

CITY OF NEW RICHLAND  
NEW RICHLAND, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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 ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

**CITY OF NEW RICHLAND  
NEW RICHLAND, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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CITY OF NEW RICHLAND, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas J. McShane	Mayor	12/31/12
Christina Gislason	Council	12/31/14
Amy Ihrke	Council	12/31/14
Anthony Martens	Council	12/31/12
Jody Wynnemer	Council	12/31/12

**APPOINTED**

Wayne Billing	Clerk/Treasurer
---------------	-----------------

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**FINANCIAL SECTION**  
**CITY OF NEW RICHLAND**  
**NEW RICHLAND, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of New Richland, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Richland, Minnesota (the City), as of and for the year ended December 31, 2012, 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 an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated February 29, 2012, we expressed unqualified opinions on the respective proprietary fund financial statements. We did not audit the financial statements of the New Richland Care Center enterprise fund which represents 20 percent and 86 percent of the assets and revenues, respectively, of the enterprise funds of the primary government. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the New Richland Care Center enterprise fund, is based on the reports of the other auditors. 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 of 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 City'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 City'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 financial statement presentation.

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, the discretely presented component unit and each major fund and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## Other Matter

### *Change in Accounting Standards*

As described in the Note 7 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 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 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 inquiries 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 an opinion 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.

### *Supplementary Information in Relation to the Financial Statements as a Whole and Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the accompanying combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 February 28, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 28, 2013  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

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## **Management's Discussion and Analysis**

As management of the City of New Richland, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,170,410 (net position). Of this amount, \$1,800,770 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$431,659. While the governmental activities remained consistent with the prior year, the Nursing Home enterprise fund showed an increase in net position of \$239,044.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,324,438, an increase of \$174,000 in comparison with the prior year. Approximately 43.2 percent of this total amount, \$572,698, which constitutes unassigned fund balance, is available for spending at the City's discretion. The remainder of fund balance, \$ 751,740 , is not available for spending because it is either 1) nonspendable (\$ 86,049 ), 2) restricted (\$ 310,785 ) or 3) assigned (\$ 354,906 ).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$595,174, or 62.5 percent of total General fund expenditures.
- The City's total debt increased by \$1,901,446, or 55.3 percent during the current fiscal year. Long-term debt of \$519,022 was retired during the year and \$2,420,468 of new debt was issued.

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

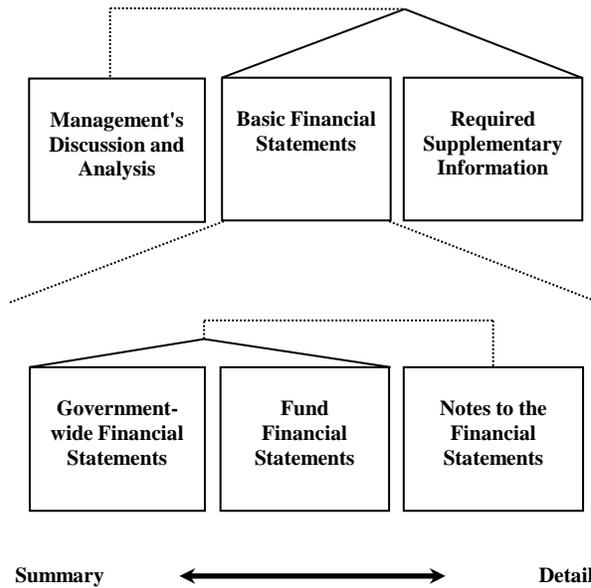


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 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 unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*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 include general government, public safety, streets and highway, sanitation and waste removal, economic development, culture and recreation, and miscellaneous. The business-type activities of the City include water and sewer utilities, Nursing home and housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 29 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, 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 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 financing 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 by 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 (deficits) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 9 individual governmental funds, 3 of which are Debt Service funds, which are reported as one major fund for the government-wide financial statements. 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 and the Debt Service funds which are considered to be major funds. Data from the other four 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 or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General and Rural Fire funds. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 35 of this report.

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

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 each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 40 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 starting on page 47 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 70 of this report.

## 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, assets exceeded liabilities and deferred inflows of resources by \$7,170,410 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (65.9 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net 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 New Richland's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Current and other assets	\$ 1,646,844	\$ 1,499,363	\$ 147,481	\$ 1,825,242	\$ 1,298,605	\$ 526,637
Capital assets	2,306,531	2,192,317	114,214	7,397,383	6,082,912	1,314,471
Total assets	<u>3,953,375</u>	<u>3,691,680</u>	<u>261,695</u>	<u>9,222,625</u>	<u>7,381,517</u>	<u>1,841,108</u>
Long-term liabilities outstanding	1,353,979	1,267,936	86,043	4,076,030	2,250,714	1,825,316
Other liabilities	38,482	38,027	455	537,099	777,769	(240,670)
Total liabilities	<u>1,392,461</u>	<u>1,305,963</u>	<u>86,498</u>	<u>4,613,129</u>	<u>3,028,483</u>	<u>1,584,646</u>
Net investment in capital assets	978,031	964,372	13,659	3,747,597	3,892,275	(144,678)
Restricted	568,557	454,369	114,188	75,455	137,995	(62,540)
Unrestricted	<u>1,014,326</u>	<u>966,976</u>	<u>47,350</u>	<u>786,444</u>	<u>322,764</u>	<u>463,680</u>
Total net position	<u>\$ 2,560,914</u>	<u>\$ 2,385,717</u>	<u>\$ 175,197</u>	<u>\$ 4,609,496</u>	<u>\$ 4,353,034</u>	<u>\$ 256,462</u>

An additional portion of the City's net position (9.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (25.1 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's total net position increased by \$431,659. While the governmental activities remained consistent with the prior year, the New Richland Care Center enterprise fund showed an increase in net position of \$239,044.

**Governmental activities.** Governmental activities increased the City's net position by \$175,197. Key elements of this increase are as follows:

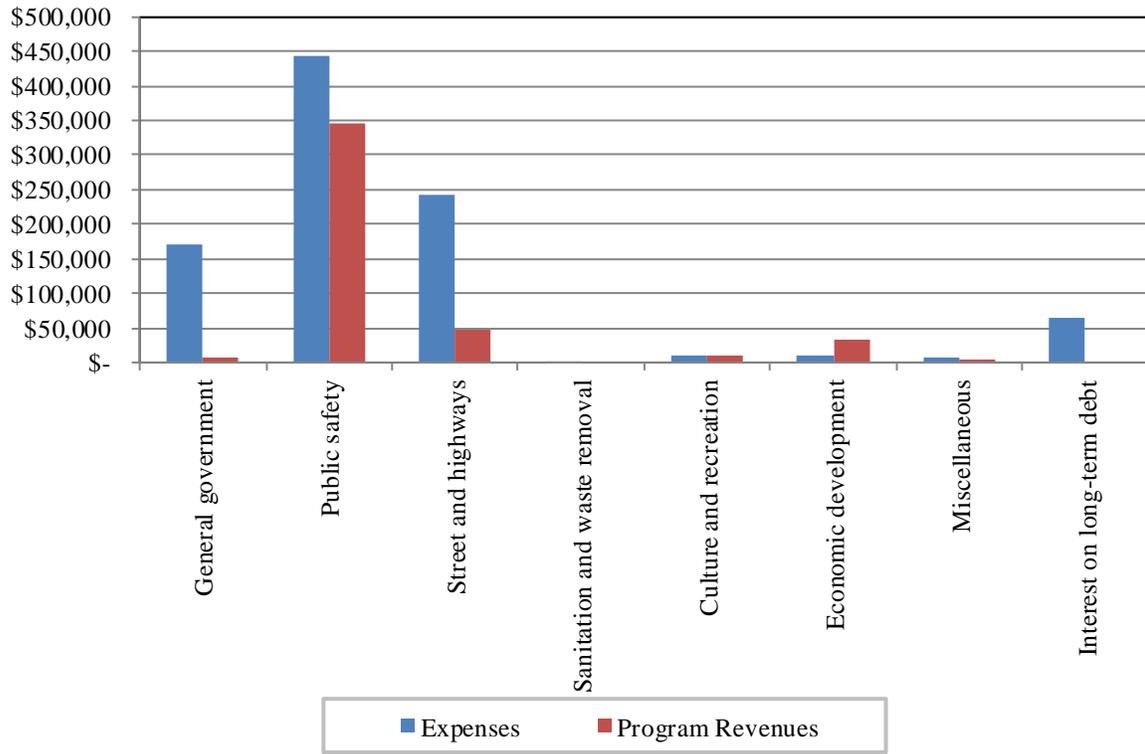
### City of New Richland's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 174,267	\$ 201,834	\$ (27,567)	\$ 3,774,554	\$ 2,873,953	\$ 900,601
Operating grants and contribution	45,161	262,171	(217,010)	268,765	-	268,765
Capital grants and contributions	233,012	268,863	(35,851)	-	112,028	(112,028)
General revenues						
Property taxes/tax increments	331,386	265,622	65,764	-	-	-
Franchise taxes	3,772	4,134	(362)	-	-	-
Grants and contributions not restricted to specific programs	326,077	353,722	(27,645)	-	-	-
Unrestricted investment earnings	5,353	4,754	599	5,479	4,994	485
Other	59	3,101	(3,042)	-	-	-
Gain on sale of capital assets	2,061	-	-	36,251	-	36,251
<b>Total revenues</b>	<b>1,121,148</b>	<b>1,364,201</b>	<b>(245,114)</b>	<b>4,085,049</b>	<b>2,990,975</b>	<b>1,094,074</b>
Expenses						
General government	170,583	164,695	5,888	-	-	-
Public safety	442,141	426,999	15,142	-	-	-
Streets and highways	241,150	249,049	(7,899)	-	-	-
Culture and recreation	10,817	47,983	(37,166)	-	-	-
Sanitation and waste removal	1,316	1,146	170	-	-	-
Economic development	9,744	10,604	(860)	-	-	-
Miscellaneous	6,212	255,311	(249,099)	-	-	-
Interest on long-term debt	63,988	52,223	11,765	-	-	-
Water utility	-	-	-	210,475	187,268	23,207
Sewer utility	-	-	-	294,964	277,452	17,512
Nursing home	-	-	-	3,269,697	2,810,301	459,396
Cedar Point housing	-	-	-	53,451	53,139	312
<b>Total expenses</b>	<b>945,951</b>	<b>1,208,010</b>	<b>(262,059)</b>	<b>3,828,587</b>	<b>3,328,160</b>	<b>500,427</b>
Increase (decrease) in net position before transfers	175,197	156,191	19,006	256,462	(337,185)	593,647
Transfers	-	(54,621)	54,621	-	54,621	(54,621)
Change in net position	175,197	101,570	73,627	256,462	(282,564)	539,026
Net position - January 1 as restated	2,385,717	2,284,147	101,570	4,353,034	4,635,598	(282,564)
Net position - December 31 as restated	<u>\$ 2,560,914</u>	<u>\$ 2,385,717</u>	<u>\$ 175,197</u>	<u>\$ 4,609,496</u>	<u>\$ 4,353,034</u>	<u>\$ 256,462</u>

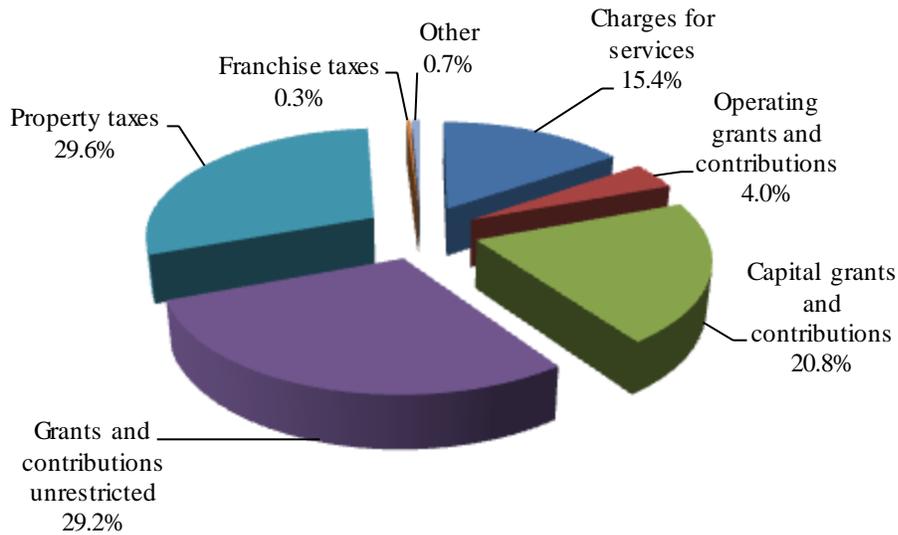
Property tax revenue increased by \$65,764 or (24.8 percent) during the year.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities

