

Annual Financial Statement

City of New Richland
New Richland, Minnesota

For the Year Ended
December 31, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
 ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Page No.
INTRODUCTORY SECTION	
Elected and Appointed Officials	7
 FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	40
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	41
Proprietary Funds	
Statements of Net Position	42
Statements of Revenues, Expenses and Changes in Fund Net Position	44
Statements of Cash Flows	46
Notes to the Financial Statements	49
 Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73
Nonmajor Special Revenue Funds	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	75
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Rural Fire Fund	76
Nonmajor Capital Projects Funds	
Combining Balance Sheet	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78
General Fund	
Comparative Balance Sheets	79
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	80
Debt Service Fund	
Combining Balance Sheet	84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	86

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Page No.</u>
Combining and Individual Fund Financial Statements and Schedules - Continued	
Discretely Presented Component Unit - Economic Development Authority	
Balance Sheet/Statement of Net Position - Governmental Fund	88
Statement of Revenues, Expenditures and Changes in Fund Balances/Net Position - Governmental Funds	89
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	90
 OTHER REQUIRED REPORTS	
Independent Auditor's Report on	
Minnesota Legal Compliance	93
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 <i>Government Auditing Standards</i>	94
Schedule of Findings and Responses	96

THIS PAGE IS LEFT BLANK
INTENTIONALLY

INTRODUCTORY SECTION

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Christina Gislason	Mayor	12/31/14
John Hullopeter	Council	12/31/16
Amy Ihrke	Council	12/31/14
Anthony Martens	Council	12/31/14
Sandra Neumann	Council	12/31/16

APPOINTED

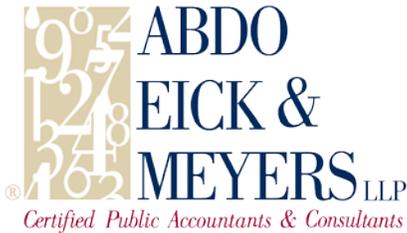
Wayne Billing	Clerk/Treasurer
---------------	-----------------

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FINANCIAL SECTION
CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY



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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2013 financial statements and, in our report dated March 3, 2014, we expressed unmodified opinions on 2013 the respective proprietary fund financial statements. We did not audit the financial statements of the New Richland Care Center enterprise fund which represents 19.3 percent and 83.2 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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2014, 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.

Other Matter

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.

Other Information

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 and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015 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.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
February 27, 2015

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,603,701 (net position). Of this amount, \$1,820,369 (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 \$316,216. A majority of the increase is due to an increase in capital grants and contributions from special assessments related to the street project along with a moderate increase in expenditures. The Water Utility enterprise fund showed an increase in net position of \$313,211 and the Sewer Utility showed an increase of \$176,484, due to contributed capital from the City for the 2014 street project. The Nursing Home enterprise fund showed a decrease in net position of \$62,254 compared to a decrease of \$6,934 in the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,870,756, an increase of \$596,903 in comparison with the prior year. Approximately 28.1 percent of this total amount, \$526,089, which constitutes unassigned fund balance, is available for spending at the City's discretion. The remainder of fund balance, \$1,344,667, is not available for spending because it is either 1) nonspendable (\$157,293), 2) restricted (\$840,394) or 3) assigned (\$346,980).

