014

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CITY OF RUSHFORD, MINNESOTA

CITY OFFICIALS AS OF DECEMBER 31, 2014

Elected

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

Appointed

Stephen Sarvi	City Administrator
Kathy Zacher	Clerk-Treasurer

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CITY OF RUSHFORD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rushford, Minnesota as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rushford, Minnesota as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, EDA Revolving Loan Fund, Business Flood Recovery Loan Program Fund, and Capital Improvements Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2013, from which such partial information was derived.

We have previously audited the City's 2013 financial statements and our report dated April 11, 2014, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2015, on our consideration of the City of Rushford, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rushford, Minnesota's internal control over financial reporting and compliance.

Smith, Schafn and Associates, Ltd.

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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rushford exceeded its liabilities at the close of the most recent fiscal year by \$30,093,766 (*net position*). Of this amount, \$7,332,790 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$604,092 primarily as the result of current year capital outlay being funded by grant income.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$240,742 or 35 percent of total general fund expenditures. Given the uncertainty of state funding, the ongoing costs of flood recovery, the need to plan for the future and to be prepared for any future contingencies, we believe it is important for the City to rebuild this fund balance. With the goal being 35-50% to meet the City's Fund Balance Policy.
- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of \$5,781,170. Approximately 72 percent of this total amount, or \$4,158,064 is nonspendable, restricted or otherwise committed.
- The City of Rushford increased total outstanding debt by \$675,288 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.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Rushford 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 16-18 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-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, EDA revolving loan fund, business flood recovery loan program fund, capital improvements fund, and the Hwy 43 Mill Street project fund, all of which are considered to be major funds. Data from the other eighteen 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.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 25-30), EDA revolving loan fund (page 31), business flood recovery loan program fund (page 32), capital improvements fund (page 33), and the special revenue and selected capital project funds (pages 64-69) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 19-24 of this report.

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 34-37 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 38-59 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 60-63 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 were constructed by developers and contributed to the City prior to 2004 but have not been recorded. All acquisitions of infrastructure assets after January 1, 2004 have and will be recorded.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rushford, assets exceeded liabilities by \$30,093,766 at the end of the most recent year.

A portion of the City of Rushford's net position (38 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 Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 17,138,217	\$ 17,407,175	\$ 650,572	\$ 1,048,353	\$ 17,788,789	\$ 18,455,528
Capital assets	12,986,508	11,702,763	10,324,362	9,658,913	23,310,870	21,361,676
Total assets	<u>30,124,725</u>	<u>29,109,938</u>	<u>10,974,934</u>	<u>10,707,266</u>	<u>41,099,659</u>	<u>39,817,204</u>
Long-term liabilities						
outstanding	6,117,455	5,058,286	4,123,354	4,520,873	10,240,809	9,579,159
Other liabilities	343,568	313,121	421,516	435,250	765,084	748,371
Total liabilities	<u>6,461,023</u>	<u>5,371,407</u>	<u>4,544,870</u>	<u>4,956,123</u>	<u>11,005,893</u>	<u>10,327,530</u>
Net position:						
Net investment in						
capital assets	6,869,053	6,644,477	4,666,837	4,151,300	11,535,890	10,795,777
Restricted	10,526,797	12,788,561	698,289	1,103,137	11,225,086	13,891,698
Unrestricted	<u>6,267,852</u>	<u>4,305,493</u>	<u>1,064,938</u>	<u>496,706</u>	<u>7,332,790</u>	<u>4,802,199</u>
Total net position	<u>\$23,663,702</u>	<u>\$ 23,738,531</u>	<u>\$ 6,430,064</u>	<u>\$ 5,751,143</u>	<u>\$30,093,766</u>	<u>\$ 29,489,674</u>

An additional portion of the City of Rushford's net position, \$11,225,086 (37 percent) represents resources that are subject to external restrictions on how they may be used. The most significant restriction being the \$9,292,981 related to flood recovery loans. The remaining balance of *Unrestricted Net Position* of \$7,332,790 (24 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental activities. Governmental activities decreased the City of Rushford's net position by \$74,829. The most significant change in governmental net position is due to accounting for net position under full accrual accounting; current year decrease is due primarily to increased depreciation in 2014.

Business-type activities. Business-type activities increased the City of Rushford's net position by \$678,921.

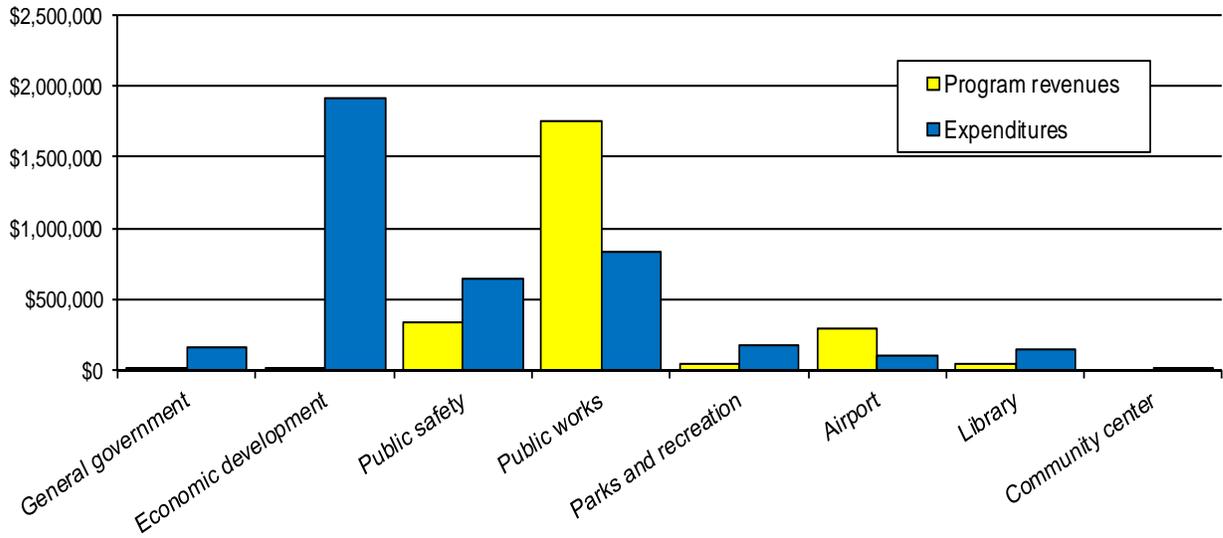
A condensed version of the Statement of Activities follows:

	City of Rushford, Minnesota's Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 339,374	\$ 349,690	\$ 2,890,268	\$ 2,834,691	\$ 3,229,642	\$ 3,184,381
Operating grants and contributions	123,112	114,349			123,112	114,349
Capital grants and contributions	2,029,516	189,419	385,231		2,414,747	189,419
General revenues:						
Property taxes	736,581	740,636			736,581	740,636
Tax increment revenues	12,392	12,264			12,392	12,264
Grants and contributions not restricted to specific programs	584,311	559,056			584,311	559,056
Other	190,080	118,095	42,620	103,965	232,700	222,060
Total revenues	<u>4,015,366</u>	<u>2,083,509</u>	<u>3,318,119</u>	<u>2,938,656</u>	<u>7,333,485</u>	<u>5,022,165</u>
Expenses:						
General government	154,056	147,157			154,056	147,157
Economic development	1,909,585	3,995,240			1,909,585	3,995,240
Public safety	648,256	643,564			648,256	643,564
Public works	838,759	326,920			838,759	326,920
Parks and recreation	169,797	153,282			169,797	153,282
Airport	102,088	102,694			102,088	102,694
Library	150,279	141,913			150,279	141,913
Community center	5,698	14,135			5,698	14,135
Interest on long-term debt	208,031	210,154			208,031	210,154
Liquor			26,972	27,219	26,972	27,219
Utilities			2,583,433	2,496,544	2,583,433	2,496,544
Extraordinary items	140,426		(207,987)		(67,561)	
Total expenses	<u>4,326,975</u>	<u>5,735,059</u>	<u>2,402,418</u>	<u>2,523,763</u>	<u>6,729,393</u>	<u>8,258,822</u>
Increase (Decrease) in net position before transfers	(311,609)	(3,651,550)	915,701	414,893	604,092	(3,236,657)
Transfers	236,780	99,000	(236,780)	(99,000)		
Increase (Decrease) in net position	(74,829)	(3,552,550)	678,921	315,893	604,092	(3,236,657)
Net position as restated, beginning	23,738,531	27,291,081	5,751,143	5,435,250	29,489,674	32,726,331
Net position, end of year	<u>\$23,663,702</u>	<u>\$ 23,738,531</u>	<u>\$ 6,430,064</u>	<u>\$ 5,751,143</u>	<u>\$ 30,093,766</u>	<u>\$ 29,489,674</u>

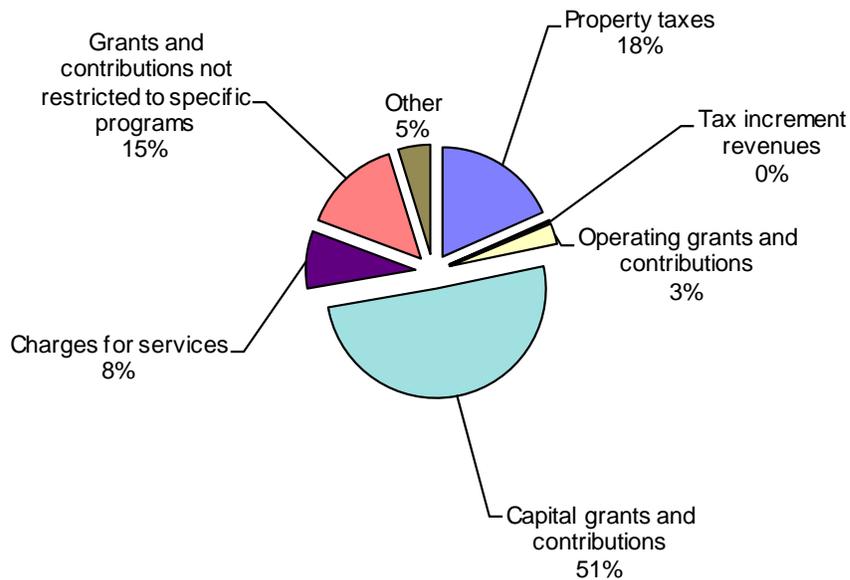
CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenditures and Program Revenues - Governmental Activities



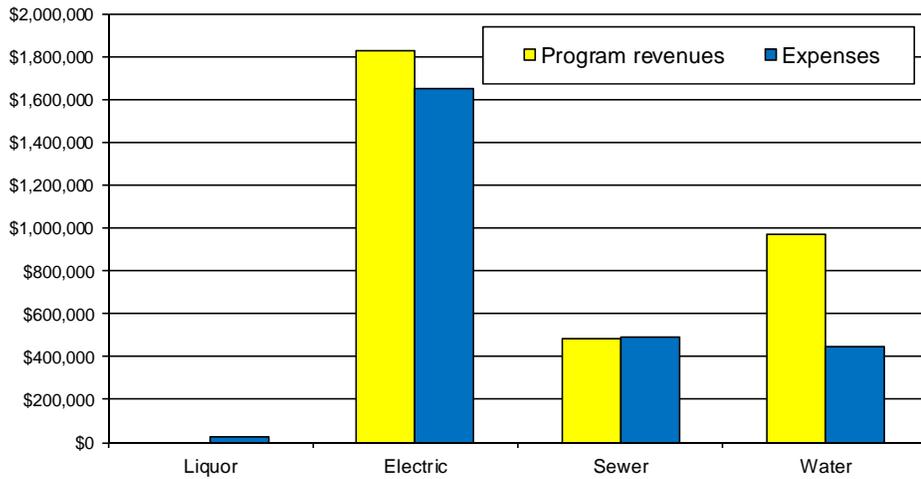
Revenues by Source - Governmental Activities



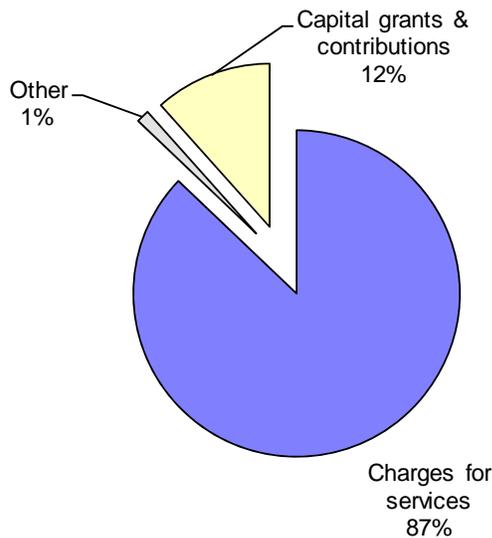
**CITY OF RUSHFORD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures, excluding extraordinary items. Since all four of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the City of Rushford 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, *unassigned fund balance* may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – report resources committed for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – represents the amount available for any purpose. However, only the General Fund may report a positive unassigned fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 9 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Rushford's governmental funds reported combined ending fund balances of \$5,781,170, an increase of \$1,778,428. The City of Rushford ended the year with \$203,244 in *unassigned fund balance* and \$2,119,031 of governmental fund balance is *restricted* or *nonspendable*, \$2,039,033 has been *committed* by council action and \$1,419,862 is *assigned*.

The general fund is the chief operating fund of the City of Rushford. At the end of the current fiscal year, unassigned fund balance of the general fund was \$240,742. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35 percent of total general fund expenditures.

The general fund's total fund balance increased by \$54,190 during the current fiscal year in part due to an increase in tax revenue collected along with a decrease in expenditures, particularly professional and contracted fees.