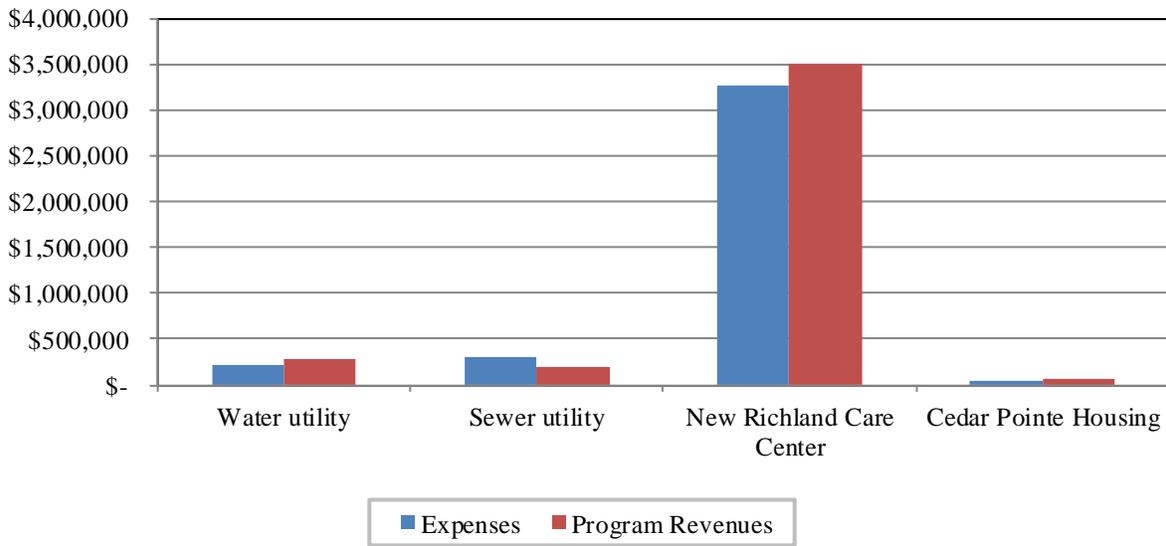


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

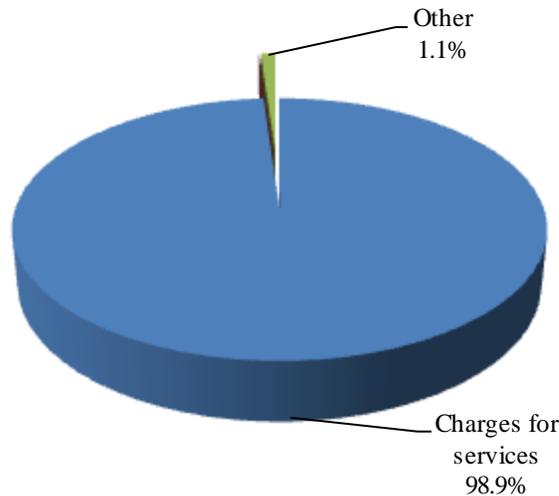
**Business-type activities.** Business-type activities increased the City’s net position by \$256,462. Key elements of this increase are as follows:

- Charges for services for business-type activities on the whole increased by 31.3 percent. The Care Center had an increase in operating expenses of 16.3 percent. The increase is attributable to an increase in charges for services of 36.6 percent along with an increase in operating expenses of 16.3 percent.
- Revenues in the Care Center are generally determined by two factors - occupancy and acuity of residents. Occupancy is simply a matter of how many of the Care Center’s available beds are occupied. Acuity is measured by an assessment process that assigns residents to one of 34 categories called Resource Utilization Groups (RUG). The higher the RUG, the higher the rate charged. RUG assessments are assigned a weight factor ranging from .45 to 3.00, with an “average” being around 1.00. The overall average for any nursing home is called a “RUG Score.”
- The Care Center’s occupancy for fiscal 2012 and 2011 was at a level of around 99 percent and 66 percent respectively. The Care Center’s RUG score was around 1.12 for 2011 and 1.06 for 2012. The Care Center’s increase in revenues from fiscal 2011 to 2012 was primarily a result of the interruption operations caused by flooding in September 2010 and low occupancy in 2011.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source Business-type Activities**



## Financial Analysis of the City's Funds

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

**Governmental funds.** The focus of the City'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's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,324,438, an increase of \$174,000 in comparison with the prior year. Approximately 43.2 percent of this total amount, \$572,698, which constitutes unassigned fund balance, is available for spending at the City's discretion. The remainder of fund balance, \$ 751,740 , is not available for spending because it is either 1) nonspendable (\$ 86,049 ), 2) restricted (\$ 310,785 ) or 3) assigned (\$ 354,906 ).

The General fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General fund was \$595,174. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 62.5 percent of fund expenditures.

The fund balance of the City's General fund increased by \$14,515 during the current fiscal year. The key factor to this increase was contributions and donations of \$123,472.

The Debt Service fund has a total fund balance of \$309,268, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$146,855.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$786,444. The total increase in net position for the funds was \$256,462. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City's General fund revenues over under budget by \$156,795 and actual expenditures were over budget by \$153,222 for 2012.

Significant budget variances are described below:

- Public safety charges for services were under budget by \$18,901.
- Contributions and donations were over budget by \$123,472 due to an estate bequest.
- Public safety expenditures were under budget by \$20,020.
- Capital outlay expenditures which were over budget by \$187,111.

## Capital Asset and Debt Administration

**Capital assets.** The City's net investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$9,703,914 (net of accumulated depreciation). This net investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was 17.3 percent (a 5.2 percent increase for governmental activities and a 21.6 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- The wastewater treatment plant project was finished and capitalized.
- Construction in progress for the governmental activities includes \$323,406 for the Oddfellows building.

### City of New Richland's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 184,745	\$ 144,220	\$ 40,525	\$ 60,000	\$ 60,000	\$ -
Buildings	302,384	313,512	(11,128)	1,302,380	1,396,849	(94,469)
Infrastructure and other improvements	807,639	850,129	(42,490)	5,949,612	3,855,401	2,094,211
Machinery and equipment	138,372	70,784	67,588	85,391	117,463	(32,072)
Vehicles	533,991	517,483	16,508	-	-	-
Other assets	15,994	17,225	(1,231)	-	-	-
Construction in progress	323,406	278,964	44,442	-	653,199	(653,199)
<b>Total</b>	<b>\$ 2,306,531</b>	<b>\$ 2,192,317</b>	<b>\$ 114,214</b>	<b>\$ 7,397,383</b>	<b>\$ 6,082,912</b>	<b>\$ 1,314,471</b>

Additional information on the City of New Richland's capital assets can be found in Note 3B starting on page 57 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,411,229. Of this amount, \$773,500 is tax increment debt, \$555,000 is tax increment debt, \$3,637,729 is revenue debt and \$372,557 is notes payable. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of New Richland's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation improvement bonds	\$ 773,500	\$ 633,000	\$ 140,500	\$ -	\$ -	\$ -
General obligation tax increment bonds	555,000	610,000	(55,000)	-	-	-
General obligation revenue bonds	-	-	-	3,637,729	1,805,761	1,831,968
Notes	-	-	-	372,557	388,579	(16,022)
<b>Total</b>	<b>\$ 1,328,500</b>	<b>\$ 1,243,000</b>	<b>\$ 85,500</b>	<b>\$ 4,010,286</b>	<b>\$ 2,194,340</b>	<b>\$ 1,815,946</b>

The City's total debt increased by \$1,901,446, or 55.3 percent during the current fiscal year. Long-term debt of \$519,022 was retired during the year and \$2,420,468 of new debt was issued to finance the wastewater treatment project.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$1,347,327, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City of New Richland's long-term debt can be found in Note 3D starting on page 60 of this report.

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

- The unemployment rate for Waseca County is currently 5.7 percent, which is an increase from a rate of 5.4 percent a year ago. This can be compared to the State's average unemployment rate of 5.4 percent and the national average rate of 7.6 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$595,174. The City has appropriated \$864,200 for the 2013 fiscal year budget. It is intended that this amount of available fund balance will keep the need to raise taxes or charges during the 2013 fiscal year to a minimum.

Property taxes will remain steady in 2013.

### **Requests for Information**

This financial report is designed to provide a general overview of the City'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 financial information should be addressed to the Clerk/Treasurer, City of New Richland, 203 N. Broadway, New Richland, Minnesota 56072.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF NEW RICHLAND  
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF NEW RICHLAND, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 1,037,445	\$ 1,346,288	\$ 2,383,733	\$ 17,385
Restricted assets - cash with fiscal agent	150,088	-	150,088	-
Receivables				
Delinquent taxes	19,596	-	19,596	-
Accounts, net of allowance for uncollectibles	42,866	315,120	357,986	-
Loans	-	-	-	108,683
Special assessments	280,595	-	280,595	-
Intergovernmental	52,705	89,313	142,018	-
Due from primary government	-	-	-	250,000
Internal balances	30,000	(30,000)	-	-
Prepaid items	33,549	21,775	55,324	-
Residents' cash	-	7,291	7,291	-
Cash restricted by contributors for capital acquisitions	-	75,455	75,455	-
Capital assets:				
Nondepreciable assets	508,151	60,000	568,151	-
Depreciable assets, net of accumulated depreciation	1,798,380	7,337,383	9,135,763	-
<b>TOTAL ASSETS</b>	<b>3,953,375</b>	<b>9,222,625</b>	<b>13,176,000</b>	<b>376,068</b>
<b>LIABILITIES</b>				
Accounts payable	6,036	153,413	159,449	-
Due to component unit	-	250,000	250,000	-
Due to other governments	-	965	965	-
Accrued interest payable	16,345	25,515	41,860	-
Accrued salaries payable	16,101	104,259	120,360	-
Deposits payable	-	2,947	2,947	-
Noncurrent liabilities				
Due within one year	113,603	290,899	404,502	-
Due in more than one year	1,240,376	3,785,131	5,025,507	-
<b>TOTAL LIABILITIES</b>	<b>1,392,461</b>	<b>4,613,129</b>	<b>6,005,590</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	978,031	3,747,597	4,725,628	-
Restricted for debt service	567,040	-	567,040	-
Restricted for capital acquisitions	-	75,455	75,455	-
Restricted for flood recovery	1,517	-	1,517	-
Unrestricted	1,014,326	786,444	1,800,770	376,068
<b>TOTAL NET POSITION</b>	<b>\$ 2,560,914</b>	<b>\$ 4,609,496</b>	<b>\$ 7,170,410</b>	<b>\$ 376,068</b>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW RICHLAND, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 170,583	\$ 6,853	\$ -	\$ -
Public safety	442,141	157,531	32,436	156,381
Streets and highways	241,150	1,218	11,000	36,583
Sanitation and waste removal	1,316	-	-	-
Culture and recreation	10,817	8,665	1,725	-
Economic development	9,744	-	-	34,430
Miscellaneous	6,212	-	-	5,618
Interest on long-term debt	63,988	-	-	-
Total governmental activities	<u>945,951</u>	<u>174,267</u>	<u>45,161</u>	<u>233,012</u>
<b>Business-type activities</b>				
Water utility	210,475	280,860	-	-
Sewer utility	294,964	201,824	-	-
Cedar point housing	53,451	54,394	-	-
Nursing home	3,269,697	3,237,476	268,765	-
Total business-type activities	<u>3,828,587</u>	<u>3,774,554</u>	<u>268,765</u>	<u>-</u>
Total primary government	<u>\$ 4,774,538</u>	<u>\$ 3,948,821</u>	<u>\$ 313,926</u>	<u>\$ 233,012</u>
<b>Component unit</b>				
Economic Development Authority	<u>\$ 61,712</u>	<u>\$ -</u>	<u>\$ 123,429</u>	<u>\$ -</u>

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Miscellaneous
- Gain on sale of capital assets

Total general revenues

Change in net position

Net position as restated, January 1

Net position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (163,730)		\$ (163,730)	
(95,793)		(95,793)	
(192,349)		(192,349)	
(1,316)		(1,316)	
(427)		(427)	
24,686		24,686	
(594)		(594)	
(63,988)		(63,988)	
<u>(493,511)</u>		<u>(493,511)</u>	
	\$ 70,385	70,385	
	(93,140)	(93,140)	
	943	943	
	<u>236,544</u>	<u>236,544</u>	
	<u>214,732</u>	<u>214,732</u>	
	<u>214,732</u>	<u>(278,779)</u>	
			<u>\$ 61,717</u>
290,048	-	290,048	-
16,859	-	16,859	-
24,479	-	24,479	-
3,772	-	3,772	-
326,077	-	326,077	-
5,353	5,479	10,832	-
59	-	59	-
2,061	36,251	38,312	-
<u>668,708</u>	<u>41,730</u>	<u>710,438</u>	<u>-</u>
175,197	256,462	431,659	61,717
<u>2,385,717</u>	<u>4,353,034</u>	<u>6,738,751</u>	<u>314,351</u>
<u>\$ 2,560,914</u>	<u>\$ 4,609,496</u>	<u>\$ 7,170,410</u>	<u>\$ 376,068</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF NEW RICHLAND  
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