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

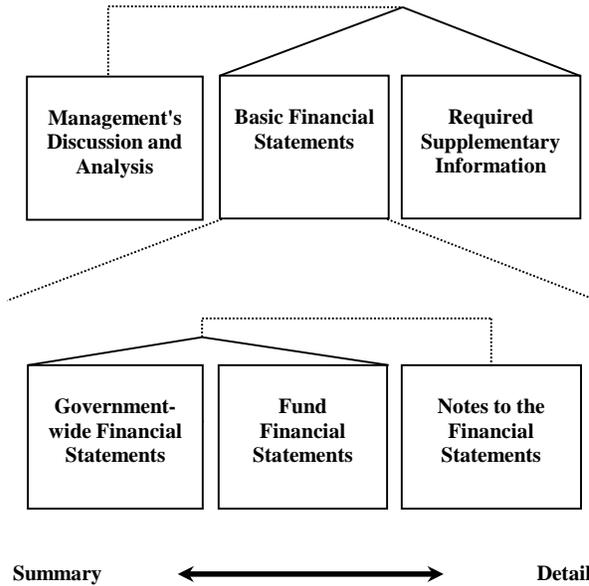


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
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 cedar pointe 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 11 individual governmental funds, 4 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, Debt Service funds and the 2014 Street Reconstruction fund 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 34 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 42 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 49 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 72 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 by \$7,603,701 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (64.1 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	\$ 2,580,917	\$ 1,552,511	\$ 1,028,406	\$ 1,914,882	\$ 1,859,742	\$ 55,140
Capital assets	2,990,691	2,401,681	589,010	7,234,514	7,075,734	158,780
Total assets	5,571,608	3,954,192	1,617,416	9,149,396	8,935,476	213,920
Long-term liabilities outstanding	2,806,272	1,244,409	1,561,863	3,633,721	3,864,020	(230,299)
Other liabilities	217,504	45,537	171,967	459,806	448,217	11,589
Total liabilities	3,023,776	1,289,946	1,733,830	4,093,527	4,312,237	(218,710)
Net investment in capital assets	859,220	1,331,681	(472,461)	4,014,115	3,639,140	374,975
Restricted	842,963	369,602	473,361	67,034	70,759	(3,725)
Unrestricted	845,649	962,963	(117,314)	974,720	913,340	61,380
Total net position	\$ 2,547,832	\$ 2,664,246	\$ (116,414)	\$ 5,055,869	\$ 4,623,239	\$ 432,630

An additional portion of the City's net position (11.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (24.0 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.

Governmental activities. Governmental activities decreased the City's net position by \$316,216. Key elements of this decrease are as follows:

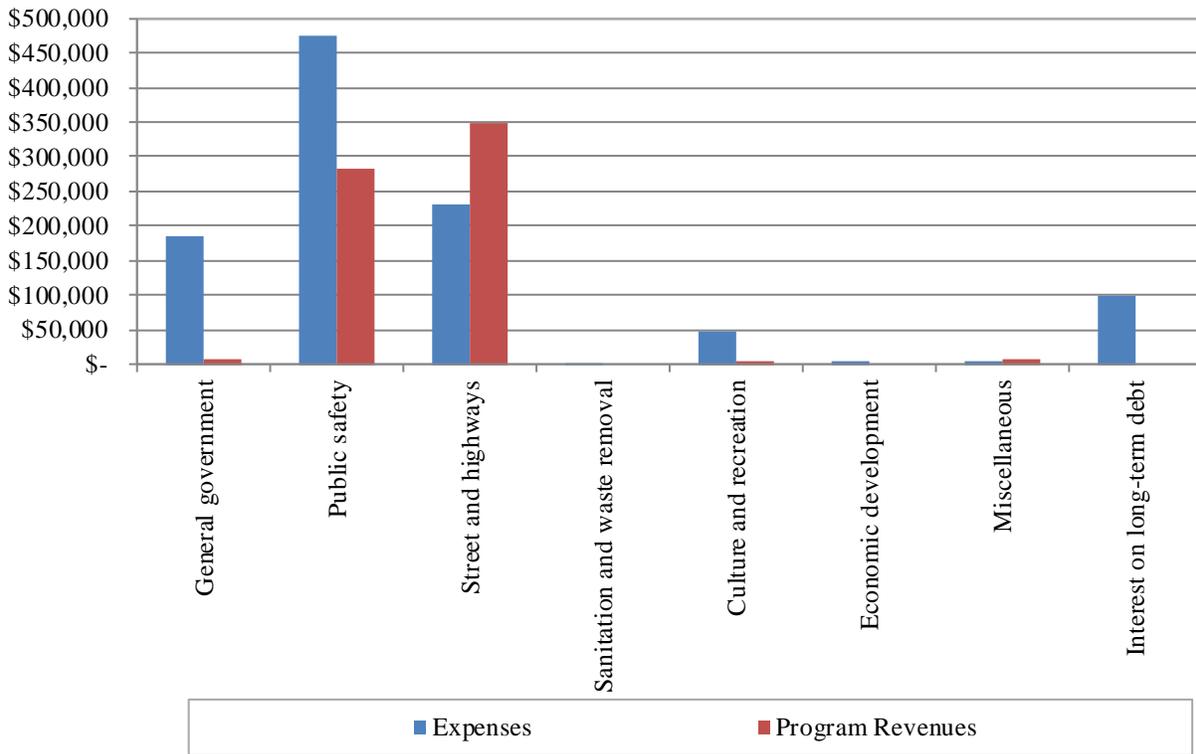
City of New Richland's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 173,139	\$ 162,199	\$ 10,940	\$ 3,806,716	\$ 3,867,426	\$ (60,710)
Operating grants and contribution	53,278	90,967	(37,689)	-	17,394	(17,394)
Capital grants and contributions	422,812	144,855	277,957	2,080	-	2,080
General revenues						
Property taxes/tax increments	364,621	355,691	8,930	-	-	-
Franchise taxes	18,628	13,029	5,599	-	-	-
Grants and contributions not restricted to specific programs	378,044	326,077	51,967	-	-	-
Unrestricted investment earnings	6,558	4,529	2,029	32,263	9,496	22,767
Gain (loss) on sale of capital assets	200	19,982	-	(2,594)	-	(2,594)
Total revenues	1,417,280	1,117,329	319,733	3,838,465	3,894,316	(55,851)
Expenses						
General government	185,048	174,733	10,315	-	-	-
Public safety	474,247	427,923	46,324	-	-	-
Streets and highways	232,175	303,718	(71,543)	-	-	-
Culture and recreation	48,055	55,344	(7,289)	-	-	-
Sanitation and waste removal	1,299	1,312	(13)	-	-	-
Economic development	5,259	10,087	(4,828)	-	-	-
Miscellaneous	3,594	3,593	1	-	-	-
Interest on long-term debt	99,801	37,287	62,514	-	-	-
Water utility	-	-	-	214,865	188,446	26,419
Sewer utility	-	-	-	366,755	357,470	9,285
Nursing home	-	-	-	3,256,791	3,278,047	(21,256)
Cedar Point housing	-	-	-	51,640	56,610	(4,970)
Total expenses	1,049,478	1,013,997	35,481	3,890,051	3,880,573	9,478
Increase (decrease) in net position before contributed capital	367,802	103,332	264,470	(51,586)	13,743	(65,329)
Transfers of capital assets	(484,216)	-	(484,216)	484,216	-	484,216
Change in net position	(116,414)	103,332	(219,746)	432,630	13,743	418,887
Net position - January 1	2,664,246	2,560,914	103,332	4,623,239	4,609,496	13,743
Net position - December 31	<u>\$ 2,547,832</u>	<u>\$ 2,664,246</u>	<u>\$ (116,414)</u>	<u>\$ 5,055,869</u>	<u>\$ 4,623,239</u>	<u>\$ 432,630</u>