The EDA revolving loan fund's fund balance had a net decrease of \$142,515 for the year after expending funds for six revolving fund loans and transferring funds in from the business flood loan fund. The fund also shared professional and administrative costs by reimbursing the EDA general fund for expenses.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The business flood recovery loan program received loan payments and interest in the amount of \$414,662 and transferred \$345,994 to the EDA Revolving Loan Fund.

The capital improvements fund increased its fund balance by \$966,182 for the year with the receipt of the final FEMA payment and the reimbursement of the Highway 43/Mill Street project planning expenses.

The levee improvement project fund decreased its fund balance by \$17,556, due to work being performed on the levee improvement project and awaiting grant funding reimbursement. In 2011 a Tax Abatement Bond for \$695,000 was secured by the City to cover the City's share of the project. The State of MN, Flood Hazard Mitigation funding through the DNR is providing \$2,250,210 in grant funds for the majority of the cost of the improvement project and corrective actions needed.

The fire department fund increased its total fund balance by \$79,452 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 \$7,314, due to lower than expected expenditures as well as increased revenues. The ambulance fund increased its fund balance by \$23,588, due to receipt of the final FEMA reimbursement, increased collection of user fees and reduced operating expenses. Ambulance fund balance is designated for equipment replacement needs. A down payment on a replacement vehicle was made in 2014 with the balance to be financed in 2015. The community center fund balance increased \$14,215 during the year to pay for contractual and utility expenses at the building. The airport fund decreased its fund balance by \$15,902, awaiting grant funding reimbursement for an improvement project. The new hangar building continues to bring in increased rental income. There is one federal grant project yet to be finalized.

The debt service funds have a total fund balance of \$851,861 all of which is reserved for debt service. This fund balance increase from the prior year is due to special assessments related to the 2009 and 2011 improvement projects being paid early and the issuance of a new bond for the 2014 Highway 43/Mill Street Improvement Project.

The economic development fund decreased its fund balance by \$189,470 for the year due primarily to the settlement of a lawsuit and payment of legal fees. The EDA also expended promotional and consultant fees on the Highway 43/Mill Street Improvement Project.

The Tax Increment Capital Project fund increased its fund balance by \$1,392 which is the result of the annual taxes on the TIF housing project.

Proprietary funds. The City of Rushford's proprietary funds statements found on pages 35-38 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets excluding amounts invested in capital in the respective proprietary funds are Electric – \$682,145 and Water – \$389,586. The Sewer Fund reported a deficit of \$6,689 and the Liquor Fund reported a deficit of \$104. The increase/(decrease) in net position in the respective proprietary funds are Liquor - \$(15,000), Electric - \$100,854, Water - \$267,331 and Sewer - \$325,736 . The changes in net position are due to Liquor – depreciation and expenses for the unused building, Electric – increased due to funds being provided by the EDA Fund to assist with a new downtown street lightning project, Water – rebuilding funds for future projects, Sewer – wastewater treatment plant improvement project still being completed. All funds were impacted by the receipt of the final FEMA reimbursement.

Water Utility rates were increased in 2014, with the rate increasing approximately 5% as per the water rate schedule adopted in 2004 and amended in 2009. Extensive repairs were necessary to the water system following the 2007 flood event, resulting in the need to close one well, plan for a new well and a new water treatment facility. Funding sources for these projects include FEMA funds, PFA grants, PFA loans and increased water rates. The 2009 Improvement Project also identified revenues from the water fund to help offset debt service payments. A rate study was conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which will include water and sewer infrastructure rebuilds to be funded by PFA loans, assessments and user fees. The new rates and new conservation rate structure will take effect in February of 2015.

CITY OF RUSHFORD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Sewer Utility rates were increased in October 2012. Because of state mandated upgrades to the wastewater treatment plant and general maintenance needs of the system, a facility plan and rate study was completed in early 2006. The facility plan was updated in 2009 and will help guide and plan for future upgrades and improvements to the wastewater treatment plant as well as the aging collection system. An upgrade to the Wastewater Treatment Facility was begun in 2011, funded by PFA loans, FEMA grants and rate increases scheduled through 2013. A new contract was negotiated with the City of Rushford Village and includes increased customer rates as well as their participation in a share of the plant upgrade costs. The 2009 Improvement Project also identified revenues from the sewer fund to help offset debt service payments. A rate study was conducted in 2014 to prepare for the 2014 Highway 43/Mill Street Improvement project which will include water and sewer infrastructure rebuilds to be funded by PFA loans, assessments and user fees. The new rate and structure will be effective in February 2015.

The liquor store has not been in operation since 2011. Most fixtures and equipment were sold at auction. In 2013, the City retained an architectural firm to plan to re-purpose the building into a city hall/council chamber, securing a pledge of low interest funding available through the RD/USDA. This project was not completed. The City continues efforts to find a tenant or a use for the building.

Electric Utility rates have been studied due to the change in the City's power supply contract, with the entire rate structure being re-evaluated in May of 2006 to create a more equitable classification for all customers, to offer energy saving incentives and to prepare for the expected increase in wholesale power costs. In 2011 the City received a Hazard Mitigation Grant to upgrade and replace overhead service lines with underground lines in the downtown area. A rate study was conducted in 2012 in anticipation of increased wholesale costs and to prepare for necessary work plan improvements. The new rate structure anticipated the wholesale power increase over the peak months of summer usage and provided for summer and non-summer rates for all classes of customers. This rate increase affected different rate classes by different percentages, with an overall percentage increase of approximately 7.2%, while still remaining similar to the rates of neighboring utilities. In 2013, the increased wholesale power cost to the City was charged to the customer in the form of a monthly power cost adjustment rather than an overall rate increase. With favorable wholesale power rates, no rate changes were made in 2014. New downtown street lighting was installed as part of the Highway 43/Mill Street Improvement project and was financed with Electric Utility Funds with assistance from the EDA Revolving Loan Fund.

General Fund Budgetary Highlights

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

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

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

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, 2014, amounts to \$23,310,870 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and highways. The total increase in the City of Rushford's reported investment in capital assets for the current fiscal year was \$1,949,194, after depreciation of \$1,149,249.

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

OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS (CONTINUED)

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 1,239,853	\$ 4,082,380	\$ 105,460	\$ 105,460	\$ 1,345,313	\$ 4,187,840
Buildings	4,742,176	1,762,416	8,740,203	7,221,845	13,482,379	8,984,261
Machinery and equipment	648,138	658,121	395,884	358,983	1,044,022	1,017,104
Infrastructure	3,741,730	3,907,991			3,741,730	3,907,991
Construction in progress	2,614,611	1,291,855	1,082,815	1,972,625	3,697,426	3,264,480
Total	<u>\$12,986,508</u>	<u>\$11,702,763</u>	<u>\$10,324,362</u>	<u>\$9,658,913</u>	<u>\$23,310,870</u>	<u>\$21,361,676</u>

Additional information on the City of Rushford's capital assets can be found in Note 6 (pages 48-49).

Long-term debt. At the end of the current fiscal year, the City of Rushford had \$10,284,033 in bonds and notes outstanding. Of this amount, \$9,728,033 comprises debt backed by the full faith and credit of the government and \$556,000 represents bonds or notes secured solely by specified revenue sources.

City of Rushford, Minnesota's Outstanding Debt

General Obligation and Revenue Bonds and Notes Payable

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 5,640,000	\$ 4,550,000	\$	\$	\$ 5,640,000	\$ 4,550,000
GO Revenue bonds			3,574,401	3,867,095	3,574,401	3,867,095
Revenue bonds			556,000	662,000	556,000	662,000
Contract for deed	513,632	529,650			513,632	529,650
Total	<u>\$ 6,153,632</u>	<u>\$ 5,079,650</u>	<u>\$ 4,130,401</u>	<u>\$ 4,529,095</u>	<u>\$ 10,284,033</u>	<u>\$ 9,608,745</u>

The City's total bonds and notes payable increased by \$675,288 during the current fiscal year. During 2014, the City issued additional 2014A General Obligation Improvement Bonds for \$1,300,000. A more detailed breakdown of these obligations can be found in Note 7 (pages 50-51).

Standard & Poor's conducted a bond rating study in July 2011, and gave the City an A/Stable. The rating was again affirmed in November 2014.

Economic Factors and Next Year's Budgets and Rates

- Legislative changes to the new homestead exclusion, rather than the State paying a market value homestead credit to the City, shrank the value of the City's tax base by 13.48%, causing tax rates and taxes on most properties to increase in 2012 even though the City did not raise the levy. Taxes also generally shifted away from homestead to other properties. In subsequent years the new homestead exclusion format will allow for more valid comparisons of tax capacity and tax rates.

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

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

- Rushford has a limited supply of affordable residential building space. Shifting demographics will play an important role in the overall housing needs in the City and will need to be considered carefully when reviewing potential housing developments or subdivisions.
- The City completed a Housing Market Study which revealed a projected increase of 6.7% from 2000-2010. Much of the growth has been and is predicted to continue to be from households with children in search of affordable housing within commuting distance of Rochester or Winona. There are few large employers in the area; therefore, many residents travel to their employment. The City and EDA have been aggressive in their efforts to find viable businesses, assist existing businesses and expand the area marketplace. An update of the Housing Market Study was conducted post-flood to in 2008 help determine and plan for the community's long term housing needs. In 2014 the passing of the R/P School referendum and the subsequent building of a new school facility will provide several opportunities for repurposing of buildings and lots to help meet the growing housing need in the area. The Destination Medical Center efforts in Rochester, MN will also impact housing needs in the outlying communities and planning is in place to be ready to help meet that need. A housing needs study is scheduled to be conducted in 2015.
- The City of Rushford experienced a flood in August 2007 when six to seventeen inches of rain fell into the Root River and Rush Creek resulting in the impairment of the City's capital assets and the loss of City inventories. Over 50% of the City was flooded. The wastewater plant and two City wells were submerged under four feet of water. Of the 766 homes and businesses located in the City, 490 sustained damage, 79 of which were destroyed beyond recovery. Utilities were not provided to flood related homes and businesses during a two month period. In 2008, a majority of these homes and businesses were still not functioning at pre-flood capacity. The City has approximately 600 jobs of which 463 were impacted by the flood. In total the City estimates damages to be around \$70 million which includes damages to residential, business, public costs, lost jobs and virtually all City assets. Insurance proceeds, federal grants, and contributions have been used to begin the process of replacing the capital assets and supplies lost in the flood. The impact of the 2007 flood has been reported as an extraordinary item in the financial statements. Utility funds have seen the impact of fewer residential customers and reduced customer usage. In 2014, the final adjustments were made on all FEMA work projects. Funding was allocated or unallocated in various affected funds and the action finalizes all FEMA financial responsibilities from 2007 disaster event.
- Rushford's aging sewer and water infrastructure problems were exacerbated by the 2007 flood event warranting careful planning and financing in order to provide citizens with quality services at affordable rates. The need for repairs and upgrades to the infrastructure becomes more apparent each year since the flood. The 2009 Improvement Project, with the second phase being the 2011 Improvement Project will help bring residential services into compliance with sanitary sewer and water requirements. A combination of FEMA grants, bond levy, assessments and increased user fees are funding these projects. State and Federal mandates will also have a significant impact on that planning, especially when the mandates are unfunded. In 2012 the City began the planning process with Minnesota Department of Transportation for a joint effort of the replacement of Trunk Highway 43 from bridge-to-bridge within the City. The City will take this opportunity to replace some of the oldest water and sewer infrastructure in the City to eliminate leaks, I&I and provide quality services to the residents and businesses along that corridor. At the end of 2014 all utility infrastructure was in place, with the remaining street restoration to be completed in 2015.

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

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

- At the end of 2008, the City received an unallotment of \$47,909 in local government aid revenue without adequate notice to budget or plan for this shortfall in the 2009 budget cycle. In 2009, LGA was further reduced by \$39,094 and was further cut in 2010 by \$97,112. In 2011, a combination of State cuts in LGA and market value credit reductions totaled \$72,392. LGA funding for 2012 and 2013 remained consistent. Legislation changes in the LGA formula have provided a slight increase for the 2014 fiscal year. The uncertainty of the State's formula and potential for taking back revenues makes it difficult to budget for current needs and to plan for the future. The City attempts to set aside reserves to guard against these possible aid reductions, as well as to plan for future capital expansion and capital acquisitions.