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CITY OF NEW RICHLAND, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 712,243	\$ 149,272	\$ 175,930	\$ 1,037,445
Restricted assets - cash with fiscal agent	-	150,088	-	150,088
Receivables				
Delinquent taxes	18,742	-	854	19,596
Accounts	41,494	-	1,372	42,866
Special assessments	6,556	274,039	-	280,595
Intergovernmental	42,719	9,986	-	52,705
Advances to other funds	52,500	-	-	52,500
Prepaid items	21,861	-	11,688	33,549
<b>TOTAL ASSETS</b>	<b><u>\$ 896,115</u></b>	<b><u>\$ 583,385</u></b>	<b><u>\$ 189,844</u></b>	<b><u>\$ 1,669,344</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,940	\$ -	\$ 96	\$ 6,036
Accrued interest payable	-	78	-	78
Due to other funds	-	-	22,500	22,500
Accrued salaries payable	16,101	-	-	16,101
<b>TOTAL LIABILITIES</b>	<b><u>22,041</u></b>	<b><u>78</u></b>	<b><u>22,596</u></b>	<b><u>44,715</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	18,742	-	854	19,596
Unavailable revenue - special assessments	6,556	274,039	-	280,595
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>25,298</u></b>	<b><u>274,039</u></b>	<b><u>854</u></b>	<b><u>300,191</u></b>
<b>FUND BALANCES</b>				
Nonspendable				
Advances to other funds	52,500	-	-	52,500
Prepaid items	21,861	-	11,688	33,549
Restricted for				
Debt service	-	309,268	-	309,268
Flood recovery	-	-	1,517	1,517
Assigned for				
Fire protection	-	-	32,649	32,649
Capital outlay	179,241	-	41,955	221,196
Flood recovery	-	-	802	802
Renovation	-	-	100,259	100,259
Unassigned	595,174	-	(22,476)	572,698
<b>TOTAL FUND BALANCES</b>	<b><u>848,776</u></b>	<b><u>309,268</u></b>	<b><u>166,394</u></b>	<b><u>1,324,438</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 896,115</u></b>	<b><u>\$ 583,385</u></b>	<b><u>\$ 189,844</u></b>	<b><u>\$ 1,669,344</u></b>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW RICHLAND, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 1,324,438
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	2,306,531
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(25,479)
Bonds payable	(1,328,500)
Long-term assets are not available to pay current-period expenditures and, therefore, are unearned in the funds.	
Delinquent property taxes	19,596
Special assessments	280,595
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(16,267)</u>
Total net position - governmental activities	<u><u>\$ 2,560,914</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW RICHLAND, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Debt Service	Other Governmental Funds	Totals
<b>REVENUES</b>				
Taxes	\$ 291,975	\$ 16,859	\$ 23,625	\$ 332,459
Special assessments	782	67,582	-	68,364
Licenses and permits	17,279	-	-	17,279
Intergovernmental	355,105	-	29,734	384,839
Charges for services	110,606	-	31,303	141,909
Fines and forfeits	5,052	-	-	5,052
Investment earnings	4,362	-	991	5,353
Miscellaneous	190,034	-	60,911	250,945
<b>TOTAL REVENUES</b>	<b>975,195</b>	<b>84,441</b>	<b>146,564</b>	<b>1,206,200</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	163,130	-	-	163,130
Public safety	352,030	-	25,419	377,449
Streets and highways	146,186	-	-	146,186
Sanitation and waste removal	1,316	-	-	1,316
Culture and recreation	47,913	-	-	47,913
Economic development	4,800	-	5,776	10,576
Miscellaneous	-	-	2,619	2,619
<b>Capital outlay</b>				
General government	3,315	-	-	3,315
Public safety	94,311	-	21,203	115,514
Streets and highways	95,485	-	-	95,485
Culture and recreation	43,869	-	-	43,869
Economic development	-	-	44,442	44,442
<b>Debt service</b>				
Principal	-	79,000	-	79,000
Interest and other	-	41,050	-	41,050
Bond issuance costs	-	24,836	-	24,836
<b>TOTAL EXPENDITURES</b>	<b>952,355</b>	<b>144,886</b>	<b>99,459</b>	<b>1,196,700</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,840</b>	<b>(60,445)</b>	<b>47,105</b>	<b>9,500</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	42,800	8,325	51,125
Bonds issued	-	424,500	-	424,500
Payment to refunded bond escrow agent	-	(260,000)	-	(260,000)
Transfers out	(8,325)	-	(42,800)	(51,125)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(8,325)</b>	<b>207,300</b>	<b>(34,475)</b>	<b>164,500</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>14,515</b>	<b>146,855</b>	<b>12,630</b>	<b>174,000</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>834,261</b>	<b>162,413</b>	<b>153,764</b>	<b>1,150,438</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 848,776</b>	<b>\$ 309,268</b>	<b>\$ 166,394</b>	<b>\$ 1,324,438</b>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW RICHLAND, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Net change in fund balances - governmental funds	\$ 174,000
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	239,380
Depreciation expense	(125,166)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.</p>	
Principal repayments	339,000
Debt issued or incurred	(424,500)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	1,898
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	(31,781)
Property taxes	2,909
<p>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.</p>	
Compensated absences	(543)
	(543)
Change in net position - governmental activities	\$ 175,197

The notes to the financial statements are an integral part of this statement.

CITY OF NEW RICHLAND, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 276,268	\$ 276,268	\$ 291,975	\$ 15,707
Special assessments	1,198	1,198	782	(416)
Licenses and permits	22,455	22,455	17,279	(5,176)
Intergovernmental	376,175	376,175	355,105	(21,070)
Charges for services	127,300	127,300	110,606	(16,694)
Fines and forfeits	2,200	2,200	5,052	2,852
Investment earnings	4,004	4,004	4,362	358
Miscellaneous	8,800	8,800	190,034	181,234
<b>TOTAL REVENUES</b>	<b>818,400</b>	<b>818,400</b>	<b>975,195</b>	<b>156,795</b>
<b>EXPENDITURES</b>				
Current				
General government	164,018	164,018	163,130	888
Public safety	372,050	372,050	352,030	20,020
Streets and highways	155,619	155,619	146,186	9,433
Sanitation and waste removal	985	985	1,316	(331)
Culture and recreation	48,792	48,792	47,913	879
Economic development	7,800	7,800	4,800	3,000
Capital outlay				
General government	3,702	3,702	3,315	387
Public safety	7,667	7,667	94,311	(86,644)
Streets and highways	33,500	33,500	95,485	(61,985)
Culture and recreation	5,000	5,000	43,869	(38,869)
<b>TOTAL EXPENDITURES</b>	<b>799,133</b>	<b>799,133</b>	<b>952,355</b>	<b>(153,222)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>19,267</b>	<b>19,267</b>	<b>22,840</b>	<b>3,573</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(8,325)	(8,325)	(8,325)	-
<b>NET CHANGES IN FUND BALANCES</b>	<b>10,942</b>	<b>10,942</b>	<b>14,515</b>	<b>3,573</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>834,261</b>	<b>834,261</b>	<b>834,261</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 845,203</b>	<b>\$ 845,203</b>	<b>\$ 848,776</b>	<b>\$ 3,573</b>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW RICHLAND, MINNESOTA  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012 AND 2011 (SEPTEMBER 30, 2012 AND 2011 NURSING HOME)

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2012	(Restated) 2011	2012	2011
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 538,198	\$ 134,651	\$ 135,520	\$ 152,348
Receivables				
Accounts, net of allowance for uncollectibles	32,051	29,805	22,172	21,241
Intergovernmental	-	69	89,313	191,061
Prepaid items	519	412	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>570,768</b>	<b>164,937</b>	<b>247,005</b>	<b>364,650</b>
<b>NONCURRENT ASSETS</b>				
Cash restricted by contributors for capital acquisitions	-	-	-	-
Residents' cash	-	-	-	-
Capital assets				
Land	-	-	-	-
Construction in progress	-	-	-	653,199
Land improvements	-	-	-	-
Buildings	29,101	29,101	-	-
Utility systems	2,722,127	2,722,127	6,322,601	4,020,302
Machinery and equipment	9,833	9,833	4,867	4,867
Vehicles	4,161	4,161	-	-
Less accumulated depreciation	(912,686)	(838,113)	(2,276,693)	(2,148,212)
Total capital assets (net of accumulated depreciation)	1,852,536	1,927,109	4,050,775	2,530,156
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,852,536</b>	<b>1,927,109</b>	<b>4,050,775</b>	<b>2,530,156</b>
<b>TOTAL ASSETS</b>	<b>2,423,304</b>	<b>2,092,046</b>	<b>4,297,780</b>	<b>2,894,806</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Checks written in excess of cash	-	-	-	-
Accounts payable	97	51	85,590	205,016
Due to other governments	965	783	-	-
Accrued interest payable	18,690	16,423	6,825	4,449
Accrued salaries payable	837	773	-	-
Compensated absences payable - current portion	799	870	-	-
Deposits payable	-	-	-	-
Notes payable - current portion	-	-	-	-
Bonds payable - current portion	106,000	104,000	115,000	60,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>127,388</b>	<b>122,900</b>	<b>207,415</b>	<b>269,465</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences payable - noncurrent portion	1,745	1,394	-	-
Advances from other funds	-	-	-	-
Advances from component unit	-	-	-	-
Residents' cash	-	-	-	-
Notes payable - noncurrent portion	-	-	-	-
Bonds payable - noncurrent portion	1,473,522	1,219,022	1,943,207	422,739
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,475,267</b>	<b>1,220,416</b>	<b>1,943,207</b>	<b>422,739</b>
<b>TOTAL LIABILITIES</b>	<b>1,602,655</b>	<b>1,343,316</b>	<b>2,150,622</b>	<b>692,204</b>
<b>NET POSITION</b>				
Net investment in capital assets	633,514	604,087	1,992,568	2,047,417
Restricted for capital acquisitions	-	-	-	-
Unrestricted	187,135	144,643	154,590	155,185
<b>TOTAL NET POSITION</b>	<b>\$ 820,649</b>	<b>\$ 748,730</b>	<b>\$ 2,147,158</b>	<b>\$ 2,202,602</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

610					
Cedar Pointe Housing		New Richland Care Center		Totals	
2012	2011	2012	2011	2012	(Restated) 2011
\$ 32,752	\$ 30,038	\$ 639,818	\$ 12,957	\$ 1,346,288	\$ 329,994
-	-	260,897	716,843	315,120	767,889
-	-	-	-	89,313	191,130
259	-	20,997	21,793	21,775	22,205
<u>33,011</u>	<u>30,038</u>	<u>921,712</u>	<u>751,593</u>	<u>1,772,496</u>	<u>1,311,218</u>
-	-	75,455	14,699	75,455	14,699
-	-	7,291	3,944	7,291	3,944
60,000	60,000	-	-	60,000	60,000
-	-	-	-	-	653,199
-	-	111,618	111,618	111,618	111,618
752,426	752,426	1,989,644	1,963,118	2,771,171	2,744,645
-	-	-	-	9,044,728	6,742,429
-	-	669,037	674,903	683,737	689,603
-	-	-	-	4,161	4,161
<u>(153,201)</u>	<u>(134,141)</u>	<u>(1,935,452)</u>	<u>(1,802,277)</u>	<u>(5,278,032)</u>	<u>(4,922,743)</u>
<u>659,225</u>	<u>678,285</u>	<u>834,847</u>	<u>947,362</u>	<u>7,397,383</u>	<u>6,082,912</u>
<u>659,225</u>	<u>678,285</u>	<u>917,593</u>	<u>966,005</u>	<u>7,480,129</u>	<u>6,101,555</u>
<u>692,236</u>	<u>708,323</u>	<u>1,839,305</u>	<u>1,717,598</u>	<u>9,252,625</u>	<u>7,412,773</u>
-	-	-	18,872	-	18,872
492	1,500	59,943	49,507	146,122	256,074
-	-	-	132,574	965	133,357
-	-	-	-	25,515	20,872
-	-	103,422	92,186	104,259	92,959
-	-	63,200	54,110	63,999	54,980
2,947	2,947	-	-	2,947	2,947
5,900	5,607	-	-	5,900	5,607
-	-	-	-	221,000	164,000
<u>9,339</u>	<u>10,054</u>	<u>226,565</u>	<u>347,249</u>	<u>570,707</u>	<u>749,668</u>
-	-	-	-	1,745	1,394
30,000	30,000	-	-	30,000	30,000
250,000	250,000	-	-	250,000	250,000
-	-	7,291	3,944	7,291	3,944
366,657	382,972	-	-	366,657	382,972
-	-	-	-	3,416,729	1,641,761
<u>646,657</u>	<u>662,972</u>	<u>7,291</u>	<u>3,944</u>	<u>4,072,422</u>	<u>2,310,071</u>
<u>655,996</u>	<u>673,026</u>	<u>233,856</u>	<u>351,193</u>	<u>4,643,129</u>	<u>3,059,739</u>
286,668	289,706	834,847	947,362	3,747,597	3,888,572
-	-	75,455	14,699	75,455	14,699
<u>(250,428)</u>	<u>(254,409)</u>	<u>695,147</u>	<u>404,344</u>	<u>786,444</u>	<u>449,763</u>
<u>\$ 36,240</u>	<u>\$ 35,297</u>	<u>\$ 1,605,449</u>	<u>\$ 1,366,405</u>	<u>\$ 4,609,496</u>	<u>\$ 4,353,034</u>

CITY OF NEW RICHLAND, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (SEPTEMBER 30, 2012 AND 2011 NURSING HOME)

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2012	(Restated) 2011	2012	2011
OPERATING REVENUES				
Charges for services	\$ 280,860	\$ 259,510	\$ 202,000	\$ 191,141
Other operating income	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>280,860</b>	<b>259,510</b>	<b>202,000</b>	<b>191,141</b>
OPERATING EXPENSES				
Salaries and benefits	27,456	26,444	-	-
Supplies and repairs	25,422	12,936	2,713	5,194
Other services and charges	9,673	11,071	155,937	143,407
Insurance	2,566	2,657	-	-
Utilities	15,845	16,335	-	-
Nursing services	-	-	-	-
Other care related services	-	-	-	-
Ancillary services	-	-	-	-
Dietary	-	-	-	-
Laundry	-	-	-	-
Housekeeping	-	-	-	-
Plant operations and maintenance	-	-	-	-
Property and related	-	-	-	-
Depreciation	74,573	74,792	128,481	124,454
General and administrative	-	-	-	-
Employee benefits	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>155,535</b>	<b>144,235</b>	<b>287,131</b>	<b>273,055</b>
OPERATING INCOME (LOSS)	<b>125,325</b>	<b>115,275</b>	<b>(85,131)</b>	<b>(81,914)</b>
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,534	1,143	1,445	2,306
Refunds and reimbursements	919	3,847	-	-
Contributions and donations	-	-	361	303
Gain (loss) on sale of capital assets	-	-	36,251	-
Bond issuance costs	(10,356)	(996)	-	-
Interest expense	(45,503)	(45,884)	(8,370)	(4,449)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(53,406)</b>	<b>(41,890)</b>	<b>29,687</b>	<b>(1,840)</b>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	71,919	73,385	(55,444)	(83,754)
CAPITAL CONTRIBUTIONS FROM GOVERNMENTAL FUNDS	-	38,235	-	16,386
CHANGE IN NET POSITION	71,919	111,620	(55,444)	(67,368)
NET POSITION, JANUARY 1 AS RESTATED	748,730	637,110	2,202,602	2,269,970
NET POSITION, DECEMBER 31	<u>\$ 820,649</u>	<u>\$ 748,730</u>	<u>\$ 2,147,158</u>	<u>\$ 2,202,602</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