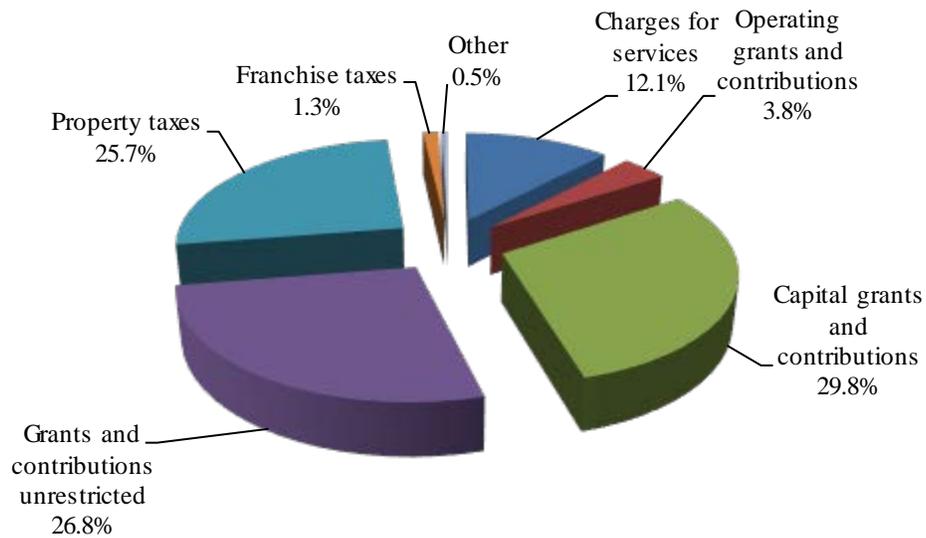
Property tax revenue increased by \$8,930 or (2.5 percent) during the year.

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

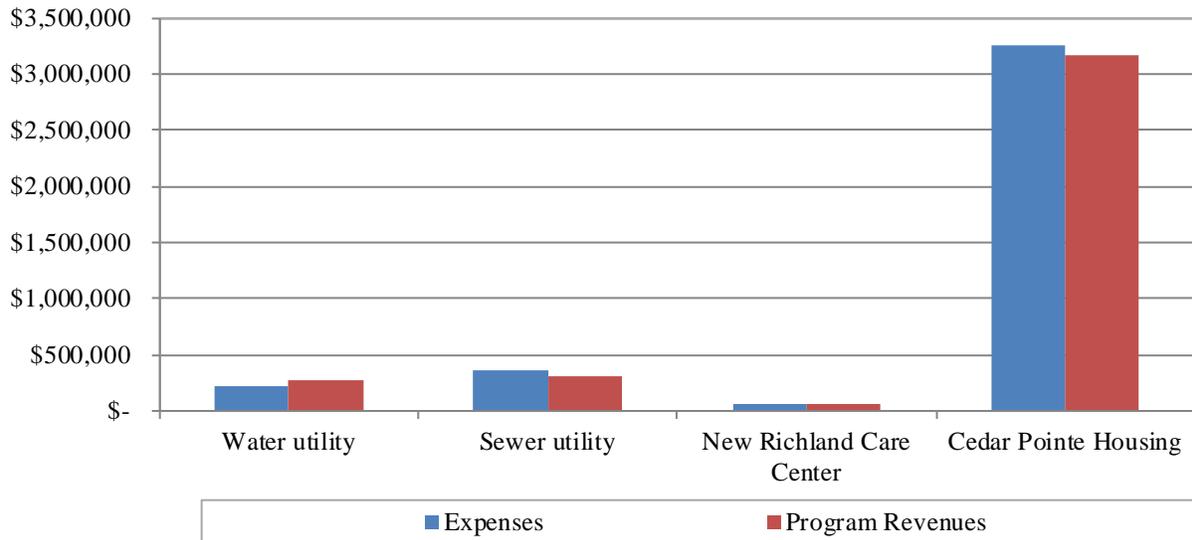


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

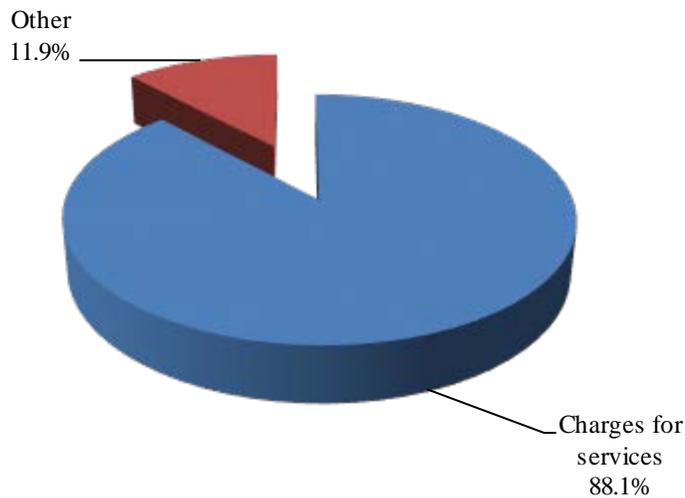
Business-type activities. Business-type activities increased the City’s net position by \$432,630. Key elements of this increase are as follows:

- Charges for services for business-type activities on the whole decreased by 2.0 percent. The Care Center had an increase in operating expenses of 0.6 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 2013 and 2014 was at a level of around 96 percent and 85 percent respectively. The Care Center’s RUG score was around 1.07 for both fiscal 2014 and 2013. The Care Center’s revenues from fiscal 2013 to 2014 were consistent, with a small increase in operating revenues of 0.6 percent.

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.

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 \$637,387. 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 63.0 percent of fund expenditures.

The fund balance of the City's General fund increased by \$94,769 during the current fiscal year. The key factor to this increase was contributions and donations of \$26,586 and lower than budgeted personal services.

The Debt Service fund has a total fund balance of \$369,128, 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 \$58,041.

The 2014 Street Reconstruction fund has a total fund balance of \$467,072, all of which is restricted for future capital outlay. The net increase in fund balance during the current year was \$467,072.

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 \$974,720. The total increase in net position for the funds was \$432,630. 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 were under budget by \$4,963 and actual expenditures were under budget by \$76,340 for 2014.

Significant budget variances are described below:

- Public safety charges for services were under budget by \$48,179.
- Property tax collections were under budget by \$18,801.
- Contributions and donations were over budget by \$26,586 due to donations from fire relief.
- Total public safety expenditures were under budget by \$49,103, due to the departure of a full-time police officer and lower than budgeted ambulance supplies and personnel costs.
- Street and highway personal services expenditures were under budget by \$24,443 also due to departure of personnel.
- Capital outlay expenditures which were over budget by \$22,670, due to seal coating.

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, 2014, amounts to \$10,225,205 (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 decrease in the City's net investment in capital assets for the current fiscal year was 7.9 percent (a 24.5 percent increase for governmental activities and a 2.2 percent increase for business-type activities).

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

- Construction began on the County Road 12 project with \$1,157,450 in construction in progress at year end.
- Improvements to the Fire Annex totaling \$28,855 were completed during 2014.
- Radios for Ambulance, Police and the Fire Department were contributed from Waseca County totaling \$43,431.

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

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 184,745	\$ 184,745	\$ -	\$ 60,000	\$ 60,000	\$ -
Buildings	819,935	815,263	4,672	1,091,241	1,190,819	(99,578)
Infrastructure and other improvements	715,861	761,750	(45,889)	5,474,673	5,729,107	(254,434)
Machinery and equipment	155,814	146,396	9,418	124,384	95,808	28,576
Vehicles	423,536	478,763	(55,227)	-	-	-
Other assets	17,566	14,764	2,802	-	-	-
Construction in progress	673,234	-	673,234	484,216	-	484,216
Total	\$ 2,990,691	\$ 2,401,681	\$ 589,010	\$ 7,234,514	\$ 7,075,734	\$ 158,780

Additional information on the City of New Richland's capital assets can be found in Note 3C starting on page 59 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,571,521. Of this amount, \$2,339,000 is improvement debt, \$435,000 is tax increment debt, \$3,232,521 is revenue debt and \$348,378 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation improvement bonds	\$ 2,339,000	\$ 729,500	\$ 1,609,500	\$ -	\$ -	\$ -
General obligation tax increment bonds	435,000	495,000	(60,000)	-	-	-
General obligation revenue bonds	-	-	-	3,232,521	3,441,414	(208,893)
Notes	-	-	-	348,378	355,679	(7,301)
Total	\$ 2,774,000	\$ 1,224,500	\$ 1,549,500	\$ 3,580,899	\$ 3,797,093	\$ (216,194)

The City's total debt increased by \$1,333,306, or 26.6 percent during the current fiscal year. Long-term debt of \$321,694 was retired during the year and \$1,655,000 of new debt was issued to finance the street reconstruction 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 \$1,261,614, 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 3E starting on page 62 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Waseca County is currently 4.3 percent, which is a decrease from a rate of 5.0 percent a year ago. This can be compared to the State's average unemployment rate of 3.6 percent and the national average rate of 5.4 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 2014 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$637,387. The City has appropriated \$855,361 for the 2015 fiscal year budget. It is intended that this amount of available fund balance will keep the need to raise taxes or charges during the 2015 fiscal year to a minimum.