Requests for Information

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

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CITY OF RUSHFORD, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2014
With Comparative Totals for December 31, 2013

	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
ASSETS				
Cash and investments	\$ 3,986,661	\$ 741,340	\$ 4,728,001	\$ 3,575,042
Receivables (net of allowance for uncollectibles)	565,397	104,881	670,278	714,806
Loans receivable	10,631,059		10,631,059	12,084,143
Accrued utility revenue		251,375	251,375	256,599
Internal balances	1,534,171	(1,534,171)		
Due from other governmental units	325,155	385,231	710,386	1,016,190
Restricted cash and investments	84,363	698,289	782,652	794,806
Prepaid items	11,411	3,627	15,038	13,942
Capital assets:				
Nondepreciable	3,854,464	1,188,275	5,042,739	7,452,320
Depreciable, net	9,132,044	9,136,087	18,268,131	13,909,356
Total Assets	<u>30,124,725</u>	<u>10,974,934</u>	<u>41,099,659</u>	<u>39,817,204</u>
LIABILITIES				
Accounts payable	123,326	276,228	399,554	282,201
Accrued interest payable	112,025	30,112	142,137	128,449
Accrued compensation and payroll taxes payable		14,860	14,860	15,017
Deposits payable		16,875	16,875	16,860
Accrued compensated absences	40,984	78,849	119,833	110,962
Due to other governmental units				142,420
Unearned revenue	67,233	4,592	71,825	52,462
Noncurrent liabilities:				
Due within one year	226,819	424,731	651,550	636,338
Due in more than one year	5,890,636	3,698,623	9,589,259	8,942,821
Total Liabilities	<u>6,461,023</u>	<u>4,544,870</u>	<u>11,005,893</u>	<u>10,327,530</u>
NET POSITION				
Net investment in capital assets	6,869,053	4,666,837	11,535,890	10,795,777
Restricted	10,526,797	698,289	11,225,086	13,891,698
Unrestricted	6,267,852	1,064,938	7,332,790	4,802,199
Total Net Position	<u>\$ 23,663,702</u>	<u>\$ 6,430,064</u>	<u>\$ 30,093,766</u>	<u>\$ 29,489,674</u>

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 154,056	\$ 18,573	\$	\$
Economic development	1,909,585		3,802	
Public safety	648,256	257,863	84,327	
Public works	838,759			1,755,912
Parks and recreation	169,797	36,496	2,258	
Airport	102,088	21,244		273,422
Library	150,279	5,198	32,725	182
Community center	5,698			
Interest and other charges	208,031			
Total governmental activities	4,186,549	339,374	123,112	2,029,516
Business-Type activities:				
Liquor	26,972			
Electric	1,648,139	1,823,745		
Sewer	490,858	480,815		
Water	444,436	585,708		385,231
Total business-type activities	2,610,405	2,890,268		385,231
Total	\$ 6,796,954	\$ 3,229,642	\$ 123,112	\$ 2,414,747

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

Change in net position
 Net position - beginning
 Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2014	2013
\$ (135,483)		\$ (135,483)	\$ (124,050)
(1,905,783)		(1,905,783)	(3,975,611)
(306,066)		(306,066)	(306,773)
917,153		917,153	(168,286)
(131,043)		(131,043)	(112,097)
192,578		192,578	(70,471)
(112,174)		(112,174)	(100,024)
(5,698)		(5,698)	(14,135)
(208,031)		(208,031)	(210,154)
<u>(1,694,547)</u>		<u>(1,694,547)</u>	<u>(5,081,601)</u>
	(26,972)	(26,972)	(27,219)
	175,606	175,606	197,260
	(10,043)	(10,043)	71,793
	<u>526,503</u>	<u>526,503</u>	<u>69,094</u>
	<u>665,094</u>	<u>665,094</u>	<u>310,928</u>
<u>(1,694,547)</u>	<u>665,094</u>	<u>(1,029,453)</u>	<u>(4,770,673)</u>
736,581		736,581	740,636
12,392		12,392	12,264
2,130		2,130	1,695
584,311		584,311	559,056
82,639	4,889	87,528	73,824
105,311	37,731	143,042	145,457
			1,084
(140,426)	207,987	67,561	
236,780	(236,780)		
<u>1,619,718</u>	<u>13,827</u>	<u>1,633,545</u>	<u>1,534,016</u>
(74,829)	678,921	604,092	(3,236,657)
<u>23,738,531</u>	<u>5,751,143</u>	<u>29,489,674</u>	<u>32,726,331</u>
<u>\$ 23,663,702</u>	<u>\$ 6,430,064</u>	<u>\$ 30,093,766</u>	<u>\$ 29,489,674</u>

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CITY OF RUSHFORD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2014

**CITY OF RUSHFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
With Comparative Totals for December 31, 2013**

	Special Revenue Funds			Capital Projects Funds	
	101	203	204	406	502
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Capital Improvements	Hwy 43 Mill Street Project
ASSETS					
Cash and investments	\$	\$ 572,362	\$ 68,635	\$ 388,874	\$ 1,031,140
Restricted cash					
Accrued interest receivable					
Accounts receivable	1,369			1,974	
Loans receivable		1,338,078	9,292,981		
Taxes receivable - delinquent	6,065			308	
Special assessments receivable:					
Deferred					
Delinquent				604	
Due from other funds	295,973			634,144	
Advances to other funds	366,042	200,000		33,559	
Due from other governmental units	6,906			285	
Prepaid items	4,992			2,565	
TOTAL ASSETS	\$ 681,347	\$ 2,110,440	\$ 9,361,616	\$ 1,062,313	\$ 1,031,140
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 16,023	\$ 567	\$ 68,635	\$ 1,708	\$ 13,702
Due to other funds					
Unearned revenue	5,850			1,974	
Total Liabilities	21,873	567	68,635	3,682	13,702
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	6,065			308	
Special assessments				604	
EDA loans receivable		1,338,078			
FEMA receivable					
Business flood loans receivable			9,292,981		
Total Deferred Inflows of Resources	6,065	1,338,078	9,292,981	912	
Fund Balance:					
Nonspendable:					
Prepaid items	4,992			2,565	
Advances to other funds	366,042	200,000		33,559	
Restricted:					
Externally imposed by:					
Grantors:					
EDA revolving loans		571,795			
Creditors					
Contributors					
Committed				1,021,595	1,017,438
Assigned	41,633				
Unassigned	240,742				
Total Fund Balance	653,409	771,795		1,057,719	1,017,438
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 681,347	\$ 2,110,440	\$ 9,361,616	\$ 1,062,313	\$ 1,031,140

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 1,925,650	\$ 3,986,661	\$ 2,988,769
84,363	84,363	84,181
183	183	368
26,442	29,785	50,197
7,746	10,631,059	12,084,143
	14,119	18,003
520,706	520,706	559,938
	604	604
	930,117	372,854
274,203	873,804	673,804
317,964	325,155	623,678
3,854	11,411	10,554
<u>\$ 3,161,111</u>	<u>\$ 17,407,967</u>	<u>\$ 17,467,093</u>

\$ 22,691	\$ 123,326	\$ 130,934
269,750	269,750	59,918
59,409	67,233	48,018
<u>351,850</u>	<u>460,309</u>	<u>238,870</u>

7,746	14,119	18,003
520,706	521,310	560,542
	1,338,078	858,072
		562,793
	9,292,981	11,226,071
<u>528,452</u>	<u>11,166,488</u>	<u>13,225,481</u>

3,854	11,411	10,554
274,203	873,804	673,804

	571,795	914,310
577,658	577,658	563,999
84,363	84,363	84,181
	2,039,033	88,972
1,378,229	1,419,862	1,520,322
(37,498)	203,244	146,600
<u>2,280,809</u>	<u>5,781,170</u>	<u>4,002,742</u>

<u>\$ 3,161,111</u>	<u>\$ 17,407,967</u>	<u>\$ 17,467,093</u>
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CITY OF RUSHFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	Special Revenue Funds			Capital Projects Funds	
	<u>101</u>	<u>203</u>	<u>204</u>	<u>406</u>	<u>502</u>
	General	EDA Revolving Loan	Business Flood Recovery Loan Program	Capital Improvements	Hwy 43 Mill Street Projects
REVENUES					
Property taxes	\$ 304,900	\$	\$	\$ 15,052	\$
Tax increment revenues					
Lodging taxes	2,130				
Special assessments					
Licenses and permits	16,808				
Fines and forfeits	15,816				
Intergovernmental revenues	303,648			662,184	1,550,000
Charges for services	36,146				
Interest income	380	2,839	45,072	2,425	2,102
Miscellaneous revenues	10,933	4,659	369,590	56,014	1,090
TOTAL REVENUES	690,761	7,498	414,662	735,675	1,553,192
EXPENDITURES					
Current					
General government	141,039				
Economic development		485,007	68,668		
Public safety	321,683				
Public works	128,822				
Parks and recreation	95,027				
Airport					
Library					
Community center					
Capital outlay				265,511	1,454,081
Debt service					
TOTAL EXPENDITURES	686,571	485,007	68,668	265,511	1,454,081
Excess (deficiency) of revenues over (under) expenditures	4,190	(477,509)	345,994	470,164	99,111
OTHER FINANCING SOURCES (USES)					
Issuance of debt					1,256,402
Transfers in	50,000	345,994		516,018	
Transfers out		(11,000)	(345,994)	(20,000)	(338,075)
Total other financing sources (uses)	50,000	334,994	(345,994)	496,018	918,327
Net change in fund balances	54,190	(142,515)		966,182	1,017,438
FUND BALANCES, Beginning	599,219	914,310		91,537	
FUND BALANCES, Ending	\$ 653,409	\$ 771,795	\$	\$ 1,057,719	\$ 1,017,438

See Notes to the Financial Statements

Other Governmental Funds	Total Governmental Funds	
	2014	2013
\$ 420,363	\$ 740,315	\$ 746,174
12,392	12,392	12,264
	2,130	1,695
62,837	62,837	124,949
	16,808	21,342
	15,816	11,835
595,449	3,111,281	748,427
256,032	292,178	297,730
15,237	68,055	62,215
73,696	515,982	488,912
<u>1,436,006</u>	<u>4,837,794</u>	<u>2,515,543</u>
	141,039	126,196
246,369	800,044	595,893
280,247	601,930	527,328
	128,822	115,988
	95,027	89,278
321,841	321,841	50,335
122,195	122,195	115,344
5,698	5,698	14,135
228,559	1,948,151	755,491
414,724	414,724	455,037
<u>1,619,633</u>	<u>4,579,471</u>	<u>2,845,025</u>
<u>(183,627)</u>	<u>258,323</u>	<u>(329,482)</u>
26,923	1,283,325	
131,598	1,043,610	476,163
<u>(91,761)</u>	<u>(806,830)</u>	<u>(377,163)</u>
<u>66,760</u>	<u>1,520,105</u>	<u>99,000</u>
(116,867)	1,778,428	(230,482)
<u>2,397,676</u>	<u>4,002,742</u>	<u>4,233,224</u>
<u>\$ 2,280,809</u>	<u>\$ 5,781,170</u>	<u>\$ 4,002,742</u>

**CITY OF RUSHFORD, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2014**

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

Total governmental fund balances (page 20)		\$ 5,781,170
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 17,318,747	
Less: Accumulated depreciation	<u>(4,332,239)</u>	12,986,508
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 14,119	
Special assessments	521,310	
EDA loans receivable	1,338,078	
Business flood loan receivable	<u>9,292,981</u>	11,166,488
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (6,117,455)	
Compensated absences	(40,984)	
Accrued interest	<u>(112,025)</u>	<u>(6,270,464)</u>
Net position of governmental activities (page 16)		<u><u>\$ 23,663,702</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, 2014

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

Net change in fund balances - total governmental funds (page 22)		\$ 1,778,428
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay - capitalized	\$ 1,880,860	
Depreciation expense	<u>(597,115)</u>	
		1,283,745
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.		
Property taxes	\$ (3,884)	
Special assessments	(39,232)	
Business flood loan receivable	<u>(369,431)</u>	
		(412,547)
Certain items do not result in expenditures in the governmental funds but, are reported as expenses in the statement of activities.		
Forgiveness of business flood loans		(1,563,659)
Collections/write down of FEMA receivable		(562,793)
Certain expenditures in the governmental funds are not reported as expenses in the statement of activities.		
EDA loans issued, net of collections		480,006
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(1,377)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retirement on long-term debt	\$ 226,018	
Issuance of long-term debt	(1,300,000)	
Amortization of bond discount	14,813	
Change in accrued interest	<u>(17,463)</u>	
		<u>(1,076,632)</u>
Change in net position of governmental activities (pages 17 and 18)		<u><u>\$ (74,829)</u></u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013**

	2014			Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
General Tax Levy	\$ 305,000	\$ 305,000	\$ 304,900	\$ (100)	\$ 292,958
Licenses and Permits					
Business	6,125	6,125	6,399	274	6,100
Nonbusiness	11,165	11,165	10,409	(756)	15,242
Total Licenses and Permits	17,290	17,290	16,808	(482)	21,342
Lodging Taxes	2,000	2,000	2,130	130	1,695
Intergovernmental Revenues					
Local government aid	279,270	279,270	279,270		289,018
Market value credit			41	41	38
Police aid	20,000	22,500	22,222	(278)	20,328
Snowmobile aids	25,000	19,000	18,902	(98)	18,172
Snowmobile trail assistance	(25,000)	(19,000)	(18,902)	98	(18,172)
Other aid	2,115	2,115	2,115		2,115
Total Intergovernmental Revenues	301,385	303,885	303,648	(237)	311,499
Fines and Forfeits	9,500	9,500	15,816	6,316	11,835
Charges For Services					
Swimming pool	32,600	32,600	33,007	407	32,108
Park usage fees	2,000	2,500	3,139	639	2,666
Total Charges For Services	34,600	35,100	36,146	1,046	34,774
Interest Income			380	380	82
Miscellaneous Revenues					
Other	6,135	7,585	10,933	3,348	6,646
TOTAL REVENUES	\$ 675,910	\$ 680,360	\$ 690,761	\$ 10,401	\$ 680,831

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, 2014
With Comparative Totals for December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,000	\$ 9,000	\$ 7,320	\$ 1,680	\$ 7,640
Meetings and conferences	2,000	2,000	1,529	471	1,490
General supplies	1,600	1,500	608	892	412
Printing and publishing	8,500	8,500	6,852	1,648	5,471
Professional services	6,500	5,500	2,920	2,580	2,426
Insurance	550	4,100	3,680	420	2,504
Dues, subscriptions and fees	4,200	4,200	4,230	(30)	3,990
Miscellaneous	1,100	1,100	560	540	584
Total Mayor and Council	33,450	35,900	27,699	8,201	24,517
Election Judges					
Salaries	1,200	1,800	1,685	115	335
Employee benefits and retirement	10	10	6	4	22
General supplies	1,510	260	12	248	636
Printing and publishing	400	400	400	400	321
Miscellaneous	200	200	78	122	
Total Election Judges	3,320	2,670	1,781	889	1,314
City Hall Administration					
Salaries	44,700	44,700	46,146	(1,446)	42,308
Employee benefits and retirement	9,800	9,800	9,158	642	8,027
Office supplies and expense	1,700	1,700	1,090	610	1,326
Meetings and conferences	50	150	135	15	30
General supplies	200	200	148	52	240
Telephone	3,000	2,800	2,664	136	2,604
Printing and publishing	1,400	1,800	1,878	(78)	1,406
Insurance	800	800	775	25	391
Repairs and maintenance	500	500	78	422	
Radio maintenance	500	500		500	
Dues, subscriptions and fees	5,500	5,500	5,137	363	4,456
Miscellaneous			39	(39)	741
Total City Hall Administration	\$ 68,150	\$ 68,450	\$ 67,248	\$ 1,202	\$ 61,529