<b>610</b>					
Cedar Pointe Housing		New Richland Care Center		Totals	
2012	2011	2012	2011	2012	(Restated) 2011
\$ 52,408	\$ 50,784	\$ 3,213,420	\$ 2,353,063	\$ 3,748,688	\$ 2,854,498
1,986	-	24,056	19,204	26,042	19,204
<u>54,394</u>	<u>50,784</u>	<u>3,237,476</u>	<u>2,372,267</u>	<u>3,774,730</u>	<u>2,873,702</u>
1,080	3,223	-	-	28,536	29,667
-	-	-	-	28,135	18,130
15,182	11,352	-	-	180,792	165,830
5,315	6,405	-	-	7,881	9,062
7,434	6,395	-	-	23,279	22,730
-	-	1,389,473	1,076,109	1,389,473	1,076,109
-	-	135,759	114,597	135,759	114,597
-	-	133,746	155,519	133,746	155,519
-	-	329,830	231,479	329,830	231,479
-	-	62,790	45,813	62,790	45,813
-	-	65,892	51,630	65,892	51,630
-	-	197,833	204,571	197,833	204,571
-	-	150,433	150,083	150,433	150,083
19,060	19,680	154,999	163,305	377,113	382,231
-	-	255,590	221,962	255,590	221,962
-	-	393,277	395,233	393,277	395,233
<u>48,071</u>	<u>47,055</u>	<u>3,269,622</u>	<u>2,810,301</u>	<u>3,760,359</u>	<u>3,274,646</u>
<u>6,323</u>	<u>3,729</u>	<u>(32,146)</u>	<u>(438,034)</u>	<u>14,371</u>	<u>(400,944)</u>
-	-	2,500	1,545	5,479	4,994
-	-	-	-	919	3,847
-	-	268,765	112,028	269,126	112,331
-	-	(75)	-	36,176	-
-	-	-	-	(10,356)	(996)
<u>(5,380)</u>	<u>(6,084)</u>	<u>-</u>	<u>-</u>	<u>(59,253)</u>	<u>(56,417)</u>
<u>(5,380)</u>	<u>(6,084)</u>	<u>271,190</u>	<u>113,573</u>	<u>242,091</u>	<u>63,759</u>
943	(2,355)	239,044	(324,461)	256,462	(337,185)
-	-	-	-	-	54,621
943	(2,355)	239,044	(324,461)	256,462	(282,564)
<u>35,297</u>	<u>37,652</u>	<u>1,366,405</u>	<u>1,690,866</u>	<u>4,353,034</u>	<u>4,635,598</u>
<u>\$ 36,240</u>	<u>\$ 35,297</u>	<u>\$ 1,605,449</u>	<u>\$ 1,366,405</u>	<u>\$ 4,609,496</u>	<u>\$ 4,353,034</u>

CITY OF NEW RICHLAND, MINNESOTA  
 STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (YEAR ENDED SEPTEMBER 30, 2012 AND 2011 NURSING HOME)

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2012	2011	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 278,614	\$ 257,489	\$ 201,069	\$ 188,761
Payments to suppliers and vendors	(53,316)	(43,456)	(176,328)	(150,214)
Payments to and on behalf of employees	(27,112)	(26,117)	-	-
Other receipts	919	3,847	361	303
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>199,105</b>	<b>191,763</b>	<b>25,102</b>	<b>38,850</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Contributions	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on long term debt	(104,000)	(102,000)	(60,000)	-
Interest paid on long term debt	(43,236)	(48,097)	(5,994)	-
Issuance costs paid on long term debt	(10,356)	-	-	-
Net proceeds from issuance of debt	360,500	-	1,549,923	291,713
Advance from City of New Richland	-	-	-	-
Repayment of advances from City of New Richland	-	-	-	-
Acquisition of capital assets	-	(19,087)	(1,563,555)	(448,205)
Proceeds from sale of fixed assets	-	-	36,251	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>202,908</b>	<b>(169,184)</b>	<b>(43,375)</b>	<b>(156,492)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on cash and investments	1,534	1,143	1,445	2,306
Increase (decrease) in cash restricted by contributors for capital acquisitions	-	-	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,534</b>	<b>1,143</b>	<b>1,445</b>	<b>2,306</b>
<b>NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS</b>	<b>403,547</b>	<b>23,722</b>	<b>(16,828)</b>	<b>(115,336)</b>
<b>CASH AND TEMPORARY INVESTMENTS, JANUARY 1</b>	<b>134,651</b>	<b>110,929</b>	<b>152,348</b>	<b>267,684</b>
<b>CASH AND TEMPORARY INVESTMENTS, DECEMBER 31</b>	<b>\$ 538,198</b>	<b>\$ 134,651</b>	<b>\$ 135,520</b>	<b>\$ 152,348</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 125,325	\$ 115,275	\$ (85,131)	\$ (81,914)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income related to operations	919	3,847	361	303
Depreciation	74,573	74,792	128,481	124,454
(Increase) decrease in assets:				
Accounts receivable	(2,246)	(2,021)	(931)	(2,380)
Intergovernmental receivable	69	(69)	16,203	(35)
Inventories	-	-	-	-
Prepaid items	(107)	(1)	-	-
Increase (decrease) in liabilities:				
Checks written in excess of cash	-	-	-	-
Accounts payable	46	(302)	(33,881)	(1,578)
Due to other governments	182	(85)	-	-
Accrued salaries payable	64	(61)	-	-
Compensated absences payable	280	388	-	-
Deposits payable	-	-	-	-
Third Party Payor Settlements Payable	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 199,105</b>	<b>\$ 191,763</b>	<b>\$ 25,102</b>	<b>\$ 38,850</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Transfer of capital assets from other funds	\$ -	\$ 38,235	\$ -	\$ -
Capital assets purchased on account	\$ -	\$ -	\$ 85,545	\$ 204,994
Proceeds of debt recorded as receivable	\$ -	\$ -	\$ 85,545	\$ 191,026

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

<b>610</b>					
Cedar Pointe Housing		New Richland Care Center		Totals	
2012	2011	2012	2011	2012	2011
\$ 54,394	\$ 50,788	\$ 3,669,166	\$ 2,164,378	\$ 4,203,243	\$ 2,661,416
(29,198)	(22,911)	(3,101,737)	(2,686,516)	(3,360,579)	(2,903,097)
(1,080)	(3,223)	-	-	(28,192)	(29,340)
-	-	24,056	19,204	25,336	23,354
<u>24,116</u>	<u>24,654</u>	<u>591,485</u>	<u>(502,934)</u>	<u>839,808</u>	<u>(247,667)</u>
-	-	268,765	112,028	268,765	112,028
(16,022)	(20,319)	-	-	(180,022)	(122,319)
(5,380)	(6,084)	-	-	(54,610)	(54,181)
-	-	-	-	(10,356)	-
-	-	-	-	1,910,423	291,713
-	-	-	150,000	-	150,000
-	-	(132,574)	(17,426)	(132,574)	(17,426)
-	-	(42,559)	(362,304)	(1,606,114)	(829,596)
-	-	-	-	36,251	-
<u>(21,402)</u>	<u>(26,403)</u>	<u>(175,133)</u>	<u>(229,730)</u>	<u>(37,002)</u>	<u>(581,809)</u>
-	-	2,500	1,545	5,479	4,994
-	-	(60,756)	(14,171)	(60,756)	(14,171)
-	-	(58,256)	(12,626)	(55,277)	(9,177)
2,714	(1,749)	626,861	(633,262)	1,016,294	(726,625)
<u>30,038</u>	<u>31,787</u>	<u>12,957</u>	<u>646,219</u>	<u>329,994</u>	<u>1,056,619</u>
<u>\$ 32,752</u>	<u>\$ 30,038</u>	<u>\$ 639,818</u>	<u>\$ 12,957</u>	<u>\$ 1,346,288</u>	<u>\$ 329,994</u>
\$ 6,323	\$ 3,729	\$ (32,146)	\$ (438,034)	\$ 14,371	\$ (400,944)
-	-	-	-	1,280	4,150
19,060	19,680	154,999	163,305	377,113	382,231
-	-	455,946	(205,150)	452,769	(209,551)
-	-	-	-	16,272	(104)
-	-	-	20,857	-	20,857
(259)	1,400	796	(4,392)	430	(2,993)
-	-	(18,872)	18,872	(18,872)	18,872
(1,008)	(159)	10,636	7,021	(24,207)	4,982
-	-	-	-	182	(85)
-	-	11,236	(48,934)	11,300	(48,995)
-	-	9,090	(16,479)	9,370	(16,091)
-	4	-	-	-	4
-	-	(200)	-	(200)	-
<u>\$ 24,116</u>	<u>\$ 24,654</u>	<u>\$ 591,485</u>	<u>\$ (502,934)</u>	<u>\$ 839,808</u>	<u>\$ (247,667)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,235</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,545</u>	<u>\$ 204,994</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,545</u>	<u>\$ 191,026</u>

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CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of New Richland (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The blended component unit presented has a September 30 year end.

*Discretely Presented Component Unit.* The Economic Development Authority (Authority) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The Authority serves all the citizens of the City and is governed by a Board comprised of the Council appointed officials. The Authority is reported as a discretely presented component unit as a governmental fund type. Separate financial statements are not issued for this component unit.

The New Richland Care Center enterprise fund financial statements reflect the years ended September 30, 2012 and 2011.

**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 nonfiduciary activities of the City and its component units. 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. Likewise, the City is reported separately from certain legally separate *component units* for which the City is financially accountable.

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*.

Separate financial statements are provided for governmental funds, 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.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year 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 specified 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 can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unavailable revenue in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and to insure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and to insure that user charges are sufficient to pay for those costs.

The *Cedar Pointe Housing fund* accounts for the costs associated with the City's housing project and to insure that user charges are sufficient to pay for those costs.

The *New Richland Care Center fund* accounts for the cost associated with the City's nursing home facility and to insure that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function 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 contribution, 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, deferred outflows/inflows and net position/ fund balance**

***Deposits and investments***

The City's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Investments for the City are reported at fair value. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The City has not adopted a formal investment policy that addresses interest rate and credit risk.

***Property taxes***

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. The City annually certifies delinquent utility accounts to the County for collection. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts at December 31, 2012 was \$60,000 in the Care Center fund and \$7,500 for Ambulance receivables.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by an unearned revenue liability in the fund financial statements.

***Interfund receivables and payables***

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.

***Inventories and prepaid items***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Restricted assets***

Restricted assets consist of cash held by fiscal agent, cash restricted by contributors for capital acquisitions and cash restricted for an assisted living project. Contributions of cash for capital additions are maintained in several checking accounts until expended for their intended purpose.

***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. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

CITY OF NEW RICHLAND, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Assets	Amount
Land and land improvements	\$ 10,000
Other improvements	10,000
Buildings and improvements	5,000
Machinery and equipment	2,000
Vehicles	5,000
Infrastructure	50,000
Other assets	500

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.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land improvements	3 - 20
Buildings and improvements	20 - 40
Sewer and water systems	5 - 30
Equipment	3 - 15

***Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued for 2012 was \$91,223. The General fund is typically used to liquidate governmental compensated absences payable.

***Postemployment benefits other than pensions***

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the City's fiscal year 2009. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. During the year 2012, the City calculated its OPEB liability using the alternative measurement method and determined that the calculated liability was immaterial. At this point, the City anticipates it will not incur material future explicit or implicit OPEB costs for its employees and therefore, no liability will be recorded.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as insurance costs, are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has no items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of items, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the items, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes and special assessments and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Clerk/Treasurer.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF NEW RICHLAND, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net position*

Net positions represent the difference between assets and liabilities. Net positions are displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

*Comparative data/reclassifications*

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Rural Fire special revenue fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Clerk/Treasurer so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Clerk/Treasurer. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council. No budget amendments were made during 2012.

**B. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2012:

Fund	Amount
Special revenue	
TIF District 1-1 Homestake Division	\$ 22,476

The above deficits will be eliminated through future tax increments.

CITY OF NEW RICHLAND, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**C. Excess of expenditures over appropriations**

For the year ended December 31, 2012, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General			
Public safety	\$ 379,717	\$ 446,341	\$ 66,624
Streets and highways	189,119	241,671	52,552
Sanitation and waste removal	985	1,316	331
Culture and recreation	53,792	91,782	37,990
Special revenue			
Rural Fire			
Public safety	28,903	46,622	17,719

These excess expenditures were funded by an excess of actual revenues over budget and available fund balance.

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (140 percent in the case of mortgage notes pledged).