Property taxes will remain steady in 2015.

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 1,808,346	\$ 711,544	\$ 2,519,890	\$ 49,465
Investments	-	441,039	441,039	-
Cash with fiscal agent	145,143	338,668	483,811	-
Receivables				
Delinquent taxes	18,531	-	18,531	-
Accounts, net of allowance for uncollectibles	48,492	359,163	407,655	-
Loans	-	-	-	83,776
Special assessments	500,680	-	500,680	-
Intergovernmental	13,730	-	13,730	2,500
Due from primary government	-	-	-	250,000
Internal balances	30,000	(30,000)	-	-
Prepaid items	15,995	21,453	37,448	-
Residents' cash	-	5,981	5,981	-
Cash restricted by contributors for capital acquisitions	-	67,034	67,034	-
Capital assets				
Nondepreciable assets	857,979	544,216	1,402,195	-
Depreciable assets, net of accumulated depreciation	2,132,712	6,690,298	8,823,010	-
TOTAL ASSETS	5,571,608	9,149,396	14,721,004	385,741
LIABILITIES				
Accounts payable	5,976	65,413	71,389	-
Due to component unit	-	250,000	250,000	-
Due to other governments	174,617	96	174,713	-
Accrued interest payable	28,733	21,488	50,221	-
Accrued salaries payable	8,178	119,874	128,052	-
Deposits payable	-	2,935	2,935	-
Noncurrent liabilities				
Due within one year	360,693	609,277	969,970	-
Due in more than one year	2,445,579	3,024,444	5,470,023	-
TOTAL LIABILITIES	3,023,776	4,093,527	7,117,303	-
NET POSITION				
Net investment in capital assets	859,220	4,014,115	4,873,335	-
Restricted for:				
Debt service	838,769	-	838,769	-
Capital acquisitions	-	67,034	67,034	-
Flood recovery	1,517	-	1,517	-
Fire Protection	2,677	-	2,677	-
Economic development	-	-	-	333,978
Unrestricted	845,649	974,720	1,820,369	51,763
TOTAL NET POSITION	\$ 2,547,832	\$ 5,055,869	\$ 7,603,701	\$ 385,741

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 185,048	\$ 7,436	\$ -	\$ -
Public safety	474,247	160,073	46,658	33,329
Streets and highways	232,175	2,020	5,400	340,129
Sanitation and waste removal	1,299	-	-	-
Culture and recreation	48,055	3,610	1,220	-
Economic development	5,259	-	-	-
Miscellaneous	3,594	-	-	5,923
Interest on long-term debt	99,801	-	-	-
Total governmental activities	<u>1,049,478</u>	<u>173,139</u>	<u>53,278</u>	<u>379,381</u>
Business-type activities				
Water utility	214,865	270,630	-	-
Sewer utility	366,755	312,206	-	-
Cedar pointe housing	51,640	56,829	-	-
Nursing home	3,259,385	3,167,051	-	2,080
Total business-type activities	<u>3,892,645</u>	<u>3,806,716</u>	<u>-</u>	<u>2,080</u>
Total primary government	<u>\$ 4,942,123</u>	<u>\$ 3,979,855</u>	<u>\$ 53,278</u>	<u>\$ 381,461</u>
Component unit				
Economic Development Authority	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ 9,125</u>	<u>\$ -</u>
Totals	<u>\$ 4,946,171</u>	<u>\$ 3,979,855</u>	<u>\$ 62,403</u>	<u>\$ 381,461</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
 Gain on sale of capital assets
 Transfers
 Contributed capital