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, 2014
With Comparative Totals for December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
General Government (Continued)					
Professional Services					
Legal and audit	\$ 27,100	\$ 23,600	\$ 16,850	\$ 6,750	\$ 23,579
Assessor	4,000	4,000	3,966	34	3,869
Total Professional Services	<u>31,100</u>	<u>27,600</u>	<u>20,816</u>	<u>6,784</u>	<u>27,448</u>
Building and Planning					
General supplies	520	500	305	195	70
Professional services	200	200		200	480
Consultant	10,000	10,000	10,556	(556)	
Telephone	50	50	3	47	9
Printing and publishing	450	450	80	370	35
Total Building and Planning	<u>11,220</u>	<u>11,200</u>	<u>10,944</u>	<u>256</u>	<u>594</u>
Municipal Building					
General supplies	1,000	1,000	723	277	582
Insurance	2,600	2,000	1,778	222	1,723
Utilities	8,900	9,550	8,871	679	8,263
Repairs and maintenance	1,600	1,900	1,179	721	226
Total Municipal Building	<u>14,100</u>	<u>14,450</u>	<u>12,551</u>	<u>1,899</u>	<u>10,794</u>
Total General Government	<u>161,340</u>	<u>160,270</u>	<u>141,039</u>	<u>19,231</u>	<u>126,196</u>
Public Safety					
Police Protection					
Salaries	196,000	196,000	185,915	10,085	186,458
Employee benefits and retirement	32,500	32,500	32,558	(58)	30,270
Office supplies and expense	1,150	1,500	1,506	(6)	916
Meetings and conferences	2,800	3,500	3,698	(198)	2,601
Gas, oil and supplies	11,500	11,500	12,971	(1,471)	12,178
General supplies	3,500	3,500	3,699	(199)	3,950
Professional services	12,900	12,900	25,510	(12,610)	24,619
Telephone	3,300	3,300	3,420	(120)	3,344
Insurance	8,700	8,200	7,301	899	6,193
Utilities	2,700	2,700	2,627	73	3,706
Repairs and maintenance	4,600	7,500	5,896	1,604	5,642
Dues, subscriptions and fees	500	2,500	2,380	120	400
Miscellaneous	500	50	7,471	(7,421)	3,238
Total Police Protection	<u>\$ 280,650</u>	<u>\$ 285,650</u>	<u>\$ 294,952</u>	<u>\$ (9,302)</u>	<u>\$ 283,515</u>

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013**

	2014				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final			
Public Safety (Continued)					
Ambulance					
Per capita charges	\$ 6,924	\$ 6,924	\$ 6,924		\$ 6,924
Building and Safety					
Professional services	20,550	20,550	13,274	7,276	14,075
Printing and publishing	200	200	190	10	168
Miscellaneous	250	250	175	75	108
Total Building and Safety	<u>21,000</u>	<u>21,000</u>	<u>13,639</u>	<u>7,361</u>	<u>14,351</u>
Civil Defense	<u>1,800</u>	<u>1,900</u>	<u>1,399</u>	<u>501</u>	<u>1,678</u>
Animal Control					
Salaries and wages	3,500	3,500	2,825	675	3,065
General supplies	80	80		80	
Insurance	80	80	56	24	32
Total Animal Control	<u>3,660</u>	<u>3,660</u>	<u>2,881</u>	<u>779</u>	<u>3,097</u>
Health and Welfare					
Weed and insect control		<u>2,800</u>	<u>1,888</u>	<u>912</u>	<u>1,900</u>
Total Public Safety	<u>\$ 314,034</u>	<u>\$ 321,934</u>	<u>\$ 321,683</u>	<u>\$ 251</u>	<u>\$ 311,465</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, 2014
With Comparative Totals for December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Public Works					
Highways, Streets and Alleys					
Salaries	\$ 28,000	\$ 26,000	\$ 24,347	\$ 1,653	\$ 20,283
Employee benefits and retirement	4,400	4,300	4,121	179	3,315
Gas, oil and supplies	12,000	12,000	13,447	(1,447)	10,361
General supplies	10,000	10,000	9,174	826	9,959
Blacktop and surface materials	1,000	1,000	615	385	624
Professional services			305	(305)	
Insurance	9,350	9,350	8,251	1,099	7,246
Repairs and maintenance	9,500	13,000	17,004	(4,004)	10,667
Miscellaneous	700	900	805	95	909
City garage expense	6,000	6,700	7,537	(837)	7,080
Street lighting	26,000	26,000	23,199	2,801	25,146
Total Highways, Streets and Alleys	106,950	109,250	108,805	445	95,590
Levee System					
Salaries	13,500	13,500	12,036	1,464	11,085
Employee benefits and retirement	2,300	2,300	2,286	14	1,814
Gas, oil and supplies	1,500	1,800	1,676	124	2,076
General supplies	300	300	268	32	223
Insurance	1,350	1,600	1,536	64	1,353
Utilities	1,800	2,000	1,793	207	2,366
Professional services	500	500	288	212	810
Repairs and maintenance	300	300	104	196	481
Miscellaneous		200	30	170	190
Total Levee System	21,550	22,500	20,017	2,483	20,398
Total Public Works	128,500	131,750	128,822	2,928	115,988
Parks and Recreation					
Park Department					
Salaries	13,500	13,500	12,036	1,464	11,086
Employee benefits and retirement	2,055	2,355	2,329	26	1,903
Gas and oil	1,600	1,600	1,635	(35)	2,074
General supplies	2,000	2,000	1,499	501	2,249
Telephone	10	60	149	(89)	6
Insurance	5,100	5,250	4,791	459	4,482
Utilities	4,500	4,800	5,022	(222)	4,424
Repairs and maintenance	4,700	4,700	4,751	(51)	3,671
Legal printing	100	100		100	
Miscellaneous	100	200	144	56	108
Total Park Department	\$ 33,665	\$ 34,565	\$ 32,356	\$ 2,209	\$ 30,003

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, 2014
With Comparative Totals for December 31, 2013

	2014		Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
Parks and Recreation (Continued)					
Swimming Pool					
Salaries	\$ 31,000	\$ 29,000	\$ 26,690	\$ 2,310	\$ 24,071
Employee benefits and retirement	2,400	2,400	2,042	358	1,840
Meetings and conferences	1,000	1,300	1,601	(301)	568
General supplies	5,200	7,200	6,635	565	5,485
Telephone	550	550	321	229	302
Printing and publishing	150	150	167	(17)	213
Insurance	4,350	4,600	4,150	450	3,508
Utilities	8,700	12,200	14,068	(1,868)	9,833
Repairs and maintenance	2,000	2,000	727	1,273	1,125
Miscellaneous	650	850	830	20	607
Total Swimming Pool	56,000	60,250	57,231	3,019	47,552
Tourism	4,500	4,900	2,494	2,406	4,065
Tree Board					
Salaries	1,500	1,500	1,500		1,500
General supplies	1,160	1,310	1,245	65	2,698
Contractual services	2,325	2,325	146	2,179	3,203
Insurance	100		40	(40)	157
Miscellaneous	15	15	15		100
Total Tree Board	5,100	5,150	2,946	2,204	7,658
Total Parks and Recreation	99,265	104,865	95,027	9,838	89,278
Capital Outlay					855
TOTAL EXPENDITURES	703,139	718,819	686,571	32,248	643,782
Excess (deficiency) of revenues over (under) expenditures	(27,229)	(38,459)	4,190	42,649	37,049
OTHER FINANCING USES					
Transfers in	50,000	50,000	50,000		50,000
Net change in fund balances	22,771	11,541	54,190	42,649	87,049
FUND BALANCE, January 1	599,219	599,219	599,219		512,170
FUND BALANCE, December 31	\$ 621,990	\$ 610,760	\$ 653,409	\$ 42,649	\$ 599,219

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
EDA REVOLVING LOAN FUND (203)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$	\$	\$ 2,839	\$ 2,839	\$ 2,127
Miscellaneous Revenues					
Loan principal			3,643	3,643	3,629
Other			1,016	1,016	1,000
Total miscellaneous revenues			4,659	4,659	4,629
TOTAL REVENUES			7,498	7,498	6,756
EXPENDITURES					
Economic Development					
Professional services		20,500	18,546	1,954	9,228
Dues, subscriptions and fees		1,000	889	111	2,399
Supplies					13
Revolving loans		465,572	465,572		452,925
TOTAL EXPENDITURES		487,072	485,007	2,065	464,565
Excess (deficit) of revenues over (under) expenditures		(487,072)	(477,509)	9,563	(457,809)
OTHER FINANCING USES					
Transfers in			345,994	345,994	334,288
Transfers out		(11,000)	(11,000)		
Total other financing		(11,000)	334,994	345,994	334,288
Net change in fund balances		(498,072)	(142,515)	355,557	(123,521)
FUND BALANCES, BEGINNING	914,310	914,310	914,310		1,037,831
FUND BALANCES, ENDING	\$ 914,310	\$ 416,238	\$ 771,795	\$ 355,557	\$ 914,310

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
BUSINESS FLOOD RECOVERY LOAN PROGRAM FUND (204)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	2014		Actual	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
Loan repayments	\$	\$ 369,590	\$ 369,590	\$	\$ 351,950
Interest income		45,071	45,072	1	50,290
TOTAL REVENUES		414,661	414,662	1	402,240
EXPENDITURES					
Current					
Loan principal refund		68,635	68,635		67,952
Other			33	(33)	
TOTAL EXPENDITURES		68,635	68,668	(33)	67,952
Excess (deficiency) of revenues over (under) expenditures		346,026	345,994	(32)	334,288
OTHER FINANCING USES					
Transfers out		345,994	(345,994)	(691,988)	(334,288)
Net change in fund balances		692,020		(692,020)	
FUND BALANCES, Beginning					
FUND BALANCES, Ending	\$	\$ 692,020	\$	\$ (692,020)	\$

See Notes to the Financial Statements

CITY OF RUSHFORD, MINNESOTA
CAPITAL IMPROVEMENTS FUND (406)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	2014		Actual	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES					
Property taxes	\$ 20,051	\$ 15,051	\$ 15,052	\$ 1	\$ 13,148
Intergovernmental revenues					
Local government aid	250,000	250,000	250,000		240,000
Grants			412,184	412,184	5,652
Interest income			2,425	2,425	1,086
Miscellaneous			56,014	56,014	10,630
TOTAL REVENUES	270,051	265,051	735,675	470,624	270,516
EXPENDITURES					
Current					
Capital outlay	248,500	248,500	265,511	(17,011)	602,211
TOTAL EXPENDITURES	248,500	248,500	265,511	(17,011)	602,211
Excess (deficiency) of revenues over (under) expenditures	21,551	16,551	470,164	453,613	(331,695)
OTHER FINANCING SOURCES (USES)					
Transfers in			516,018	516,018	
Transfers out	(20,000)	(20,000)	(20,000)		(20,000)
Total other financing sources (uses)	(20,000)	(20,000)	496,018	516,018	(20,000)
Net change in fund balances	1,551	(3,449)	966,182	969,631	(351,695)
FUND BALANCES, Beginning	91,537	91,537	91,537		443,232
FUND BALANCES, Ending	\$ 93,088	\$ 88,088	\$ 1,057,719	\$ 969,631	\$ 91,537

See Notes to the Financial Statements

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**CITY OF RUSHFORD, MINNESOTA
 PROPRIETARY FUNDS
 Statement of Net Position
 December 31, 2014
 With Comparative Totals for December 31, 2013**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2014	2013
ASSETS						
Current Assets						
Cash and cash equivalents	\$	\$ 741,340	\$	\$	\$ 741,340	\$ 586,273
Accounts receivable		68,863	18,816	15,438	103,117	85,035
Accrued utility revenue		177,149	37,424	36,802	251,375	256,599
Special assessments-delinquent		986	408	370	1,764	661
Due from other governmental units			385,231		385,231	392,512
Advance to other funds		300,000			300,000	300,000
Prepaid items		624	1,136	1,867	3,627	3,388
Total Current Assets		1,288,962	443,015	54,477	1,786,454	1,624,468
Property and Equipment						
Property, plant and equipment	777,644	3,655,670	5,665,563	5,294,738	15,393,615	13,286,222
Less: Accumulated depreciation	127,454	2,004,361	2,022,937	1,997,316	6,152,068	5,599,934
Property and Equipment, Net	650,190	1,651,309	3,642,626	3,297,422	9,241,547	7,686,288
Construction work in process		318,543	464,226	300,046	1,082,815	1,972,625
Total Property and Equipment	650,190	1,969,852	4,106,852	3,597,468	10,324,362	9,658,913
Other Assets						
Restricted cash and cash equivalents		81,104	261,603	355,582	698,289	710,625
Total Assets	650,190	3,339,918	4,811,470	4,007,527	12,809,105	11,994,006
LIABILITIES						
Current Liabilities						
Accounts payable	104	228,619	20,509	26,996	276,228	151,267
Due to other funds	445		311,580	348,342	660,367	312,936
Due to other governmental units						142,420
Unearned revenue		4,592			4,592	4,444
Current maturities of bonds payable		70,000	213,000	141,731	424,731	410,320
Accrued interest		8,661	13,866	7,585	30,112	33,887
Accrued sales tax		14,860			14,860	15,017
Customer deposits		16,875			16,875	16,860
Total Current Liabilities	549	343,607	558,955	524,654	1,427,765	1,087,151
Long-Term Liabilities						
Notes payable, net of current maturities, and unamortized discount		297,953	2,077,000	1,323,670	3,698,623	4,110,553
Advance from other funds	166,042	200,000		807,762	1,173,804	973,804
Accrued compensated absences		33,210	19,054	26,585	78,849	71,355
Total Liabilities	166,591	874,770	2,655,009	2,682,671	6,379,041	6,242,863
Net Position						
Net investment in capital assets	483,703	1,701,899	1,505,272	975,963	4,666,837	4,151,300
Restricted		81,104	261,603	355,582	698,289	1,103,137
Unrestricted	(104)	682,145	389,586	(6,689)	1,064,938	496,706
Total Net Position	\$ 483,599	\$ 2,465,148	\$ 2,156,461	\$ 1,324,856	\$ 6,430,064	\$ 5,751,143