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$2,633,552 and the bank balance was \$2,640,617. The bank balance was covered by federal depository insurance totaling \$319,122. Of the remaining balance, \$2,071,495 was collateralized with securities held by the pledging financial institution's trust department in the City's name. The primary government and component unit's deposits are pooled.

***Cash and investments summary***

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

	Primary Government	Component Unit - EDA	Total
Deposits	\$ 2,616,167	\$ 17,385	\$ 2,633,552
Petty cash	400	-	400
Total deposits and investments	<u>\$ 2,616,567</u>	<u>\$ 17,385</u>	<u>\$ 2,633,952</u>
Cash and temporary investments	\$ 2,383,733	\$ 17,385	\$ 2,401,118
Restricted assets - cash with fiscal agent	150,088	-	150,088
Residents' cash	7,291	-	7,291
Cash restricted by contributors for capital acquisitions	75,455	-	75,455
Total	<u>\$ 2,616,567</u>	<u>\$ 17,385</u>	<u>\$ 2,633,952</u>

**Residents' and Employees Cash**

Residents' and employees' cash consists of cash held in checking accounts for the New Richland Care Center's residents and employees.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

Capital asset activity for the City for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 144,220	\$ 40,525	\$ -	\$ 184,745
Construction in progress	278,964	44,442	-	323,406
<b>Total capital assets not being depreciated</b>	<b>423,184</b>	<b>84,967</b>	<b>-</b>	<b>508,151</b>
Capital assets, being depreciated				
Buildings and improvements	510,720	-	-	510,720
Infrastructure	1,036,367	3,315	-	1,039,682
Machinery and equipment	194,491	84,970	(2,238)	277,223
Vehicles	947,757	66,128	(51,754)	962,131
Other assets	30,968	-	-	30,968
<b>Total capital assets being depreciated</b>	<b>2,720,303</b>	<b>154,413</b>	<b>(53,992)</b>	<b>2,820,724</b>
Less accumulated depreciation for				
Buildings and improvements	(197,208)	(11,128)	-	(208,336)
Infrastructure	(186,238)	(45,805)	-	(232,043)
Machinery and equipment	(123,707)	(17,382)	2,238	(138,851)
Vehicles	(430,274)	(49,620)	51,754	(428,140)
Other assets	(13,743)	(1,231)	-	(14,974)
<b>Total accumulated depreciation</b>	<b>(951,170)</b>	<b>(125,166)</b>	<b>53,992</b>	<b>(1,022,344)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,769,133</b>	<b>29,247</b>	<b>-</b>	<b>1,798,380</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,192,317</b>	<b>\$ 114,214</b>	<b>\$ -</b>	<b>\$ 2,306,531</b>

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	653,199	1,616,168	(2,269,367)	-
	<u>713,199</u>	<u>1,616,168</u>	<u>(2,269,367)</u>	<u>60,000</u>
Total capital assets not being depreciated				
	<u>713,199</u>	<u>1,616,168</u>	<u>(2,269,367)</u>	<u>60,000</u>
Capital assets being depreciated				
Land improvements	111,617	-	-	111,617
Buildings	2,744,645	26,526	-	2,771,171
Utility systems	6,742,427	2,302,300	-	9,044,727
Machinery and equipment	689,606	16,032	(21,899)	683,739
Vehicles	4,161	-	-	4,161
	<u>10,292,456</u>	<u>2,344,858</u>	<u>(21,899)</u>	<u>12,615,415</u>
Total capital assets being depreciated				
	<u>10,292,456</u>	<u>2,344,858</u>	<u>(21,899)</u>	<u>12,615,415</u>
Less accumulated depreciation for				
Land improvements	(53,432)	(5,539)	-	(58,971)
Buildings	(1,347,796)	(120,995)	-	(1,468,791)
Utility systems	(2,945,211)	(202,550)	-	(3,147,761)
Machinery and equipment	(572,143)	(48,029)	21,824	(598,348)
Vehicles	(4,161)	-	-	(4,161)
	<u>(4,922,743)</u>	<u>(377,113)</u>	<u>21,824</u>	<u>(5,278,032)</u>
Total accumulated depreciation				
	<u>(4,922,743)</u>	<u>(377,113)</u>	<u>21,824</u>	<u>(5,278,032)</u>
Total capital assets being depreciated, net				
	<u>5,369,713</u>	<u>1,967,745</u>	<u>(75)</u>	<u>7,337,383</u>
Business-type activities capital assets, net	<u>\$ 6,082,912</u>	<u>\$ 3,583,913</u>	<u>\$ (2,269,442)</u>	<u>\$ 7,397,383</u>

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities</b>	
General government	\$ 3,718
Public safety	58,810
Streets and highways	56,392
Culture and recreation	2,653
Miscellaneous	3,593
	<u>125,166</u>
Total depreciation expense - governmental activities	<u>\$ 125,166</u>

<b>Business-type activities</b>	
Water utility	\$ 74,573
Sewer utility	128,481
Cedar Pointe housing	19,060
Nursing home	154,999
	<u>377,113</u>
Total depreciation expense - business-type activities	<u>\$ 377,113</u>

CITY OF NEW RICHLAND, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Construction commitment***

The City has an active construction project as of December 31, 2012. At year end the City's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
Oddfellows Building	\$ 41,592	\$ 108,557
2011 Wastewater Treatment Plant	1,964,650	85,545
<b>Total</b>	<b>\$ 2,006,242</b>	<b>\$ 194,102</b>

**C. Interfund receivables, payables and transfers**

The composition of interfund balances at December 31, 2012 is as follows:

***Advances from/to other funds***

Receivable Fund	Payable Fund	Amount
General - Primary Government	TIF District 1-1 Homestake Subdivision - Primary Government	\$ 22,500
	Cedar Pointe Housing - Primary Government	30,000
EDA - Component Unit	Cedar Pointe Housing - Primary Government	250,000
<b>Totals</b>		<b>\$ 302,500</b>

The Cedar Pointe Housing fund is carrying a liability to the General fund for a loan used for a land acquisition. The original balance on the advance was \$60,000 and half of it was repaid during 2005. The Cedar Pointe Housing fund also owes the Economic Development Authority \$250,000 which is being held by the EDA for the purpose of satisfying a grant agreement. In 2012, The General fund loaned the TIF District 1-1 Homestake Subdivision \$22,500 to cover the fund's cash deficit.

***Interfund transfers***

	Transfers in		Total
	Debt Service Fund	Nonmajor Governmental Funds	
Transfers out			
Governmental			
General fund	\$ -	\$ 8,325	\$ 8,325
Nonmajor governmental funds	42,800	-	42,800
<b>Total transfers out</b>	<b>\$ 42,800</b>	<b>\$ 8,325</b>	<b>\$ 51,125</b>

For the year ended December 31, 2012, the City made the following transfers:

A transfer of \$8,325 was made from the General fund to the Oddfellows Building fund in accordance with the City's 2012 operating budget.

A transfer of \$42,800 was made from TIF District 1-1 Homestake Subdivision to 2009 G.O. Refunding to help with the fund's debt service payments.

CITY OF NEW RICHLAND, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation special assessment (improvement) bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments. General obligation improvement bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. PIR					
Bonds of 2007A	\$ 249,000	4.15 - 4.55 %	06/01/07	08/01/15	\$ 192,000
G.O. Improvement					
Bonds of 2010A	166,000	4.00	07/01/10	02/01/26	157,000
G.O. Improvement					
Refunding Bonds of 2012A	424,500	0.75 - 2.40	06/01/12	02/01/24	<u>424,500</u>
Total G.O. Special Assessment Bonds					<u>\$ 773,500</u>

The annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year Ending December 31,	<b>General Obligation Improvement Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2013	\$ 44,000	\$ 22,247	\$ 66,247
2014	44,000	19,932	63,932
2015	192,000	48,608	240,608
2016	54,500	11,293	65,793
2017	54,500	10,403	64,903
2018 - 2022	256,000	36,120	292,120
2023 - 2026	<u>128,500</u>	<u>6,015</u>	<u>134,515</u>
Total	<u>\$ 773,500</u>	<u>\$ 154,618</u>	<u>\$ 928,118</u>

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation tax increment bonds

These bonds were issued for development and redevelopment projects. The additional tax revenue resulting from increased tax capacity of the redeveloped properties is used to retire the related debt.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement Refunding Bonds of 2009	\$ 675,000	1.00 - 3.30 %	11/02/09	02/01/21	<u>\$ 555,000</u>

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

<u>Year Ending December 31,</u>	<b>G.O. Tax Increment Bonds</b>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 60,000	\$ 14,745	\$ 74,745
2014	60,000	13,575	73,575
2015	60,000	12,225	72,225
2016	55,000	10,780	65,780
2017	60,000	9,170	69,170
2018 - 2021	<u>260,000</u>	<u>17,400</u>	<u>277,400</u>
Total	<u>\$ 555,000</u>	<u>\$ 77,895</u>	<u>\$ 632,895</u>

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Water Revenue Bonds of 2003 (PFA)	\$ 1,365,000	2.74 %	07/15/03	08/20/22	\$ 774,522
G.O. PIR Bonds of 2007A	581,000	4.15 - 4.55	06/01/07	08/01/15	444,500
G.O. Sewer Revenue Bonds of 2011 (PFA)	2,058,207 *	1.00	08/29/11	08/20/29	2,058,207
G.O. Improvement Refunding Bonds of 2012A	360,500	0.75 - 2.40	06/01/12	02/01/24	<u>360,500</u>
Total G.O. Revenue Bonds					<u>\$ 3,637,729</u>

\* \$391,793 remains undrawn as of 12/31/12.

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

<u>Year Ending December 31,</u>	<b>G.O. Revenue Bonds</b>		
	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 221,000	\$ 69,501	\$ 290,501
2014	224,000	65,587	289,587
2015	566,500	130,573	697,073
2016	240,500	41,709	282,209
2017	244,500	37,919	282,419
2018 - 2022	1,239,522	127,084	1,366,606
2023 - 2027	692,500	47,131	739,631
2028 - 2029	<u>209,207</u>	<u>9,490</u>	<u>218,697</u>
Total	<u>\$ 3,637,729</u>	<u>\$ 528,994</u>	<u>\$ 4,166,723</u>

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

Notes payable

The following notes were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MHFA Mortgage	\$ 106,618	0.00 %	02/23/04	02/01/34	\$ 106,618
GMHF Mortgage	160,000	0.00	02/23/04	02/01/34	160,000
State Bank of New Richland	182,230	4.75	02/23/04	02/01/27	105,939
Total Notes Payable					<u><u>\$ 372,557</u></u>

The annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31,	<b>Notes Payable</b> Business-type Activities		
	Principal	Interest	Total
2013	\$ 5,900	\$ 5,474	\$ 11,374
2014	6,190	5,184	11,374
2015	6,495	4,879	11,374
2016	6,801	4,572	11,373
2017	7,149	4,224	11,373
2018 - 2022	41,377	15,491	56,868
2023 - 2027	32,026	4,441	36,467
2028 - 2032	-	-	-
2033 - 2034	266,619	-	266,619
Total	<u><u>\$ 372,557</u></u>	<u><u>\$ 44,265</u></u>	<u><u>\$ 416,822</u></u>

Refunding bond

On June 1, 2012, the City issued \$785,000 of G.O. Improvement Refunding Bonds, Series 2012A. The proceeds refunded the G.O. Improvement Bonds of 2003. The remaining proceeds will refund the G.O. Permanent Improvement Revolving Fund Bonds, Series 2007A on February 1, 2015. The bonds were issued with a net interest cost of 2.2023 percent. It is estimated the City will decrease its aggregate debt service payments by \$44,298 and obtain an economic gain of \$38,573.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds payable					
General obligation special assessment bonds	\$ 633,000	\$ 424,500	\$ (284,000)	\$ 773,500	\$ 44,000
General obligation tax increment bonds	610,000	-	(55,000)	555,000	60,000
Compensated absences payable	<u>24,936</u>	<u>15,245</u>	<u>(14,702)</u>	<u>25,479</u>	<u>9,603</u>
Governmental activities long-term liabilities	<u>\$ 1,267,936</u>	<u>\$ 439,745</u>	<u>\$ (353,702)</u>	<u>\$ 1,353,979</u>	<u>\$ 113,603</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 1,805,761	\$ 1,995,968	\$ (164,000)	\$ 3,637,729	\$ 221,000
Notes payable	388,579	-	(16,022)	372,557	5,900
Compensated absences payable	<u>56,374</u>	<u>64,593</u>	<u>(55,223)</u>	<u>65,744</u>	<u>63,999</u>
Business-type activities long-term liabilities	<u>\$ 2,250,714</u>	<u>\$ 2,060,561</u>	<u>\$ (235,245)</u>	<u>\$ 4,076,030</u>	<u>\$ 290,899</u>

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE**

**A. Plan description**

All full-time and certain part-time employees of the City 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 the 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 Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 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](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED**

**B. 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 Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. PECF members are required to contribute 5.83 percent of their annual covered salary. In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, and 14.4 percent for PEPFF members. The City's contributions to the GERS for the years ending December 31, 2012, 2011 and 2010 were \$134,557, \$110,645, and \$137,989, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$7,305, \$7,109, and \$6,706, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 5: OTHER INFORMATION**

**A. 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5: OTHER INFORMATION - CONTINUED**

**B. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**C. Maintenance contract**

The City has contracted for the maintenance of its Water and Sewer plants with People Service. The maintenance agreement commenced on March 1, 2008 and will remain in effect for 5 years. Monthly payments under the agreement are currently \$11,752. These payments are adjusted annually on March 1 in relation to the consumer price index.