Total general revenues

Change in net position

Net position, 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
\$ (177,612)		\$ (177,612)	
(234,187)		(234,187)	
115,374		115,374	
(1,299)		(1,299)	
(43,225)		(43,225)	
(5,259)		(5,259)	
2,329		2,329	
(99,801)		(99,801)	
<u>(443,680)</u>		<u>(443,680)</u>	
	\$ 55,765	55,765	
	(54,549)	(54,549)	
	5,189	5,189	
	<u>(90,254)</u>	<u>(90,254)</u>	
	<u>(83,849)</u>	<u>(83,849)</u>	
	<u>(83,849)</u>	<u>(527,529)</u>	
			\$ 5,077
<u>(443,680)</u>	<u>(83,849)</u>	<u>(527,529)</u>	<u>5,077</u>
319,090	-	319,090	-
25,618	-	25,618	-
19,913	-	19,913	-
18,628	-	18,628	-
378,044	-	378,044	-
6,558	32,263	38,821	11
200	-	200	-
(484,216)	484,216	-	-
43,431	-	43,431	-
<u>327,266</u>	<u>516,479</u>	<u>843,745</u>	<u>11</u>
(116,414)	432,630	316,216	5,088
<u>2,664,246</u>	<u>4,623,239</u>	<u>7,287,485</u>	<u>380,653</u>
<u>\$ 2,547,832</u>	<u>\$ 5,055,869</u>	<u>\$ 7,603,701</u>	<u>\$ 385,741</u>

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF NEW RICHLAND, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Debt Service	2014 Street Reconstruction
ASSETS			
Cash and temporary investments	\$ 814,592	\$ 225,698	\$ 641,689
Cash with fiscal agent	-	145,143	-
Receivables			
Delinquent taxes	18,531	-	-
Accounts	46,215	-	-
Special assessments	4,485	496,195	-
Intergovernmental	6,064	466	-
Advances to other funds	141,298	-	-
Prepaid items	14,242	-	-
	<u>1,045,427</u>	<u>867,502</u>	<u>641,689</u>
TOTAL ASSETS	\$ 1,045,427	\$ 867,502	\$ 641,689
LIABILITIES			
Accounts payable	\$ 5,758	\$ -	\$ -
Accrued interest payable	-	2,179	-
Due to other funds	-	-	-
Due to other governments	-	-	174,617
Accrued salaries payable	8,178	-	-
	<u>13,936</u>	<u>2,179</u>	<u>174,617</u>
TOTAL LIABILITIES	13,936	2,179	174,617
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	18,531	-	-
Unavailable revenue - special assessments	4,485	496,195	-
	<u>23,016</u>	<u>496,195</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	23,016	496,195	-
FUND BALANCES			
Nonspendable			
Advances to other funds	141,298	-	-
Prepaid items	14,242	-	-
Restricted			
Capital outlay	-	-	467,072
Debt service	-	369,128	-
Flood recovery	-	-	-
Fire protection	-	-	-
Assigned			
Fire protection	-	-	-
Future capital outlay	215,548	-	-
Flood recovery	-	-	-
Renovation	-	-	-
Unassigned	637,387	-	-
	<u>1,008,475</u>	<u>369,128</u>	<u>467,072</u>
TOTAL FUND BALANCES	1,008,475	369,128	467,072
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,045,427	\$ 867,502	\$ 641,689

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

Other Governmental Funds	Total Governmental Funds
\$ 126,367	\$ 1,808,346
-	145,143
-	18,531
2,277	48,492
-	500,680
7,200	13,730
-	141,298
1,753	15,995
<u>137,597</u>	<u>2,692,215</u>
<u>\$ 137,597</u>	<u>\$ 2,692,215</u>
\$ 218	\$ 5,976
-	2,179
111,298	111,298
-	174,617
-	8,178
<u>111,516</u>	<u>302,248</u>
-	18,531
-	500,680
-	519,211
-	141,298
1,753	15,995
-	467,072
-	369,128
1,517	1,517
2,677	2,677
76,242	76,242
53,843	269,391
802	802
545	545
(111,298)	526,089
<u>26,081</u>	<u>1,870,756</u>
<u>\$ 137,597</u>	<u>\$ 2,692,215</u>