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, 2014
With Comparative Totals for December 31, 2013

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2014	2013
Operating Revenues						
Sales	\$	\$ 1,823,745	\$ 585,708	\$ 480,815	\$ 2,890,268	\$ 2,834,691
Operating Expenses						
Cost of sales and production		1,202,559			1,202,559	1,181,847
Distribution expense		178,097	330,498	406,591	915,186	876,386
General administration		251,530	74,955	62,040	388,525	368,809
Liquor store operating expenses	26,972				26,972	27,219
Total Operating Expenses	26,972	1,632,186	405,453	468,631	2,533,242	2,454,261
Operating Income (Loss)	(26,972)	191,559	180,255	12,184	357,026	380,430
Nonoperating Revenue and (Expense)						
Loss on disposal of capital assets		(2,388)			(2,388)	
Other income (expense)	6	18,660	355,796	(21,386)	353,076	34,463
Income (Loss) Before Extraordinary Item and Transfers	(26,966)	207,831	536,051	(9,202)	707,714	414,893
Extraordinary gain (loss)	11,966	(56,977)	(177,113)	430,111	207,987	
Transfers out		(50,000)	(91,607)	(95,173)	(236,780)	(99,000)
Change in Net Position	(15,000)	100,854	267,331	325,736	678,921	315,893
Net Position, Beginning	498,599	2,364,294	1,889,130	999,120	5,751,143	5,435,250
Net Position, End of Year	\$ 483,599	\$ 2,465,148	\$ 2,156,461	\$ 1,324,856	\$ 6,430,064	\$ 5,751,143

See Notes to the Financial Statements

**CITY OF RUSHFORD, MINNESOTA
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013**

	Enterprise Funds				Totals	
	609 Liquor Fund	604 Electric Department	601 Water Department	602 Sewer Department	2014	2013
Cash Flows From Operating Activities						
Cash received from customers	\$ 170	\$ 1,818,387	\$ 579,557	\$ 478,526	\$ 2,876,640	\$ 2,814,893
Cash paid to employees for services		(199,032)	(102,057)	(148,155)	(449,244)	(435,639)
Cash paid to suppliers	(6,102)	(1,204,198)	(74,226)	(114,104)	(1,398,630)	(1,514,860)
Net Cash Provided By (Used In) Operating Activities	(5,932)	415,157	403,274	216,267	1,028,766	864,394
Cash Flows From Noncapital Financing Activities						
Decrease (Increase) in due from other funds	(81,298)	200,000	311,580	117,149	547,431	25,359
Grant aid received	87,394	14,147	68,829	287,709	458,079	
Other income (expense)		28,802	8,623	531	37,956	103,847
Transfers out		(50,000)	(91,607)	(95,173)	(236,780)	(99,000)
Net Cash Provided By Noncapital Financing Activities	6,096	192,949	297,425	310,216	806,686	30,206
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of debt				12,011	12,011	110,888
Principal payment on long-term debt		(65,000)	(207,000)	(138,705)	(410,705)	(404,001)
Purchase of capital assets		(333,265)	(495,869)	(388,449)	(1,217,583)	(239,350)
Interest paid on debt		(17,323)	(40,721)	(23,289)	(81,333)	(89,714)
Net Cash Used In Capital and Related Financing Activities		(415,588)	(743,590)	(538,432)	(1,697,610)	(622,177)
Cash Flows From Investing Activities						
Interest earnings on investments	(164)	3,818	925	310	4,889	2,409
Net Cash Provided By (Used In) Investing Activities	(164)	3,818	925	310	4,889	2,409
Net Increase (Decrease) In Cash and Cash Equivalents						
		196,336	(41,966)	(11,639)	142,731	274,832
Cash and Cash Equivalents - January 1						
		626,108	303,569	367,221	1,296,898	1,022,066
Cash and Cash Equivalents - December 31						
	\$	\$ 822,444	\$ 261,603	\$ 355,582	\$ 1,439,629	\$ 1,296,898
Shown on the Balance Sheet as:						
Cash and investments	\$	\$ 741,340	\$	\$	\$ 741,340	\$ 586,273
Restricted cash and investments		81,104	261,603	355,582	698,289	710,625
Total	\$	\$ 822,444	\$ 261,603	\$ 355,582	\$ 1,439,629	\$ 1,296,898

See Notes to the Financial Statements

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

	Enterprise Funds				Totals	
	<u>609</u>	<u>604</u>	<u>601</u>	<u>602</u>	2014	2013
	Liquor Fund	Electric Department	Water Department	Sewer Department		
Operating Income (Loss)	\$ (26,972)	\$ 191,559	\$ 180,255	\$ 12,184	\$ 357,026	\$ 380,430
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	21,016	135,618	210,286	186,389	553,309	478,725
Other income (loss)	170				170	
(Increase) Decrease In:						
Accounts receivable		(13,150)	(3,949)	(2,086)	(19,185)	13,990
Other accounts receivable		7,629	(2,202)	(203)	5,224	(39,109)
Merchandise inventory						
Prepaid insurance		(89)	(42)	(108)	(239)	(112)
Increase (Decrease) In:						
Accounts payable	(146)	90,057	17,073	17,820	124,804	14,298
Accrued wages		3,370	1,853	2,271	7,494	10,851
Unearned revenue		148			148	4,444
Customer deposits		15			15	877
Net Cash Provided By (Used In) Operating Activities	\$ (5,932)	\$ 415,157	\$ 403,274	\$ 216,267	\$ 1,028,766	\$ 864,394

See Notes to the Financial Statements

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CITY OF RUSHFORD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City's financial statements include the primary government and the component units of the City of Rushford, 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 2014.

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary-enterprise funds:

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

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

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

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

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

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

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.

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

Cash and Investments

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

Interfund Transactions

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

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

Property Taxes

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Special Assessments

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

Tax Increment Districts

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

Capital Assets

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

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

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

	Useful Life <u>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 has been reported in the financial statements.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

E. Comparative Data

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

F. Budgets and Budgetary Accounting

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

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

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, 2014, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$707,637.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2014, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash on Hand</u>	
Change funds	\$ 18
Deposits	5,396,272
Deposits with SELCO	84,363
Certificates of deposit	<u>30,000</u>
Total	<u>\$ 5,510,653</u>

Recorded on the Statement of Net Position as follows:

Cash and investments	\$ 4,728,001
Restricted cash and investments	<u>782,652</u>
Total	<u>\$ 5,510,653</u>

Investments Authorized by Minnesota Statutes

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

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

Collateralization of Cash Deposits

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes (continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. At December 31, 2014, there were no individual investments greater than 5 percent of the City's total investments.

3. Deferred Special Assessments Receivable

Year of Assessment:	Debt Service	
	Funds	
2011	\$	330,328
2012		190,378
Total	\$	520,706

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	\$ 5,766	\$ 1,140	\$	\$ 6,906
Special Revenue	2,235	13,958	246,047	262,240
Capital Project	284	48,915		49,199
Debt Service	6,810			6,810
Enterprise		385,231		385,231
Totals	\$ 15,095	\$ 449,244	\$ 246,047	\$ 710,386

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans, Leases, and Notes Receivable

Business Flood Recovery Program

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

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

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

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

A summary of business flood recovery loans is as follows:

Business Flood Recovery Loans:	2014	2013
Category 1 Loans:		
Forgivable portion	\$ 4,586,337	\$ 6,149,846
Non-Forgivable portion	2,072,617	2,187,009
Category 1-A Loans	1,392,958	1,516,945
Category 2 Loans	1,241,069	1,372,271
Total	\$ 9,292,981	\$ 11,226,071

Following is a summary of the notes receivable outstanding at December 31, 2014 and 2013:

	Original Note	Interest Rate	Receivable Balance	
			2014	2013
Notes Receivable-2010	\$ 393,039	4.25%	\$ 403,844	\$ 389,410
Notes Receivable-2010	19,849	5.00%	14,090	14,090
Notes Receivable-2011	31,883	0.05%	31,491	26,902
Notes Receivable-2012	149,000	4.25%	149,000	149,000
Notes Receivable-2013	94,653	5.00%	94,653	57,462
Notes Receivable-2013	500,000	2.00%	500,000	76,208
Notes Receivable-2013	145,000	4.50%	145,000	145,000
Total Notes Receivable			\$ 1,338,078	\$ 858,072

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	\$ 1,254,053	\$	\$ 14,200	\$ 1,239,853
Construction in progress	1,291,855	1,594,881	272,125	2,614,611
Total capital assets, not being depreciated	2,545,908	1,594,881	286,325	3,854,464
Capital assets, being depreciated:				
Buildings and Improvements	6,106,007	372,602		6,478,609
Infrastructure	4,489,923	29,533		4,519,456
Machinery and equipment	2,296,049	170,169		2,466,218
Total capital assets, being depreciated	12,891,979	572,304		13,464,283
Less accumulated depreciation for:				
Buildings and Improvements	1,515,264	221,169		1,736,433
Infrastructure	581,932	195,794		777,726
Machinery and equipment	1,637,928	180,152		1,818,080
Total accumulated depreciation	3,735,124	597,115		4,332,239
Total capital assets, being depreciated, net	9,156,855	(24,811)		9,132,044
Governmental activities capital assets, net	\$ 11,702,763	\$ 1,570,070	\$ 286,325	\$ 12,986,508

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	1,972,625	1,081,135	1,970,945	1,082,815
Total capital assets, not being depreciated	<u>2,078,085</u>	<u>1,081,135</u>	<u>1,970,945</u>	<u>1,188,275</u>
Capital assets, being depreciated:				
Buildings and improvements	12,438,917	2,025,965		14,464,882
Machinery and equipment	741,845	81,428		823,273
Total capital assets, being depreciated	<u>13,180,762</u>	<u>2,107,393</u>		<u>15,288,155</u>
Less accumulated depreciation for:				
Buildings and improvements	5,217,072	507,607		5,724,679
Machinery and equipment	382,862	44,527		427,389
Total accumulated depreciation	<u>5,599,934</u>	<u>552,134</u>		<u>6,152,068</u>
Total capital assets, being depreciated, net	<u>7,580,828</u>	<u>1,555,259</u>		<u>9,136,087</u>
Business-type activities capital assets, net	<u>\$ 9,658,913</u>	<u>\$ 2,636,394</u>	<u>\$ 1,970,945</u>	<u>\$ 10,324,362</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 8,140
Public safety	104,645
Public works	308,229
Airport	77,276
Library	28,084
Park and recreation	70,741
Total depreciation expense - governmental activities	<u>\$597,115</u>
Business-Type Activities:	
Electric	\$ 134,443
Water	210,286
Sewer	186,389
Liquor	21,016
Total depreciation expense - business-type activities	<u>\$552,134</u>

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of changes in long-term debt during 2014 is as follows:

	Range of Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES						
Bonds and Notes Payable:						
General obligation bonds:						
2004 Tax Increment Refunding Bonds	2.00% - 3.75%	\$ 130,000	\$	\$ 65,000	\$ 65,000	\$ 65,000
2009B Improvement Bonds (1)	3.00% - 4.50%	2,540,000		100,000	2,440,000	100,000
2011A Improvement Bonds	1.55% - 4.60%	1,185,000		45,000	1,140,000	45,000
2012A Tax Abatement Bonds	1.10% - 4.00%	695,000			695,000	
2014A Improvement Bonds	1.90% - 4.10%		1,300,000		1,300,000	
Compensated Absences		39,607	1,377		40,984	
Less: Unamortized Discount		(21,364)	(16,675)	(1,862)	(36,177)	
Notes payable:						
Contract for deed - land	5.00%	529,650		16,018	513,632	16,819
Governmental Activities						
Long-term Liabilities		5,097,893	1,284,702	224,156	6,158,439	226,819
BUSINESS-TYPE ACTIVITIES (1)						
Bonds and Notes Payable:						
General Obligation Revenue Note:						
1999 Water Department	3.04%	286,000		44,000	242,000	46,000
1996A Sewer Department	3.43%	283,801		67,400	216,401	69,731
2008 Water Department	1.35%	1,015,000		66,000	949,000	67,000
2010 Water Department	1.00%	974,000		56,000	918,000	57,000
2011 Sewer Department	1.077%	1,308,294	12,011	71,305	1,249,000	72,000
Revenue Bonds:						
2007A Water Revenue Bonds	4.25%	222,000		41,000	181,000	43,000
2009A Electric Revenue Refunding	2.40 - 4.10%	440,000		65,000	375,000	70,000
Compensated Absences		71,355	7,494		78,849	
Less: Unamortized Discount		(8,222)		(1,175)	(7,047)	
Business-type Activities						
Long-term Liabilities		4,592,228	19,505	409,530	4,202,203	424,731
Total		\$ 9,690,121	\$ 1,304,207	\$ 633,686	\$ 10,360,642	\$ 651,550