**D. Legal debt margin**

The City's statutory debt limit is three percent of estimated taxable market value of real and personal property located within the City of \$44,910,900. The City currently does not have any general long-term debt outstanding subject to this limit, leaving a debt margin of \$1,347,327. Debt financed partially or entirely by special assessments or revenues from proprietary funds are excluded from this computation by statute.

**Note 6: COMMITMENTS AND CONTINGENCIES**

**Tax increment districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**Concentrations**

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2012 was \$325,599. This accounted for 33 percent of General fund revenue.

**Note 7: ACCOUNTING CHANGE**

Governmental Accounting Standard Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" will improve financial reporting by the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the City's net position. GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City implemented these standards for the fiscal year end December 31, 2012. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1 and Note 3.

The City enters into transactions that result in the consumption or acquisition of net asset in one period that are applicable to future periods. These consumptions or acquisitions are *deferred outflows of resources* and *deferred inflows of resources* and are distinguished from assets and liabilities. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The Statement of Net Position (renamed from the Statement of Net Assets) is presented in a format that shows *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*.

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 7: ACCOUNTING CHANGE - CONTINUED**

The implementation of GASB Statements No. 63 and 65 resulted in the reclassification of certain funds and restatement of the City's financial statements. This statement had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

Fund	December 31, 2011		
	Net Position December 31, 2010 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2011 as Restated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activities	\$ 2,326,052	\$ (41,906)	\$ 2,284,146
Business-type activities	<u>\$ 4,648,539</u>	<u>\$ (12,941)</u>	<u>\$ 4,635,598</u>
Business-type activities			
Water Utility	\$ 650,051	\$ (12,941)	\$ 637,110
Sewer Utility	2,269,970	-	2,269,970
Cedar Pointe	37,652	-	37,652
Nursing Home	<u>1,690,866</u>	<u>-</u>	<u>1,690,866</u>
Total business-type activities	<u>\$ 4,648,539</u>	<u>\$ (12,941)</u>	<u>\$ 4,635,598</u>

Fund	December 31, 2012		
	Net Position December 31, 2011 as Previously Reported	Prior Period Restatement (2)	Net Position January 1, 2012 as Restated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activities	\$ 2,431,304	\$ (45,587)	\$ 2,385,717
Business-type activities	<u>\$ 4,364,979</u>	<u>\$ (11,945)</u>	<u>\$ 4,353,034</u>
Business-type activities			
Water Utility	\$ 760,675	\$ (11,945)	\$ 748,730
Sewer Utility	2,202,602	-	2,202,602
Cedar Pointe	35,297	-	35,297
Nursing Home	<u>1,366,405</u>	<u>-</u>	<u>1,366,405</u>
Total business-type activities	<u>\$ 4,364,979</u>	<u>\$ (11,945)</u>	<u>\$ 4,353,034</u>

- (1) Write off of unamortized bond issuance cost balances at December 31, 2010.
- (2) Write off of any bond issuance cost activity for the year ended December 31, 2011 plus unamortized bond issuance costs at December 31, 2010.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF NEW RICHLAND  
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2012

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 34,413	\$ 141,517	\$ 175,930
Receivables			
Delinquent taxes	854	-	854
Accounts	675	697	1,372
Prepaid items	<u>11,688</u>	<u>-</u>	<u>11,688</u>
 TOTAL ASSETS	 <u>\$ 47,630</u>	 <u>\$ 142,214</u>	 <u>\$ 189,844</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 96	\$ -	\$ 96
Due to component unit	<u>22,500</u>	<u>-</u>	<u>22,500</u>
 TOTAL LIABILITIES	 <u>22,596</u>	 <u>-</u>	 <u>22,596</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>854</u>	<u>-</u>	<u>854</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	11,688	-	11,688
Restricted for			
Flood recovery	1,517	-	1,517
Assigned for			
Fire protection	32,649	-	32,649
Flood recovery	802	-	802
Future capital outlay	-	41,955	41,955
Renovation	-	100,259	100,259
Unassigned	<u>(22,476)</u>	<u>-</u>	<u>(22,476)</u>
 TOTAL FUND BALANCES	 <u>24,180</u>	 <u>142,214</u>	 <u>166,394</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 47,630</u>	 <u>\$ 142,214</u>	 <u>\$ 189,844</u>

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Tax increment	\$ 23,625	\$ -	\$ 23,625
Intergovernmental	-	29,734	29,734
Charges for services	31,303	-	31,303
Investment earnings	115	876	991
Miscellaneous	49,765	11,146	60,911
<b>TOTAL REVENUES</b>	<b>104,808</b>	<b>41,756</b>	<b>146,564</b>
<b>EXPENDITURES</b>			
Current			
Public safety	25,419	-	25,419
Economic development	385	5,391	5,776
Miscellaneous	2,619	-	2,619
Capital outlay			
Public safety	21,203	-	21,203
Economic development	-	44,442	44,442
<b>TOTAL EXPENDITURES</b>	<b>49,626</b>	<b>49,833</b>	<b>99,459</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>55,182</b>	<b>(8,077)</b>	<b>47,105</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	8,325	8,325
Transfers out	(42,800)	-	(42,800)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(42,800)</b>	<b>8,325</b>	<b>(34,475)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>12,382</b>	<b>248</b>	<b>12,630</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>11,798</b>	<b>141,966</b>	<b>153,764</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 24,180</b>	<b>\$ 142,214</b>	<b>\$ 166,394</b>

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>203</b>	<b>201</b>	<b>405</b>	
	Rural Fire	2010 Flood	TIF District 1-1 Homestake Subdivision	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ 32,070	\$ 2,319	\$ 24	\$ 34,413
Receivables				
Delinquent taxes	-	-	854	854
Accounts	675	-	-	675
Prepaid items	11,688	-	-	11,688
	<u>44,433</u>	<u>2,319</u>	<u>878</u>	<u>47,630</u>
<b>TOTAL ASSETS</b>	<u>\$ 44,433</u>	<u>\$ 2,319</u>	<u>\$ 878</u>	<u>\$ 47,630</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 96	\$ -	\$ -	\$ 96
Due to other funds	-	-	22,500	22,500
	<u>96</u>	<u>-</u>	<u>22,500</u>	<u>22,596</u>
<b>TOTAL LIABILITIES</b>	<u>96</u>	<u>-</u>	<u>22,500</u>	<u>22,596</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	-	-	854	854
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	11,688	-	-	11,688
Restricted for				
Flood recovery	-	1,517	-	1,517
Assigned for				
Fire protection	32,649	-	-	32,649
Flood recovery	-	802	-	802
Unassigned	-	-	(22,476)	(22,476)
	<u>44,337</u>	<u>2,319</u>	<u>(22,476)</u>	<u>24,180</u>
<b>TOTAL FUND BALANCES</b>	<u>44,337</u>	<u>2,319</u>	<u>(22,476)</u>	<u>24,180</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 44,433</u>	<u>\$ 2,319</u>	<u>\$ 878</u>	<u>\$ 47,630</u>

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>203</b>	<b>201</b>	<b>405</b>	
	Rural Fire	2010 Flood	TIF District 1-1 Homestake Subdivision	Total
<b>REVENUES</b>				
Tax increment	\$ -	\$ -	\$ 23,625	\$ 23,625
Charges for services	31,303	-	-	31,303
Investment earnings	115	-	-	115
Miscellaneous				
Refunds and reimbursements	2,131	-	-	2,131
Contributions and donations	47,634	-	-	47,634
<b>TOTAL REVENUES</b>	<b>81,183</b>	<b>-</b>	<b>23,625</b>	<b>104,808</b>
<b>EXPENDITURES</b>				
Current				
Public safety	25,419	-	-	25,419
Economic development	-	-	385	385
Miscellaneous	-	2,619	-	2,619
Capital outlay				
Public safety	21,203	-	-	21,203
<b>TOTAL EXPENDITURES</b>	<b>46,622</b>	<b>2,619</b>	<b>385</b>	<b>49,626</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>34,561</b>	<b>(2,619)</b>	<b>23,240</b>	<b>55,182</b>
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(42,800)	(42,800)
<b>NET CHANGE IN FUND BALANCES</b>	<b>34,561</b>	<b>(2,619)</b>	<b>(19,560)</b>	<b>12,382</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>9,776</b>	<b>4,938</b>	<b>(2,916)</b>	<b>11,798</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 44,337</b>	<b>\$ 2,319</b>	<b>\$ (22,476)</b>	<b>\$ 24,180</b>

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
RURAL FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Charges for service	\$ 28,903	\$ 28,903	\$ 31,303	\$ 2,400
Investment earnings	-	-	115	115
Miscellaneous				
Refunds and reimbursements	-	-	2,131	2,131
Contributions and donations	-	-	47,634	47,634
<b>TOTAL REVENUES</b>	<u>28,903</u>	<u>28,903</u>	<u>81,183</u>	<u>52,280</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Personal service	1,248	1,248	1,242	6
Supplies	10,000	10,000	10,709	(709)
Other service and charges	12,748	12,748	13,468	(720)
Capital outlay				
Public safety	4,907	4,907	21,203	(16,296)
<b>TOTAL EXPENDITURES</b>	<u>28,903</u>	<u>28,903</u>	<u>46,622</u>	<u>(17,719)</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	34,561	34,561
<b>FUND BALANCES, JANUARY 1</b>	<u>9,776</u>	<u>9,776</u>	<u>9,776</u>	<u>-</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 9,776</u>	<u>\$ 9,776</u>	<u>\$ 44,337</u>	<u>\$ 34,561</u>

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>401</b>	<b>412</b>	
	<u>Capital Improvement</u>	<u>Oddfellows Building</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 41,258	\$ 100,259	\$ 141,517
Receivables			
Accounts	<u>697</u>	<u>-</u>	<u>697</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 41,955</u></u>	<u><u>\$ 100,259</u></u>	<u><u>\$ 142,214</u></u>
<b>FUND BALANCES</b>			
Assigned			
Future capital outlay	\$ 41,955	\$ -	\$ 41,955
Renovation	<u>-</u>	<u>100,259</u>	<u>100,259</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 41,955</u></u>	<u><u>\$ 100,259</u></u>	<u><u>\$ 142,214</u></u>

CITY OF NEW RICHLAND, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	401	412	
	Capital Improvement	Oddfellows Building	Total
<b>REVENUES</b>			
Intergovernmental			
Other state aids	\$ -	\$ 29,734	\$ 29,734
Investment earnings	-	876	876
Miscellaneous			
Contributions and donations	5,618	4,696	10,314
Refunds and reimbursements	-	832	832
	<u>5,618</u>	<u>36,138</u>	<u>41,756</u>
<b>TOTAL REVENUES</b>			
	<u>5,618</u>	<u>36,138</u>	<u>41,756</u>
<b>EXPENDITURES</b>			
Current			
Economic development			
Supplies	-	134	134
Other services and charges	-	5,257	5,257
Capital outlay			
Economic development	-	44,442	44,442
	<u>-</u>	<u>44,442</u>	<u>44,442</u>
<b>TOTAL EXPENDITURES</b>			
	<u>-</u>	<u>49,833</u>	<u>49,833</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	5,618	(13,695)	(8,077)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	8,325	8,325
	<u>-</u>	<u>8,325</u>	<u>8,325</u>
<b>NET CHANGE IN FUND BALANCES</b>			
	5,618	(5,370)	248
<b>FUND BALANCES, JANUARY 1</b>			
	<u>36,337</u>	<u>105,629</u>	<u>141,966</u>
<b>FUND BALANCES, DECEMBER 31</b>			
	<u>\$ 41,955</u>	<u>\$ 100,259</u>	<u>\$ 142,214</u>

CITY OF NEW RICHLAND, MINNESOTA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
Cash and temporary investments	\$ 712,243	\$ 766,765
Receivables		
Delinquent taxes	18,742	13,598
Accounts	41,494	40,636
Special assessments	6,556	6,391
Intergovernmental	42,719	3,951
Advances to other funds	52,500	30,000
Prepaid items	21,861	9,975
<b>TOTAL ASSETS</b>	<b>\$ 896,115</b>	<b>\$ 871,316</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 5,940	\$ 4,389
Accrued salaries payable	16,101	12,677
<b>TOTAL LIABILITIES</b>	<b>22,041</b>	<b>17,066</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	18,742	13,598
Unavailable revenue - special assessments	6,556	6,391
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>25,298</b>	<b>19,989</b>
<b>FUND BALANCES</b>		
Nonspendable for		
Advances to other funds	52,500	30,000
Prepaid items	21,861	9,975
Assigned for		
Future capital outlay	179,241	183,343
Unassigned	595,174	610,943
<b>TOTAL FUND BALANCES</b>	<b>848,776</b>	<b>834,261</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 896,115</b>	<b>\$ 871,316</b>