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding at December 31, 2014, excluding compensated absences, are summarized as below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds/Tax Abatement Bonds		General Obligation Revenue Bonds/Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2015	\$ 145,000	\$ 134,776	\$ 65,000	\$ 20,077	\$	\$	\$ 16,819	\$ 25,682
2016	200,000	130,913	25,000	18,725			17,660	24,840
2017	210,000	126,601	25,000	18,450			18,543	23,958
2018	215,000	121,795	25,000	18,094			19,470	23,030
2019	220,000	116,526	25,000	17,656			20,443	22,058
2020-2024	1,225,000	488,530	145,000	79,796			118,612	93,890
2025-2029	1,490,000	281,788	180,000	60,155			151,381	61,122
2030-2034	1,085,000	43,565	220,000	31,075			150,704	19,298
2035	90,000	1,845	50,000	1,000				
Totals	\$ 4,880,000	\$ 1,446,339	\$ 760,000	\$ 265,028	\$	\$	\$ 513,632	\$ 293,878
Business-Type Activities								
2015	\$	\$	\$	\$	\$ 424,731	\$ 72,410	\$	\$
2016					432,143	61,882		
2017					443,527	51,170		
2018					381,000	40,447		
2019					336,000	31,263		
2020-2024					1,063,000	96,020		
2025-2029					966,000	34,230		
2030-2031					84,000	926		
Totals	\$	\$	\$	\$	\$ 4,130,401	\$ 388,348	\$	\$

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures

	Due From Other Funds	Due To Other Funds
General Fund	\$ 295,973	\$
Capital Improvements Fund	634,144	
Levee Improvement Project Fund		65,149
Community Center Fund		21,794
Airport Operations fund		182,807
Subtotal Governmental Funds	<u>930,117</u>	<u>269,750</u>
Water Fund		311,580
Sewer Fund		348,342
Liquor Fund		445
Subtotal Enterprise Funds		<u>660,367</u>
Totals	<u>\$ 930,117</u>	<u>\$ 930,117</u>

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 366,042	\$
Special Revenue Funds:		
EDA Revolving Loan	200,000	
Capital Projects Fund:		
Capital improvements	33,559	
Debt Service Fund:		
2009 Improvement Project Fund	274,203	
Enterprise Funds:		
Liquor Fund		166,042
Electric Fund	300,000	200,000
Sewer Fund		807,762
Total	<u>\$ 1,173,804</u>	<u>\$ 1,173,804</u>

As of December 31, 2014, the following funds had deficit fund balances:

Special Revenue:		
Community center	\$	22,375
Capital Projects:		
Levy improvement project		15,123

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Individual Fund Disclosures (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,000	\$
Special Revenue Funds:		
Fire Fund	26,825	
Business Flood Recovery Loan Program		345,994
EDA Revolving Loan	345,994	11,000
Capital Project Funds:		
Capital improvements	516,018	20,000
Economic development	11,000	
2009/2011 Improvement Project		33,559
Hwy 43/Mill St Project		338,075
Debt Service		
Equipment Capital Lease		6,825
Fire & Police garage		6,604
G.O. Bonds		44,773
2009 Improvement Project Fund	49,000	
2014A Improvement Project Fund	44,773	
Enterprise Funds:		
Electric Fund		50,000
Water Fund		91,607
Sewer Fund		95,173
Total Transfers	<u>\$ 1,043,610</u>	<u>\$ 1,043,610</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 and Net Position

	<u>Restricted Net Position Imposed By</u>			<u>Total</u>
	<u>Grantors</u>	<u>Contributors</u>	<u>Creditors</u>	
<u>Major Governmental Funds:</u>				
Business Flood Recovery Loan Program Fund:				
Restricted for future EDA loans	\$ 9,292,981	\$	\$	\$ 9,292,981
EDA Revolving Loan Fund:				
Restricted for EDA loans	571,795			571,795
<u>Nonmajor Governmental Funds:</u>				
Restricted for new building:				
Library Fund		84,363		84,363
Restricted for future debt service:				
2004 G.O. TIF Refunding Debt Service Fund			111,794	111,794
2009 Improvement Project Debt Service Fund			294,451	294,451
2011 Improvement Project Debt Service Fund			81,546	81,546
2012 Tax Abatement Debt Service Fund			11,985	11,985
2014A Improvement Project Debt Service Fund			71,725	71,725
EDA Land Purchase Debt Service Fund			6,157	6,157
Total Governmental Activities	<u>9,864,776</u>	<u>84,363</u>	<u>577,658</u>	<u>10,526,797</u>
<u>Major Proprietary Funds:</u>				
Electric Utility Fund:				
Restricted for future debt service			81,104	81,104
Water Utility Fund:				
Restricted for future debt service			261,603	261,603
Sewer Utility Fund:				
Restricted for future debt service			170,113	170,113
Wastewater system replacement			185,469	185,469
Total Business-Type Activities			<u>698,289</u>	<u>698,289</u>
Total Restricted Net Position	<u>\$ 9,864,776</u>	<u>\$ 84,363</u>	<u>\$ 1,275,947</u>	<u>\$ 11,225,086</u>
	<u>Capital</u>	<u>Hwy 43</u>		
	<u>Improvements</u>	<u>Mill Street</u>		
	<u>Fund</u>	<u>Project Fund</u>	<u>Total</u>	
Committed Fund Balance:				
Future and ongoing capital improvement construction projects and equipment	\$ 1,021,595	\$ 1,017,438	\$ 2,039,033	

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. 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 plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) 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.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. 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 five 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 GERF 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 GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. 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. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. In 2014, The City of Rushford is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 15.3% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$49,289, \$47,313, and \$45,224, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2014, 2013, and 2012 were \$27,096, \$25,273, and \$28,249, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

11. Defined Contribution Pension Plan - Volunteer Fire Relief Association

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

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

Volunteers of the fire department pay annual dues of \$1 each. During 2014, at the Association's direction, the City did not levy any property taxes for the benefit of the Association.

Related Party Investments - During 2014 and as of December 31, 2014 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 2014 totaling \$30,921 together with an additional contribution of \$3,119 the City.

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Commitments and Contingencies

Risk Management - The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2014.

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 2014. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

13. Extraordinary Item

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

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

CITY OF RUSHFORD, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Accounting Standards Issued But Not Yet Adopted

GASB 68, *Accounting and Financial Reporting for Pensions* will be effective for the City beginning with its year ending December 31, 2015. This Statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.

CITY OF RUSHFORD, MINNESOTA

**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

DECEMBER 31, 2014

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CITY OF RUSHFORD, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2014

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, 2014**

	Special Revenue					Debt Service		
	614/615	211	607	213	612	378	350	
	Fire			Community	Airport	2004	2009	
	Department	Library	Ambulance	Center	Operations	Total	G.O. TIF Refunding Bonds	Improvement Project
ASSETS								
Cash and investments	\$ 760,982	\$ 139,212	\$ 243,654	\$	\$	\$ 1,143,848	\$ 110,454	\$ 290,979
Restricted cash		84,363				84,363		
Accrued interest receivable	183					183		
Accounts receivable	271		18,051		130	18,452		
Special assessments receivable - deferred								330,328
Prepaid items	2,376	209	1,157		74	3,816		
Taxes receivable - delinquent	551	1,615		13	103	2,282	1,343	2,229
Advances to other funds								274,203
Due from other governmental units	568	1,955			259,719	262,242	1,340	3,472
TOTAL ASSETS	\$ 764,931	\$ 227,354	\$ 262,862	\$ 13	\$ 260,026	\$ 1,515,186	\$ 113,137	\$ 901,211
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 2,812	\$ 995	\$ 1,434	\$ 581	\$ 9,585	\$ 15,407	\$	\$
Due to other funds				21,794	182,807	204,601		
Unearned revenue	31,604		16,324		11,481	59,409		
Total Liabilities	34,416	995	17,758	22,375	203,873	279,417		
Deferred Inflows of Resources								
Unavailable revenue:								
Property taxes	551	1,615		13	103	2,282	1,343	2,229
Special assessments								330,328
Total Deferred Inflows of Resources	551	1,615		13	103	2,282	1,343	332,557
Fund Balance								
Nonspendable:								
Prepaid items	2,376	209	1,157		74	3,816		
Advances to other funds								274,203
Restricted:								
Externally imposed by:								
Creditors							111,794	294,451
Contributors		84,363				84,363		
Assigned	727,588	140,172	243,947		55,976	1,167,683		
Unassigned				(22,375)		(22,375)		
Total Fund Balance	729,964	224,744	245,104	(22,375)	56,050	1,233,487	111,794	568,654
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 764,931	\$ 227,354	\$ 262,862	\$ 13	\$ 260,026	\$ 1,515,186	\$ 113,137	\$ 901,211

**CITY OF RUSHFORD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	Special Revenue					Debt Service		
	<u>614/615</u>	<u>211</u>	<u>607</u>	<u>213</u>	<u>612</u>	Total	<u>378</u>	<u>350</u>
	Fire Department	Library		Community Center	Airport Operations		2004 G.O. TIF Refunding Bonds	2009 Improvement Project
REVENUES								
Property tax	\$ 30,026	\$ 88,011	\$	\$ 2	\$ 212	\$ 118,251	\$ 70,853	\$ 125,598
Tax increments								
Intergovernmental	35,864	53,274	15,582	20,000	283,422	408,142		
Charges for services	74,908		159,880		21,244	256,032		
Special assessments								40,985
Interest income	11,948	343	1,633	(89)	123	13,958	191	482
Miscellaneous	20,260	5,380	6,361		938	32,939		
TOTAL REVENUES	173,006	147,008	183,456	19,913	305,939	829,322	71,044	167,065
EXPENDITURES								
Public safety	120,379		159,868			280,247		
Airport					321,841	321,841		
Library		122,195				122,195		
Community center				5,698		5,698		
Debt service							69,058	197,824
Capital outlay		17,499				17,499		
Economic development								
TOTAL EXPENDITURES	120,379	139,694	159,868	5,698	321,841	747,480	69,058	197,824
Excess (deficiency) of revenues over (under) expenditures	52,627	7,314	23,588	14,215	(15,902)	81,842	1,986	(30,759)
OTHER FINANCING SOURCES (USES)								
Bond proceeds								
Transfers in	26,825					26,825		49,000
Transfer out								
Total other financing sources (uses)	26,825					26,825		49,000
Net change in fund balances	79,452	7,314	23,588	14,215	(15,902)	108,667	1,986	18,241
FUND BALANCES, Beginning	650,512	217,430	221,516	(36,590)	71,952	1,124,820	109,808	550,413
FUND BALANCES, Ending	\$ 729,964	\$ 224,744	\$ 245,104	\$ (22,375)	\$ 56,050	\$ 1,233,487	\$ 111,794	\$ 568,654

Debt Service							Capital Project					
<u>351</u> 2011 Improvement Project	<u>352</u> 2014A Improvement Project	<u>353,</u> <u>354, 355</u> G.O. Bonds	<u>370</u> 2012 Abatement Bonds	<u>381</u> Fire & Police Garage	<u>382</u> Equipment Capital Lease	<u>360</u> EDA Land Purchase	Total	<u>202</u> Economic Development	<u>405</u> Tax Increment	<u>470</u> Levee Improvement Project	<u>501</u> 2009/2011 Improvement Project	Total
\$ 42,761	\$	\$ 65	\$ 19,676	\$ 133	\$ 4	\$ 43,006	\$ 302,096	\$ 16	\$	\$	\$	\$ 420,363
								5,000	12,392	182,307		12,392
21,852							62,837					595,449
150	29	133	11	17	13	(70)	956	221	153	(51)		256,032
								40,757				62,837
64,763	29	198	19,687	150	17	42,936	365,889	45,994	12,545	182,256		15,237
												73,696
												280,247
												321,841
												122,195
86,478			18,863			42,501	414,724					5,698
								95	11,153	199,812		414,724
								246,369				228,559
86,478			18,863			42,501	414,724	246,464	11,153	199,812		246,369
												1,619,633
(21,715)	29	198	824	150	17	435	(48,835)	(200,470)	1,392	(17,556)		(183,627)
												26,923
	26,923						26,923					131,598
	44,773						93,773	11,000				(91,761)
		(44,773)		(6,604)	(6,825)		(58,202)				(33,559)	
	71,696	(44,773)		(6,604)	(6,825)		62,494	11,000			(33,559)	66,760
(21,715)	71,725	(44,575)	824	(6,454)	(6,808)	435	13,659	(189,470)	1,392	(17,556)	(33,559)	(116,867)
103,261		44,575	11,161	6,454	6,808	5,722	838,202	347,465	51,197	2,433	33,559	2,397,676
\$ 81,546	\$ 71,725	\$	\$ 11,985	\$	\$	\$ 6,157	\$ 851,861	\$ 157,995	\$ 52,589	\$ (15,123)	\$	\$ 2,280,809

CITY OF RUSHFORD, MINNESOTA
FIRE DEPARTMENT FUND (614 & 615)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	Budgeted Amounts		2014 Actual Amounts			Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final	General	Mill Rate	Total		
REVENUES							
Property Tax Levy							
Property taxes collected	\$ 30,000	\$ 30,000	\$ 30,026	\$	\$ 30,026	\$ 26	\$ 30,134
Intergovernmental Revenues							
Fire relief aid	18,000	31,000	30,921		30,921	(79)	29,800
County & grant aid	2,500	2,500	4,943		4,943	2,443	3,100
Total Intergovernmental revenues	20,500	33,500	35,864		35,864	2,364	32,900
Charges For Services							
Township contributions	59,092	59,092		59,092	59,092		59,092
Fire calls, contracts and water hauling	7,000	10,000	15,816		15,816	5,816	11,554
Total Charges For Services	66,092	69,092	15,816	59,092	74,908	5,816	70,646
Interest Income	4,500	4,700	3,363	8,585	11,948	7,248	7,231
Miscellaneous Revenues							
Donations	13,500	13,500	20,260		20,260	6,760	17,204
TOTAL REVENUES	134,592	150,792	105,329	67,677	173,006	22,214	158,115
EXPENDITURES							
Public Safety							
Salaries	13,000	13,000	15,815		15,815	(2,815)	12,473
Fire relief aid	21,050	34,050	34,040		34,040	10	32,756
Office supplies	400	400	204		204	196	276
Meeting and conferences	9,000	9,500	10,420		10,420	(920)	3,381
General supplies	9,350	9,350	7,480	357	7,837	1,513	4,720
Professional services	950	950	950		950		800
Telephone	1,000	1,000	828		828	172	957
Insurance	10,600	8,900	8,696		8,696	204	7,328
Utilities	5,000	5,000	4,628		4,628	372	4,468
Benefit dances	900	900	1,211		1,211	(311)	801
Repairs and maintenance	3,750	3,750	839	1,114	1,953	1,797	2,225
Dues, subscriptions and fees	1,400	1,400	1,495		1,495	(95)	1,174
Miscellaneous	11,100	11,600	8,298	2,367	10,665	935	6,258
Capital outlay	13,000	22,300	10,306	11,331	21,637	663	6,600
TOTAL EXPENDITURES	100,500	122,100	105,210	15,169	120,379	1,721	84,217
Excess revenues over expenditures	34,092	28,692	119	52,508	52,627	23,935	73,898
OTHER FINANCING SOURCES							
Transfers in	20,000	20,000	26,825		26,825	6,825	20,000
Total other financing sources (uses)	20,000	20,000	26,825		26,825	6,825	20,000
Net change in fund balance	54,092	48,692	26,944	52,508	79,452	30,760	93,898
FUND BALANCES, BEGINNING	650,512	650,512	280,355	370,157	650,512		556,614
FUND BALANCES, ENDING	\$ 704,604	\$ 699,204	\$ 307,299	\$ 422,665	\$ 729,964	\$ 30,760	\$ 650,512

CITY OF RUSHFORD, MINNESOTA
LIBRARY FUND (211)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	Budgeted Amounts		2014	Variance with	2013
	Original	Final	Actual Amounts	Final Budget Positive (Negative)	Actual Amounts
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 88,000	\$ 88,000	\$ 88,011	\$ 11	\$ 88,290
Intergovernmental Revenues					
County apportionment and other revenue	31,300	31,300	33,274	1,974	32,435
Local government aid	20,000	20,000	20,000		20,000
Total Intergovernmental Revenues	51,300	51,300	53,274	1,974	52,435
Interest Income	50	50	343	293	104
Miscellaneous Revenues					
Refund of capital campaign donations			182	182	(1,084)
Fines, books and other	5,000	5,000	5,198	198	10,538
Total Miscellaneous Revenues	5,000	5,000	5,380	380	9,454
TOTAL REVENUES	144,350	144,350	147,008	2,658	150,283
EXPENDITURES					
Library					
Salaries	88,200	89,300	85,373	3,927	82,688
Employee benefits and retirement	12,500	12,650	12,318	332	11,563
Office supplies	1,000	1,000	423	577	737
General supplies	3,000	3,000	2,258	742	1,903
Professional services	750	750	750		700
Telephone	750	750	770	(20)	701
Insurance	1,950	1,950	1,603	347	1,310
Utilities	2,150	2,150	2,250	(100)	1,989
Repairs and maintenance	1,100	1,100	664	436	134
Dues, subscriptions and fees	1,600	1,600	1,036	564	1,135
Contracted equipment	2,600	2,600	3,894	(1,294)	2,239
Computer line fee	6,800	6,800	6,952	(152)	6,273
Programs and training	3,150	3,150	3,904	(754)	3,972
Capital outlay	19,500	19,500	17,499	2,001	18,822
TOTAL EXPENDITURES	145,050	146,300	139,694	6,606	134,166
Excess (deficit) of revenues over (under) expenditures	(700)	(1,950)	7,314	9,264	16,117
FUND BALANCES, BEGINNING	217,430	217,430	217,430		201,313
FUND BALANCES, ENDING	\$ 216,730	\$ 215,480	\$ 224,744	\$ 9,264	\$ 217,430

CITY OF RUSHFORD, MINNESOTA
AMBULANCE FUND (607)
Statement of Revenue, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental Revenues					
County assistance	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Federal grants and aids			11,082	11,082	
Total Intergovernmental revenues	4,500	4,500	15,582	11,082	4,500
Charges For Services					
Fees from runs	155,000	155,000	143,556	(11,444)	155,724
City and township contracts	16,324	16,324	16,324		16,324
Total Charges For Services	171,324	171,324	159,880	(11,444)	172,048
Interest Income					
	600	600	1,633	1,033	761
Miscellaneous Revenues					
Other	5,300	5,300	6,361	1,061	5,761
Total Miscellaneous revenues	5,300	5,300	6,361	1,061	5,761
TOTAL REVENUES	181,724	181,724	183,456	1,732	183,070
EXPENDITURES					
Public Safety					
Salaries	62,700	62,700	58,858	3,842	70,764
Employee benefits and retirement	7,500	7,500	6,997	503	7,275
Office supplies	1,000	1,000	607	393	509
Meeting and conferences	15,500	15,500	10,738	4,762	12,770
Gas, oil and supplies	5,000	5,300	5,192	108	6,004
General supplies	10,500	11,700	11,722	(22)	8,554
Professional services	1,200	1,200	1,200		1,100
Telephone	1,200	1,200	1,128	72	1,223
Insurance	5,400	5,100	4,939	161	4,338
Utilities	3,900	3,100	3,054	46	3,032
Repairs and maintenance	2,500	3,100	3,366	(266)	3,371
Dues, subscriptions and fees	8,000	7,000	6,799	201	6,311
Miscellaneous	4,000	4,000	2,505	1,495	72
Bad debt			1,002	(1,002)	2,512
Capital outlay		44,315	41,761	2,554	3,811
TOTAL EXPENDITURES	128,400	172,715	159,868	12,847	131,646
Excess of revenues over expenditures	53,324	9,009	23,588	14,579	51,424
OTHER FINANCING USES					
Transfer out					(22,875)
Net change in fund balance	53,324	9,009	23,588	14,579	28,549
FUND BALANCES, BEGINNING	221,516	221,516	221,516		192,967
FUND BALANCES, ENDING	\$ 274,840	\$ 230,525	\$ 245,104	\$ 14,579	\$ 221,516

**CITY OF RUSHFORD, MINNESOTA
COMMUNITY CENTER FUND (213)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013**

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$	\$	\$ 2	\$ 2	\$ 21
Intergovernmental Revenues					
Local government aid	20,000	20,000	20,000		
Interest Income (Expense)					
			(89)	(89)	(15)
TOTAL REVENUES	20,000	20,000	19,913	(87)	6
EXPENDITURES					
General Government					
Contractual services	16,000	16,000	540	15,460	8,410
General supplies					4
Professional services					338
Insurance	1,200	1,200	1,012	188	975
Utilities	2,800	2,800	4,146	(1,346)	3,809
Repairs and maintenance					599
TOTAL EXPENDITURES	20,000	20,000	5,698	14,302	14,135
Excess (deficit) of revenues over (under) expenditures			14,215	14,215	(14,129)
FUND BALANCES, BEGINNING	(36,590)	(36,590)	(36,590)		(22,461)
FUND BALANCES, ENDING	\$ (36,590)	\$ (36,590)	\$ (22,375)	\$ 14,215	\$ (36,590)

CITY OF RUSHFORD, MINNESOTA
AIRPORT FUND (612)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property taxes collected	\$ 10,000	\$	\$ 212	\$ 212	\$ 10,133
Intergovernmental Revenues					
State grants	190,000	397,404	273,422	(123,982)	11,961
Local government aid	10,000	10,000	10,000		10,000
Total Intergovernmental revenues	200,000	407,404	283,422	(123,982)	21,961
Charges for Services					
Land leases	5,846	7,113	7,113		7,053
Hangar rentals	15,000	13,500	12,700	(800)	11,702
Fuel and utilities	1,300	1,300	1,431	131	1,507
Total Charges For Services	22,146	21,913	21,244	(669)	20,262
Interest Income					
			123	123	20
Miscellaneous Revenues					
			938	938	4,223
TOTAL REVENUES	232,146	429,317	305,939	(123,378)	56,599
EXPENDITURES					
Airport					
Salaries	5,500	5,500	5,500		5,000
General supplies	1,500	1,500	49	1,451	806
Fuel	1,800	1,800	1,562	238	2,138
Professional services	800	700	700		650
Insurance	10,150	10,150	8,495	1,655	8,069
Utilities	4,850	4,850	4,389	461	4,393
Repairs and maintenance	5,200	5,200	1,329	3,871	7,652
Dues, subscriptions and fees	1,300	1,300	1,905	(605)	917
Taxes on property	500	500	544	(44)	485
Miscellaneous			339	(339)	13,654
Capital outlay	200,000	406,000	297,029	108,971	6,571
TOTAL EXPENDITURES	231,600	437,500	321,841	115,659	50,335
Excess (deficit) of revenues over (under) expenditures	546	(8,183)	(15,902)	(7,719)	6,264
FUND BALANCES, BEGINNING	71,952	71,952	71,952		65,688
FUND BALANCES, ENDING	\$ 72,498	\$ 63,769	\$ 56,050	\$ (7,719)	\$ 71,952

CITY OF RUSHFORD, MINNESOTA
ECONOMIC DEVELOPMENT FUND (202)
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	2014				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$		\$ 16	\$ 16	\$ 544
Local government aid		20,000	5,000		
Interest income			221	221	114
LMC share of settlement			25,000		
Sale of land			15,000		
Miscellaneous			757	757	16,260
TOTAL REVENUES		20,000	5,000	45,994	994
EXPENDITURES					
Economic Development					
Salaries		16,000	16,000		15,000
Employee benefits and retirement		150	150	75	68
General supplies		950	950	711	1,479
Professional service		9,200	42,500	36,280	6,220
Telephone		1,000	1,000	1,038	(38)
Utilities			270	(270)	
Insurance		1,200	1,500	1,347	153
License, dues and subscriptions		4,000	4,000	1,956	2,044
Settlement			150,000	150,000	
Miscellaneous		1,000	1,000	286	714
Capital outlay		5,800	5,000	95	4,905
Micro grant program			5,000	6,480	(1,480)
Contracted services		56,200	56,000	31,926	24,074
TOTAL EXPENDITURES		95,500	283,100	246,464	36,636
Excess (deficiency) of revenues over (under) expenditures		(75,500)	(278,100)	(200,470)	37,630
OTHER FINANCING SOURCES (USES)					
Transfers in			11,000	11,000	
Net change in fund balances		(75,500)	(267,100)	(189,470)	37,630
FUND BALANCES, Beginning		347,465	347,465	347,465	433,922
FUND BALANCES, Ending	\$	271,965	\$ 80,365	\$ 157,995	\$ 37,630
					\$ 347,465

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CITY OF RUSHFORD, MINNESOTA

ENTERPRISE FUNDS

December 31, 2014

**CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Net Position
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Current Assets		
Due from other governmental units	\$	\$ 75,428
Total Current Assets		<u>75,428</u>
Property and Equipment		
Building	766,148	766,148
Furniture and equipment	11,496	11,496
Total	<u>777,644</u>	<u>777,644</u>
Less: Accumulated depreciation	127,454	106,438
Net Property, Plant and Equipment	<u>650,190</u>	<u>671,206</u>
TOTAL POSITION	<u>\$ 650,190</u>	<u>\$ 746,634</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 104	\$ 250
Due to other funds	445	81,743
Advances from other funds	166,042	166,042
Total Liabilities	<u>166,591</u>	<u>248,035</u>
Net Position	<u>483,599</u>	<u>498,599</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 650,190</u>	<u>\$ 746,634</u>

CITY OF RUSHFORD, MINNESOTA
LIQUOR FUND (609)
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	2014	2013
Operating Expenses		
Office supplies	\$ 370	\$ 308
Contracted services	313	442
Telephone	435	3,722
Utilities	3,044	1,731
Insurance	1,794	21,016
Depreciation	21,016	21,016
Total Operating Expenses	26,972	27,219
Operating Income (Loss)	(26,972)	(27,219)
Nonoperating Revenue and (Expense)		
Interest income	(164)	(22)
Unemployment expense		(50)
Rental income	170	
Total Nonoperating Revenue and (Expense)	6	(72)
Net Loss before Extraordinary Item	(26,966)	(27,291)
Extraordinary item	11,966	
Change in Net Position	(15,000)	(27,291)
Net Position, Beginning of Year	498,599	525,890
Net Position, End of Year	\$ 483,599	\$ 498,599

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (604)
ELECTRIC DEPARTMENT
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013**