CITY OF NEW RICHLAND, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 293,706	\$ 293,706	\$ 282,677	\$ (11,029)	\$ 210,780
Payment in lieu of taxes	4,100	4,100	5,526	1,426	4,158
Franchise taxes	3,500	3,500	3,772	272	4,134
Total taxes	<u>301,306</u>	<u>301,306</u>	<u>291,975</u>	<u>(9,331)</u>	<u>219,072</u>
Special assessments	<u>1,198</u>	<u>1,198</u>	<u>782</u>	<u>(416)</u>	<u>1,283</u>
Licenses and permits	<u>22,455</u>	<u>22,455</u>	<u>17,279</u>	<u>(5,176)</u>	<u>15,130</u>
Intergovernmental					
State					
Local government aid	325,599	325,599	325,599	-	325,599
Property tax credits and aids	-	-	-	-	26,434
Fire aid	14,060	14,060	17,988	3,928	15,901
Police state aid	5,500	5,500	7,076	1,576	6,414
Other state aids	2,478	2,478	942	(1,536)	1,614
Total state	<u>347,637</u>	<u>347,637</u>	<u>351,605</u>	<u>3,968</u>	<u>375,962</u>
Local					
Other local aids	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total intergovernmental	<u>351,137</u>	<u>351,137</u>	<u>355,105</u>	<u>3,968</u>	<u>379,462</u>
Charges for services					
Public safety	125,000	125,000	106,099	(18,901)	142,010
Streets and highways	700	700	65	(635)	413
Culture and recreation	1,600	1,600	4,442	2,842	1,881
Total charges for services	<u>127,300</u>	<u>127,300</u>	<u>110,606</u>	<u>(16,694)</u>	<u>144,304</u>
Fines and forfeits	<u>2,200</u>	<u>2,200</u>	<u>5,052</u>	<u>2,852</u>	<u>3,592</u>
Investment earnings	<u>4,004</u>	<u>4,004</u>	<u>4,362</u>	<u>358</u>	<u>4,669</u>
Miscellaneous					
Other	6,600	6,600	6,666	66	9,134
Rents	1,200	1,200	2,487	1,287	2,574
Contributions and donations	-	-	123,472	123,472	40,046
Refunds and reimbursements	1,000	1,000	55,348	54,348	20,552
Sale of assets	-	-	2,061	2,061	788
Total miscellaneous	<u>8,800</u>	<u>8,800</u>	<u>190,034</u>	<u>181,234</u>	<u>73,094</u>
TOTAL REVENUES	<u>818,400</u>	<u>818,400</u>	<u>975,195</u>	<u>156,795</u>	<u>840,606</u>

CITY OF NEW RICHLAND, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and Council					
Personal services	\$ 10,267	\$ 10,267	\$ 9,192	\$ 1,075	\$ 9,419
Supplies	50	50	37	13	39
Other services and charges	293	293	342	(49)	573
Total Mayor and Council	<u>10,610</u>	<u>10,610</u>	<u>9,571</u>	<u>1,039</u>	<u>10,031</u>
Administration					
Personal services	125,307	125,307	125,725	(418)	119,800
Supplies	6,769	6,769	8,301	(1,532)	9,577
Other services and charges	18,332	18,332	17,089	1,243	20,879
Total administration	<u>150,408</u>	<u>150,408</u>	<u>151,115</u>	<u>(707)</u>	<u>150,256</u>
Election					
Personal services	1,500	1,500	960	540	-
Supplies	1,200	1,200	1,139	61	-
Other services and charges	300	300	345	(45)	-
Total election	<u>3,000</u>	<u>3,000</u>	<u>2,444</u>	<u>556</u>	<u>-</u>
Total general government	<u>164,018</u>	<u>164,018</u>	<u>163,130</u>	<u>888</u>	<u>160,287</u>
Public safety					
Police					
Personal services	163,520	163,520	164,722	(1,202)	159,243
Supplies	12,892	12,892	16,175	(3,283)	12,144
Other services and charges	21,727	21,727	17,824	3,903	19,411
Total police	<u>198,139</u>	<u>198,139</u>	<u>198,721</u>	<u>(582)</u>	<u>190,798</u>
Ambulance					
Personal services	55,184	55,184	46,638	8,546	49,115
Supplies	19,928	19,928	16,345	3,583	15,462
Other services and charges	45,593	45,593	31,338	14,255	35,848
Total ambulance	<u>120,705</u>	<u>120,705</u>	<u>94,321</u>	<u>26,384</u>	<u>100,425</u>
Fire					
Personal services	15,758	15,758	19,230	(3,472)	19,219
Supplies	10,000	10,000	10,520	(520)	13,496
Other services and charges	12,498	12,498	13,468	(970)	10,748
Total fire	<u>38,256</u>	<u>38,256</u>	<u>43,218</u>	<u>(4,962)</u>	<u>43,463</u>

CITY OF NEW RICHLAND, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public safety - continued					
Building inspection					
Supplies	\$ -	\$ -	\$ -	\$ -	\$ 491
Other services and charges	14,950	14,950	15,770	(820)	8,882
Total building inspection	14,950	14,950	15,770	(820)	9,373
Total public safety	372,050	372,050	352,030	20,020	344,059
Streets and highways					
Personal services	90,135	90,135	89,387	748	88,266
Supplies	32,150	32,150	27,237	4,913	36,811
Other services and charges	33,334	33,334	29,562	3,772	32,059
Total streets and highways	155,619	155,619	146,186	9,433	157,136
Sanitation and waste removal					
Personal services	985	985	1,316	(331)	1,146
Culture and recreation					
Recreation - Legion Field					
Personal services	1,100	1,100	3,041	(1,941)	1,735
Supplies	1,250	1,250	1,542	(292)	24
Other services and charges	10,685	10,685	6,765	3,920	8,098
Total recreation - Legion Field	13,035	13,035	11,348	1,687	9,857
Parks - St. Olaf Park					
Personal services	13,565	13,565	14,225	(660)	11,671
Supplies	8,100	8,100	11,231	(3,131)	14,616
Other services and charges	6,838	6,838	5,412	1,426	6,036
Total parks - St. Olaf Park	28,503	28,503	30,868	(2,365)	32,323
Senior citizens' bus					
Other services and charges	2,960	2,960	2,960	-	3,000
Library					
Supplies	600	600	187	413	299
Other services and charges	3,694	3,694	2,550	1,144	3,088
Total library	4,294	4,294	2,737	1,557	3,387
Total culture and recreation	48,792	48,792	47,913	879	48,567
Economic development					
Other services and charges	7,800	7,800	4,800	3,000	4,710
Total current	749,264	749,264	715,375	33,889	715,905

CITY OF NEW RICHLAND, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 3,702	\$ 3,702	\$ 3,315	\$ 387	\$ 4,320
Public safety	7,667	7,667	94,311	(86,644)	32,486
Streets and highways	33,500	33,500	95,485	(61,985)	38,059
Culture and recreation	5,000	5,000	43,869	(38,869)	34,372
Total capital outlay	<u>49,869</u>	<u>49,869</u>	<u>236,980</u>	<u>(187,111)</u>	<u>109,237</u>
TOTAL EXPENDITURES	<u>799,133</u>	<u>799,133</u>	<u>952,355</u>	<u>(153,222)</u>	<u>825,142</u>
EXCESS OF REVENUES OVER EXPENDITURES	19,267	19,267	22,840	3,573	15,464
OTHER FINANCING USES					
Transfers out	<u>(8,325)</u>	<u>(8,325)</u>	<u>(8,325)</u>	-	<u>(3,000)</u>
NET CHANGE IN FUND BALANCES	10,942	10,942	14,515	3,573	12,464
FUND BALANCES, JANUARY 1	<u>834,261</u>	<u>834,261</u>	<u>834,261</u>	-	<u>821,797</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 845,203</u></u>	<u><u>\$ 845,203</u></u>	<u><u>\$ 848,776</u></u>	<u><u>\$ 3,573</u></u>	<u><u>\$ 834,261</u></u>

CITY OF NEW RICHLAND, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>305</b> 2009 G.O. Refunding	<b>311</b> 2003 G.O. Improvement	<b>320</b> 2007 G.O Improvement	Total Debt Service
<b>ASSETS</b>				
Cash and temporary investments	\$ 21	\$ 47,064	\$ 102,187	\$ 149,272
Restricted assets - cash with fiscal agent	-	-	150,088	150,088
Receivables				
Special assessments	129,480	49,001	95,558	274,039
Intergovernmental	8,948	280	758	9,986
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 138,449</u></b>	<b><u>\$ 96,345</u></b>	<b><u>\$ 348,591</u></b>	<b><u>\$ 583,385</u></b>
<b>LIABILITIES</b>				
Accrued interest payable	\$ -	\$ 48	\$ 30	\$ 78
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	129,480	49,001	95,558	274,039
<b>FUND BALANCES</b>				
Restricted for debt service	<u>8,969</u>	<u>47,296</u>	<u>253,003</u>	<u>309,268</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 138,449</u></b>	<b><u>\$ 96,345</u></b>	<b><u>\$ 348,591</u></b>	<b><u>\$ 583,385</u></b>

CITY OF NEW RICHLAND, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>305</b> 2009 G.O. Refunding	<b>311</b> 2003 G.O. Improvement	<b>320</b> 2007 G.O. Improvement	Total
REVENUES				
Property taxes	\$ -	\$ 9,809	\$ 7,050	\$ 16,859
Special assessments	45,212	8,153	14,217	67,582
<b>TOTAL REVENUES</b>	<b>45,212</b>	<b>17,962</b>	<b>21,267</b>	<b>84,441</b>
EXPENDITURES				
Debt service				
Principal	64,000	-	15,000	79,000
Interest and other	22,579	9,819	8,652	41,050
Bond issuance costs	-	19,966	4,870	24,836
<b>TOTAL EXPENDITURES</b>	<b>86,579</b>	<b>29,785</b>	<b>28,522</b>	<b>144,886</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,367)	(11,823)	(7,255)	(60,445)
OTHER FINANCING SOURCES				
Transfers in	42,800	-	-	42,800
Bonds issued	-	270,000	154,500	424,500
Payment to refunded bond escrow agent	-	(260,000)	-	(260,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>42,800</b>	<b>10,000</b>	<b>154,500</b>	<b>207,300</b>
NET CHANGE IN FUND BALANCES	1,433	(1,823)	147,245	146,855
FUND BALANCES, JANUARY 1	7,536	49,119	105,758	162,413
FUND BALANCES, DECEMBER 31	<u>\$ 8,969</u>	<u>\$ 47,296</u>	<u>\$ 253,003</u>	<u>\$ 309,268</u>

CITY OF NEW RICHLAND, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUND  
DECEMBER 31, 2012

ASSETS	
Cash and temporary investments	\$ 17,385
Receivables	
Loans	108,683
Due from primary government	<u>250,000</u>
TOTAL ASSETS	<u><u>\$ 376,068</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - loans	<u>108,683</u>
FUND BALANCES	
Nonspendable for	
Due from primary government	250,000
Unassigned	<u>17,385</u>
TOTAL FUND BALANCES	<u>267,385</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 376,068</u></u>
Total fund balances - component unit	\$ 267,385
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term assets are not available to pay current-period expenditures and, therefore, are unearned in the funds.	
Loans receivable	<u>108,683</u>
Total net position - governmental activities	<u><u>\$ 376,068</u></u>

CITY OF NEW RICHLAND, MINNESOTA  
DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$ 118,555
Payments from primary government	4,800
Refunds and reimbursements	74
Miscellaneous	<u>830</u>
TOTAL REVENUES	124,259
EXPENDITURES	
Current	
Economic Development	<u>118,708</u>
NET CHANGES IN FUND BALANCES	5,551
FUND BALANCES, JANUARY 1	<u>261,834</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 267,385</u></u>
 Net change in fund balances - governmental funds	 \$ 5,551
Amounts reported for governmental activities in the statement of activities are different because:	
Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Loan repayments	(830)
Some expenditures reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are unearned in the funds.	
Loans made	112,271
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Loans written off	<u>(55,275)</u>
Change in net position - governmental activities	<u><u>\$ 61,717</u></u>

CITY OF NEW RICHLAND, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total 2012	Total 2011	Percent Increase (Decrease)
<b>REVENUES</b>			
Taxes	\$ 332,459	\$ 269,421	23.40 %
Special assessments	68,364	47,782	43.07
Licenses and permits	17,279	15,130	14.20
Intergovernmental	384,839	636,527	(39.54)
Charges for services	141,909	173,178	(18.06)
Fines and forfeits	5,052	3,592	40.65
Investment earnings	5,353	4,754	12.60
Miscellaneous	250,945	189,609	32.35
TOTAL REVENUES	\$ 1,206,200	\$ 1,339,993	(9.98) %
Per Capita	\$ 994	\$ 1,114	(10.80) %
<b>EXPENDITURES</b>			
Current			
General government	\$ 163,130	\$ 160,287	1.77 %
Public safety	377,449	368,999	2.29
Streets and highways	146,186	157,136	(6.97)
Sanitation and waste removal	1,316	1,146	14.83
Culture and recreation	47,913	48,567	(1.35)
Economic development	10,576	10,215	3.53
Miscellaneous	2,619	249,718	(98.95)
Capital outlay			
General government	3,315	4,320	(23.26)
Public safety	115,514	61,176	88.82
Streets and highways	95,485	38,059	150.89
Culture and recreation	43,869	34,372	27.63
Economic development	44,442	70,157	(36.65)
Water and sewer	-	2,000	(100.00)
Debt Service			
Principal	79,000	68,500	15.33
Interest	41,050	45,778	(10.33)
TOTAL EXPENDITURES	\$ 1,171,864	\$ 1,320,430	(11.25) %
Per Capita	\$ 965	\$ 1,098	(12.06) %
Total Long-term Indebtedness	\$ 1,328,500	\$ 1,243,000	6.88 %
Per Capita	1,094	1,033	5.91
General Fund and Special Revenue Funds Unreserved			
Fund Balance - December 31	\$ 785,390	\$ 806,084	(2.57) %
Per Capita	647	670	(3.45)

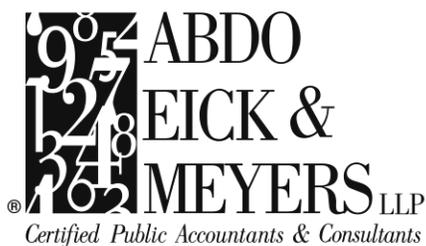
The purpose of this report is to provide a summary of financial information concerning the City of New Richland to interested citizens. The complete financial statements may be examined at City Hall, 203 North Broadway, New Richland, Minnesota. Questions about this report should be directed to Wayne Billing, Clerk-Treasurer at (507) 465-3514.

**SINGLE AUDIT AND  
OTHER REQUIRED REPORTS**

CITY OF NEW RICHLAND  
NEW RICHLAND, MINNESOTA

YEAR ENDED  
DECEMBER 31, 2012

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11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

## AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of New Richland, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Richland, Minnesota (the City) as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2013.

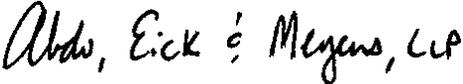
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly,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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

February 28, 2013  
Mankato, Minnesota

  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

11 Civic Center Plaza  
Suite 300  
P.O. Box 3166  
Mankato, MN 56002-3166

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

Honorable Mayor and City Council  
City of New Richland, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity the City of New Richland as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 28, 2013. Our report includes a reference to other auditors who audited the financial statements of the New Richland Care Center enterprise fund, as described in our report on City's financial statements. The financial statements of the New Richland Care Center enterprise fund were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2012-1, 2012-2, and 2012-3 we identified a certain deficiency in internal control that we consider to be a material weakness and significant deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2012-3 to be a material weakness.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2012-1 and 2012-2 to be a significant deficiencies.

### **Compliance and Other Matters**

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

We also noted certain additional matters that we reported to management of the City in a separate letter dated February 28, 2013.

### **The City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2012-1, 2012-2 and 2012-3. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

February 28, 2013  
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*



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11 Civic Center Plaza  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY *OMB CIRCULAR A-133*

Honorable Mayor and City Council  
City of New Richland, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited City of New Richland, Minnesota (the City's) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Example Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs for the year ended December 31, 2012.



## Report on Internal Control Over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2012-3 to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

February 28, 2013  
Mankato, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

CITY OF NEW RICHLAND, MINNESOTA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Awarding Agency	Pass-through Entity	Program Name	Federal Domestic Assistance Number	Amount Expended
Department of Health and Human Services Direct		Medical Assistance	93.778	\$ 1,453
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Clean Water State Revolving Funds	66.458	1,635,468
		Total		<u>\$ 1,636,921</u>

CITY OF NEW RICHLAND, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City of New Richland, Minnesota (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**2. Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for the major programs and nonmajor programs, which are described in Note 1B to the City's financial statements.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**A. Summary of Auditor's Results**

**Financial Statements**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of New Richland, Minnesota (the City).
2. A significant deficiency and a material weakness relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The material weakness is related to material audit adjustments.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.

**Federal Awards**

1. A material weakness relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133*. The material weakness is related to a material audit adjustment.
2. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
3. Audit findings relative to the major federal awards programs were noted for the City in section C below.
4. The programs tested as major programs included:

Capitalization Grants for Clear Water State Revolving Funds

CFDA

66.458

5. The threshold for distinguishing between Types A and B programs was \$300,000.
6. The City did not qualify as a low-risk auditee.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

**B. Findings - Financial Statement Audit**

**2012-1 Segregation of duties**

*Condition:* During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts and utility billing and found the City to have limited segregation of duties in these areas.

*Criteria:* There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

*Effect:* The existence of this limited segregation of duties increases the risk of fraud.

**Internal control over payroll**

*Cause:* As a result of the small number of staff, the Clerk/Treasurer controls and maintains the check stock, sets up and maintains employee records, runs the payroll, prepares the checks, signs checks using e-signatures in Banyon system, posts activity to the general ledger, reconciles bank accounts, prepares payroll tax returns, and maintains the payroll records.

*Recommendation:* While we recognize number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. Additional controls might include review of payroll registers, earnings records, payroll reports, etc.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

2012-1

**Segregation of duties - Continued**

**Internal control over disbursements**

*Cause:* As a result of the small number of staff, the Assistant Clerk sets up vendors in Banyon, opens the mail, prepares checks, mails checks, and maintains the purchase journal.

*Recommendation:* We recommend that when the Assistant Clerk prepares the checks, the Clerk/Treasurer be responsible for mailing them to vendors and vice versa. We also recommend the Clerk/Treasurer initial invoices when approved for payment. Additionally we recommend an individual separate from the Clerk/Treasurer review cancelled checks received with the bank statement and investigate items such as: void checks, inconsistencies in check sequence, possible alterations, and unusual payees. This individual should also review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

**Internal control over cash receipts**

*Cause:* As a result of the small number of staff, the Assistant Clerk is responsible for setting up customers in Banyon, opening the mail, receiving and endorsing checks, preparing and taking the deposit to the bank, generating billing statements, and maintaining accounts receivable records.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. We recommend that the Clerk/Treasurer be responsible for preparing deposit slips in order to improve segregation of reconciling activities related to cash receipts. Additional controls might include obtaining and reviewing monthly receipt information.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes review of deposits, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

2012-1

**Segregation of duties - Continued**

**Internal control over utility billing**

*Cause:* As a result of the small number of staff, the Assistant Clerk sets up new customers in the Banyon system, opens the mail, receives and endorses checks, prepares the deposit and takes it to the bank, generates billing statements, and maintains receivable subledgers.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. We recommend that the Clerk/Treasurer be responsible for preparing deposit slips in order to improve segregation of reconciling activities related to utility billing. Additional controls might include reviewing quarterly billing registers, adjustments to accounts and employee billing registers.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

**Corrective Action Plan (CAP):**

**Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Council is taking an active role in management of City functions.

**Official Responsible for Ensuring CAP:**

Wayne Billing, City Clerk, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

Continual

**Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

**2012-2**

**Preparation of financial statements**

*Condition:* As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

*Criteria:* Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

*Cause:* From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

*Effect:* The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

*Recommendation:* Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your Banyon year-end financial report to the fund of financial statements.

*Management response:*

The City is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cities. Each year, the City has a presentation from our auditor to the Council after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and the Council to monitor the deficiency. The Clerk/Treasurer may attend future classes dealing with governmental financial/accounting practices

*Updated response from prior year:*

The City plans on reviewing the disclosure checklist in the future and compare the Banyon financial information to the report.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
<b>2012-2</b>	<b>Preparation of financial statements - Continued</b>
	<b>Corrective Action Plan (CAP):</b>
	<b>Explanation of Disagreements with Audit Finding:</b>
	There is no disagreement with the audit finding.
	<b>Actions Planned in Response to Finding:</b>
	Continue training of accounting staff in financial reporting to gain competencies in this area for future preparation and review of financial statements. The City's goal is to better understand the financial statements and related footnote disclosures.
	<b>Official Responsible for Ensuring CAP:</b>
	Wayne Billing, City Clerk, is the official responsible for ensuring corrective action of the deficiency.
	<b>Planned Completion Date for CAP:</b>
	Continual
	<b>Plan to Monitor Completion of CAP:</b>
	The Council will be monitoring this corrective action plan.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
<b>2012-3</b>	<p><b>Material audit adjustments</b></p> <p><i>Condition:</i> During our audit, material adjustments were needed to record bond escrow activity and a receivable from PFA.</p> <p><i>Criteria:</i> The financial statements are the responsibility of the City's management.</p> <p><i>Cause:</i> City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.</p> <p><i>Effect:</i> It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.</p> <p><i>Recommendation:</i> We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to insure that future corrections are not needed.</p> <p><i>Management response:</i></p> <p>Management thoroughly reviews journal entries prepared for the audit and asks questions throughout the year in an attempt to eliminate as many adjusting entries as possible.</p> <p><b>Corrective Action Plan (CAP):</b></p> <p><b>Explanation of Disagreements with Audit Finding:</b></p> <p>There is no disagreement with the audit finding.</p> <p><b>Actions Planned in Response to Finding:</b></p> <p>The City will review the prior year journal entries to determine training needs with the intent to prepare as many journals entries for the upcoming audit as possible. The City's goal is to minimize the reliance upon the audit firm in proposing audit adjustments.</p> <p><b>Official Responsible for Ensuring CAP:</b></p> <p>Wayne Billing, City Clerk, is the official responsible for ensuring corrective action of the deficiency.</p> <p><b>Planned Completion Date for CAP:</b></p> <p>Continuous</p> <p><b>Plan to Monitor Completion of CAP:</b></p> <p>The Council will be monitoring this corrective action plan.</p>
<b>C.</b>	<p><b>Findings - Federal Award Programs</b></p> <p>See Finding 2012-3 above.</p>

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS, RESPONSES AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

**2011-1**

**Segregation of duties**

*Condition:* During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts and utility billing and found the City to have limited segregation of duties in these areas.

*Criteria:* There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

*Effect:* The existence of this limited segregation of duties increases the risk of fraud.

**Internal control over payroll**

*Cause:* As a result of the small number of staff, the Clerk/Treasurer controls and maintains the check stock, sets up and maintains employee records, runs the payroll, prepares the checks, signs checks using e-signatures in Banyon system, posts activity to the general ledger, reconciles bank accounts, prepares payroll tax returns, and maintains the payroll records.

*Recommendation:* While we recognize number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. Additional controls might include review of payroll registers, earnings records, payroll reports, etc.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

2011-1

**Segregation of duties - Continued**

**Internal control over disbursements**

*Cause:* As a result of the small number of staff, the Assistant Clerk sets up vendors in Banyon, opens the mail, prepares checks, mails checks, and maintains the purchase journal.

*Recommendation:* We recommend that when the Assistant Clerk prepares the checks, the Clerk/Treasurer be responsible for mailing them to vendors and vice versa. We also recommend the Clerk/Treasurer initial invoices when approved for payment. Additionally we recommend an individual separate from the Clerk/Treasurer review cancelled checks received with the bank statement and investigate items such as: void checks, inconsistencies in check sequence, possible alterations, and unusual payees. This individual should also review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

**Internal control over cash receipts**

*Cause:* As a result of the small number of staff, the Assistant Clerk is responsible for setting up customers in Banyon, opening the mail, receiving and endorsing checks, preparing and taking the deposit to the bank, generating billing statements, and maintaining accounts receivable records.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. We recommend that the Clerk/Treasurer be responsible for preparing deposit slips in order to improve segregation of reconciling activities related to cash receipts. Additional controls might include obtaining and reviewing monthly receipt information.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes review of deposits, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

2011-1

**Segregation of duties - Continued**

**Internal control over utility billing**

*Cause:* As a result of the small number of staff, the Assistant Clerk sets up new customers in the Banyon system, opens the mail, receives and endorses checks, prepares the deposit and takes it to the bank, generates billing statements, and maintains receivable subledgers.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. We recommend that the Clerk/Treasurer be responsible for preparing deposit slips in order to improve segregation of reconciling activities related to utility billing. Additional controls might include reviewing quarterly billing registers, adjustments to accounts and employee billing registers.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

*Updated response from prior year:*

The City is continuing to develop policies and procedures to provide compensating controls for the segregation of duties.

**Corrective Action Plan (CAP):**

**Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Council is taking an active role in management of City functions.

**Official Responsible for Ensuring CAP:**

Wayne Billing, City Clerk, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

Continual

**Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

**2011-2      Preparation of financial statements**

*Condition:*            As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

*Criteria:*              Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

*Cause:*                 From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

*Effect:*                 The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

*Recommendation:* Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your Banyon year-end financial report to the fund of financial statements.

*Management response:*

The City is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cities. Each year, the City has a presentation from our auditor to the Council after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and the Council to monitor the deficiency. The Clerk/Treasurer may attend future classes dealing with governmental financial/accounting practices

*Updated response from prior year:*

The City plans on reviewing the disclosure checklist in the future and compare the Banyon financial information to the report.

CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
<b>2011-2</b>	<p><b>Preparation of financial statements - Continued</b></p> <p><b>Corrective Action Plan (CAP):</b></p> <p><b>Explanation of Disagreements with Audit Finding:</b></p> <p>There is no disagreement with the audit finding.</p> <p><b>Actions Planned in Response to Finding:</b></p> <p>The City will review the prior year journal entries to determine training needs with the intent to prepare as many journals entries for the upcoming audit as possible. The City's goal is to minimize the reliance upon the audit firm in proposing audit adjustments.</p> <p><b>Official Responsible for Ensuring CAP:</b></p> <p>Wayne Billing, City Clerk, is the official responsible for ensuring corrective action of the deficiency.</p> <p><b>Planned Completion Date for CAP:</b></p> <p>Continual</p> <p><b>Plan to Monitor Completion of CAP:</b></p> <p>The Council will be monitoring this corrective action plan.</p>

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CITY OF NEW RICHLAND, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding

Description

**2011-3**

**Material audit adjustments**

*Condition:* During our audit, material adjustments were needed for a tax increment transfer and utility accounts receivable.

*Criteria:* The financial statements are the responsibility of the City's management.

*Cause:* City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.

*Effect:* It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

*Recommendation:* We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to insure that future corrections are not needed.

*Management response:*

Management thoroughly reviews journal entries prepared for the audit and asks questions throughout the year in an attempt to eliminate as many adjusting entries as possible.

**Corrective Action Plan (CAP):**

**Explanation of Disagreements with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will review the prior year journal entries to determine training needs with the intent to prepare as many journals entries for the upcoming audit as possible. The City's goal is to minimize the reliance upon the audit firm in proposing audit adjustments.

**Official Responsible for Ensuring CAP:**

Wayne Billing, City Clerk, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

Continuous

**Plan to Monitor Completion of CAP:**

The Council will be monitoring this corrective action plan.