	2014		Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 1,839,000	\$ 1,823,745	\$ (15,255)	\$ 1,804,174
Operating Expenses				
Cost of Production				
Purchased power	1,252,000	1,202,559	49,441	1,181,847
Distribution				
Salaries	7,500	5,791	1,709	10,344
Gas, oil and supplies	2,300	1,581	719	2,013
General supplies	2,000	958	1,042	1,022
Repairs and maintenance	104,500	32,707	71,793	28,616
Professional services	35,000	1,442	33,558	
Depreciation and amortization	121,350	135,618	(14,268)	121,350
Total Distribution	272,650	178,097	94,553	163,345
General Administration				
Salaries	197,000	196,611	389	189,924
Employee benefits and retirement	28,500	28,430	70	26,705
Office supplies and expense	1,000	900	100	940
Professional services	5,100	4,499	601	3,515
Postage	7,000	4,398	2,602	7,117
Printing and publishing	1,100	565	535	1,015
Insurance	6,950	6,449	501	5,711
Dues, subscriptions and fees	5,500	5,749	(249)	5,447
Miscellaneous	6,650	3,929	2,721	5,412
Total General Administration	258,800	251,530	7,270	245,786
Total Operating Expenses	1,783,450	1,632,186	151,264	1,590,978
Operating Income	55,550	191,559	136,009	213,196
Nonoperating Revenue and (Expense)				
Interest expense	(17,322)	(16,348)	974	(18,373)
Interest income	1,000	3,818	2,818	1,670
Penalty income	16,000	14,340	(1,660)	16,480
Service fee - refuse billings	4,000	3,486	(514)	3,490
Compost site fees	2,200	2,783	583	2,437
Loss on disposal of assets		(2,388)	(2,388)	
Miscellaneous income	9,500	10,581	1,081	15,671
Total Other Income (Expense)	15,378	16,272	894	21,375
Net Income Before Transfers	70,928	207,831	136,903	234,571
Extraordinary item		(56,977)	(56,977)	
Transfers out	(50,000)	(50,000)		(50,000)
Change in Net Position	20,928	100,854	79,926	184,571
Net Position, Beginning of Year	2,364,294	2,364,294		2,179,723
Net Position, End of Year	\$ 2,385,222	\$ 2,465,148	\$ 79,926	\$ 2,364,294

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (601)
WATER DEPARTMENT**
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	2014		Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 542,000	\$ 585,708	\$ 43,708	\$ 555,762
Operating Expenses				
Distribution				
Salaries	70,800	67,186	3,614	63,779
Utilities and fuel oil	25,200	27,052	(1,852)	24,655
Gas, oil and supplies	12,000	8,453	3,547	8,925
General supplies	1,400	684	716	1,128
Repairs and maintenance	35,000	10,247	24,753	70,299
Professional services	10,000	5,737	4,263	
Depreciation and amortization	208,302	210,286	(1,984)	208,302
Sewage and water testing	950	853	97	809
Total Distribution	<u>363,652</u>	<u>330,498</u>	<u>33,154</u>	<u>377,897</u>
General Administration				
Salaries	37,500	36,724	776	36,366
Employee benefits and retirement	14,855	15,203	(348)	13,838
Office supplies and expense	600	449	151	600
Professional services	4,200	9,211	(5,011)	4,000
Postage	15	132	(117)	57
Printing and publishing	1,050	775	275	907
Insurance	6,650	6,468	182	5,511
Dues, subscriptions and fees	4,000	4,192	(192)	1,607
Miscellaneous	4,500	1,801	2,699	2,406
Total General Administration	<u>73,370</u>	<u>74,955</u>	<u>(1,585)</u>	<u>65,292</u>
Total Operating Expenses	<u>437,022</u>	<u>405,453</u>	<u>31,569</u>	<u>443,189</u>
Operating Income	<u>104,978</u>	<u>180,255</u>	<u>75,277</u>	<u>112,573</u>
Nonoperating Revenue and (Expense)				
Interest expense	(40,720)	(38,983)	1,737	(43,479)
Interest income		925	925	395
Grants		385,231	385,231	
Miscellaneous income	500	8,623	8,123	65,789
Total Other Income (Expense)	<u>(40,220)</u>	<u>355,796</u>	<u>396,016</u>	<u>22,705</u>
Net Income Before Transfers	<u>64,758</u>	<u>536,051</u>	<u>471,293</u>	<u>135,278</u>
Extraordinary item		(177,113)	(177,113)	
Transfers out	<u>(16,000)</u>	<u>(91,607)</u>	<u>(75,607)</u>	<u>(16,000)</u>
Change in Net Position	<u>48,758</u>	<u>267,331</u>	<u>218,573</u>	<u>119,278</u>
Net Position, Beginning of Year	<u>1,889,130</u>	<u>1,889,130</u>		<u>1,769,852</u>
Net Position, End of Year	<u>\$ 1,937,888</u>	<u>\$ 2,156,461</u>	<u>\$ 218,573</u>	<u>\$ 1,889,130</u>

**CITY OF RUSHFORD, MINNESOTA
UTILITIES FUND (602)
SEWER DEPARTMENT**
Statement of Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2014
With Comparative Totals for December 31, 2013

	2014		Variance with Final Budget Positive (Negative)	2013 Actual Amounts
	Budget	Actual		
Operating Revenues				
Consumer sales and rentals	\$ 437,200	\$ 441,867	\$ 4,667	\$ 435,861
Revenues related to Rushford Village	39,000	38,948	(52)	38,894
Total Operating Revenues	<u>476,200</u>	<u>480,815</u>	<u>4,615</u>	<u>474,755</u>
Operating Expenses				
Distribution				
Salaries	122,900	121,917	983	117,919
Utilities and fuel oil	54,100	55,453	(1,353)	53,111
Gas, oil and supplies	2,300	1,328	972	2,055
General supplies	5,500	5,257	243	4,049
Professional services	36,000	25,588	10,412	16,110
Repairs and maintenance	40,000	3,526	36,474	6,521
Depreciation	90,000	186,389	(96,389)	128,057
Sewage and water testing	7,500	7,133	367	7,322
Total Distribution	<u>358,300</u>	<u>406,591</u>	<u>(48,291)</u>	<u>335,144</u>
General Administration				
Salaries	30,000	28,509	1,491	28,158
Employee benefits and retirement	4,355	4,409	(54)	3,797
Professional services	7,500	10,738	(3,238)	8,524
Printing and publishing	1,300	703	597	1,280
Insurance	13,200	11,868	1,332	10,271
Dues, subscriptions and fees	3,200	3,286	(86)	2,916
Miscellaneous	3,100	2,527	573	2,785
Total General Administration	<u>62,655</u>	<u>62,040</u>	<u>615</u>	<u>57,731</u>
Total Operating Expenses	<u>420,955</u>	<u>468,631</u>	<u>(47,676)</u>	<u>392,875</u>
Operating Income	<u>55,245</u>	<u>12,184</u>	<u>(43,061)</u>	<u>81,880</u>
Nonoperating Revenue and (Expense)				
Interest expense	(23,143)	(22,227)	916	(10,087)
Interest income		310	310	282
Miscellaneous income	200	531	331	260
Total Other Income (Expense)	<u>(22,943)</u>	<u>(21,386)</u>	<u>1,557</u>	<u>(9,545)</u>
Net Income Before Extraordinary Item and Transfers	32,302	(9,202)	(41,504)	72,335
Extraordinary item		430,111	430,111	
Transfers out	(33,000)	(95,173)	(62,173)	(33,000)
Change in Net Position	(698)	325,736	326,434	39,335
Net Position, Beginning of Year	999,120	999,120		959,785
Net Position, End of Year	<u>\$ 998,422</u>	<u>\$ 1,324,856</u>	<u>\$ 326,434</u>	<u>\$ 999,120</u>

**CITY OF RUSHFORD, MINNESOTA
PFA WATER LOAN OF 1999, 2008 AND 2010
LOAN RETIREMENT DEBT SERVICE FUND
Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Revenues	\$ 186,517	\$ 266,800
Expenditures		
Principal	166,000	163,855
Interest	32,156	34,899
Total expenditures	198,156	198,754
Excess Revenues	(11,639)	68,046
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,639)	68,046
Fund Balance, January 1	367,221	299,175
Fund Balance, December 31	\$ 355,582	\$ 367,221

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CITY OF RUSHFORD, MINNESOTA

SUPPLEMENTAL SCHEDULES

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2014

CHANGE FUNDS	<u>\$ 18</u>
CHECKING ACCOUNTS	
<i>Merchants Bank</i>	
General checking account	3,234,155
<i>Rushford State Bank:</i>	
General checking account	<u>747,445</u>
TOTAL CHECKING ACCOUNTS	<u>3,981,600</u>
SAVINGS ACCOUNTS	
<i>Merchants Bank:</i>	
Money market funds account	<u>1,414,672</u>
DEPOSITS HELD BY FISCAL AGENTS	
Donations for a new library:	
Southeastern Library Cooperative (SELCO) Foundation	<u>84,363</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS	<u><u>\$ 5,480,653</u></u>

CITY OF RUSHFORD, MINNESOTA
Summary of Cash and Investments
December 31, 2014

INVESTMENTS

<u>TYPE</u>	<u>RATE</u>	<u>AMOUNT</u>
<i>Rushford State Bank</i> Certificate	3.65%	<u>\$ 30,000</u>
TOTAL INVESTMENTS		<u>30,000</u>
TOTAL CHANGE FUNDS, DEMAND ACCOUNTS AND DEPOSITS HELD BY FISCAL AGENTS		<u>5,480,653</u>
TOTAL CASH AND INVESTMENTS, December 31, 2014		<u><u>\$ 5,510,653</u></u>

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 69,731	\$ 6,830	\$ 76,561
2016	72,143	4,417	76,560
2017	74,527	1,922	76,449
TOTAL	\$ 216,401	\$ 13,169	\$ 229,570

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 242,000	\$ 22,464	\$ 264,464

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 375,000	\$ 46,622	\$ 421,622

\$400,000 SERIES 2007A
 WATER REVENUE BONDS

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 181,000	\$ 19,593	\$ 200,593

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 949,000	\$ 92,269	\$ 1,041,269

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 57,000	\$ 9,180	\$ 66,180
2016	58,000	8,610	66,610
2017	58,000	8,030	66,030
2018	59,000	7,450	66,450
2019	59,000	6,860	65,860
2020	60,000	6,270	66,270
2021	60,000	5,670	65,670
2022	61,000	5,070	66,070
2023	62,000	4,460	66,460
2024	62,000	3,840	65,840
2025	63,000	3,220	66,220
2026	64,000	2,590	66,590
2027	64,000	1,950	65,950
2028	65,000	1,310	66,310
2029	66,000	660	66,660
TOTAL	\$ 918,000	\$ 75,170	\$ 993,170

**CITY OF RUSHFORD, MINNESOTA
 BUSINESS-TYPE ACTIVITIES
 Debt Retirement Schedule
 December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 72,000	\$ 13,635	\$ 85,635
2016	73,000	12,848	85,848
2017	73,000	12,052	85,052
2018	74,000	11,255	85,255
2019	75,000	10,447	85,447
2020	76,000	9,628	85,628
2021	77,000	8,799	85,799
2022	78,000	7,959	85,959
2023	78,000	7,108	85,108
2024	79,000	6,257	85,257
2025	80,000	5,396	85,396
2026	81,000	4,523	85,523
2027	82,000	3,640	85,640
2028	83,000	2,746	85,746
2029	84,000	1,842	85,842
2030	84,000	926	84,926
TOTAL	\$ 1,249,000	\$ 119,061	\$ 1,368,061

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	AMOUNT
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	\$2,440,000	\$ 968,761	\$ 3,408,761

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 65,000	\$ 1,214	\$ 66,214
TOTAL	\$ 65,000	\$ 1,214	\$ 66,214

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$	\$ 18,863	\$ 18,863
2016	25,000	18,725	43,725
2017	25,000	18,450	43,450
2018	25,000	18,094	43,094
2019	25,000	17,656	42,656
2020	25,000	17,219	42,219
2021	30,000	16,663	46,663
2022	30,000	15,988	45,988
2023	30,000	15,313	45,313
2024	30,000	14,615	44,615
2025	35,000	13,835	48,835
2026	35,000	12,995	47,995
2027	35,000	12,094	47,094
2028	35,000	11,131	46,131
2029	40,000	10,100	50,100
2030	40,000	8,950	48,950
2031	40,000	7,750	47,750
2032	45,000	6,475	51,475
2033	45,000	4,900	49,900
2034	50,000	3,000	53,000
2035	50,000	1,000	51,000
TOTAL	\$ 695,000	\$ 263,814	\$ 958,814

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 45,000	\$ 40,378	\$ 85,378
2016	45,000	39,590	84,590
2017	50,000	38,640	88,640
2018	50,000	37,490	87,490
2019	50,000	36,190	86,190
2020	50,000	34,790	84,790
2021	55,000	33,215	88,215
2022	55,000	31,455	86,455
2023	55,000	29,585	84,585
2024	60,000	27,540	87,540
2025	60,000	25,320	85,320
2026	65,000	22,943	87,943
2027	65,000	20,408	85,408
2028	70,000	17,670	87,670
2029	70,000	14,730	84,730
2030	75,000	11,610	86,610
2031	80,000	8,200	88,200
2032	80,000	4,600	84,600
2033	60,000	1,380	61,380
TOTAL	\$ 1,140,000	\$ 475,733	\$ 1,615,733

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2014**

\$699,000 CONTRACT FOR DEED 2007

YEAR	PRINCIPAL	INTEREST	TOTAL
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	\$ 513,632	\$ 293,878	\$ 807,510

**CITY OF RUSHFORD, MINNESOTA
GOVERNMENTAL ACTIVITIES
Debt Retirement Schedules
December 31, 2014**

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

YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$	\$ 47,051	\$ 47,051
2016	50,000	43,635	93,635
2017	50,000	42,685	92,685
2018	50,000	41,735	91,735
2019	50,000	40,785	90,785
2020	55,000	39,526	94,526
2021	55,000	37,959	92,959
2022	55,000	36,392	91,392
2023	55,000	34,824	89,824
2024	60,000	33,020	93,020
2025	60,000	30,980	90,980
2026	65,000	28,855	93,855
2027	65,000	26,645	91,645
2028	70,000	24,140	94,140
2029	70,000	21,340	91,340
2030	75,000	18,440	93,440
2031	75,000	15,440	90,440
2032	80,000	12,300	92,300
2033	85,000	8,918	93,918
2034	85,000	5,433	90,433
2035	90,000	1,845	91,845
TOTAL	\$ 1,300,000	\$ 591,948	\$ 1,891,948

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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, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of Rushford, Minnesota as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2015.

The *Minnesota Legal Compliance Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the categories that applied to the City.

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

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

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
May 1, 2015