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Total fund balances - governmental funds	\$ 1,870,756
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.	2,990,691
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	(22,751)
Bonds payable	(2,774,000)
Unamortized bond premium	(9,521)
Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds.	
Delinquent property taxes	18,531
Special assessments	500,680
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(26,554)</u>
Total net position - governmental activities	<u><u>\$ 2,547,832</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, 2014

	General	Debt Service	2014 Street Reconstruction
REVENUES			
Taxes	\$ 335,898	\$ 25,618	\$ -
Special assessments	310	71,628	-
Licenses and permits	14,294	-	-
Intergovernmental	418,541	-	-
Charges for services	103,666	-	-
Fines and forfeits	4,406	-	-
Investment earnings	3,038	-	3,095
Miscellaneous	49,979	-	-
TOTAL REVENUES	930,132	97,246	3,095
EXPENDITURES			
Current			
General government	180,908	-	-
Public safety	355,664	-	-
Streets and highways	133,415	-	-
Sanitation and waste removal	1,299	-	-
Culture and recreation	34,207	-	-
Economic development	4,800	-	-
Capital outlay			
Public safety	27,820	-	-
Streets and highways	95,783	-	1,113,567
Culture and recreation	1,167	-	-
Debt service			
Principal	-	105,500	-
Interest and other	-	35,160	52,569
TOTAL EXPENDITURES	835,063	140,660	1,166,136
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	95,069	(43,414)	(1,163,041)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	67,047	-
Bonds issued	-	34,408	1,620,592
Premium on bonds issued	-	-	9,521
Transfers out	(300)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(300)	101,455	1,630,113
NET CHANGES IN FUND BALANCES	94,769	58,041	467,072
FUND BALANCES, JANUARY 1	913,706	311,087	-
FUND BALANCES, DECEMBER 31	\$ 1,008,475	\$ 369,128	\$ 467,072

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

Other Governmental Funds	Totals
\$ 19,913	\$ 381,429
-	71,938
-	14,294
-	418,541
47,662	151,328
-	4,406
-	6,133
<u>22,369</u>	<u>72,348</u>
<u>89,944</u>	<u>1,120,417</u>
-	180,908
25,303	380,967
-	133,415
-	1,299
-	34,207
460	5,260
20,413	48,233
-	1,209,350
-	1,167
-	105,500
-	<u>87,729</u>
<u>46,176</u>	<u>2,188,035</u>
<u>43,768</u>	<u>(1,067,618)</u>
300	67,347
-	1,655,000
-	9,521
<u>(67,047)</u>	<u>(67,347)</u>
<u>(66,747)</u>	<u>1,664,521</u>
(22,979)	596,903
<u>49,060</u>	<u>1,273,853</u>
<u>\$ 26,081</u>	<u>\$ 1,870,756</u>

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, 2014

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

Net change in fund balances - governmental funds	\$ 596,903
<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	1,190,477
Depreciation expense	(160,682)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position</p>	
Capital contributions to business-type activities	(440,785)
<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	105,500
Premium on bonds issued	(9,521)
Debt issued or incurred	(1,655,000)
<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>	
	(12,072)
<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	268,616
Property taxes	2,992
<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	(2,842)
	(2,842)
Change in net position - governmental activities	\$ (116,414)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 350,029	\$ 350,029	\$ 335,898	\$ (14,131)
Special assessments	-	-	310	310
Licenses and permits	13,770	13,770	14,294	524
Intergovernmental	406,476	406,476	418,541	12,065
Charges for services	150,300	150,300	103,666	(46,634)
Fines and forfeits	3,000	3,000	4,406	1,406
Investment earnings	4,020	4,020	3,038	(982)
Miscellaneous	7,500	7,500	49,979	42,479
TOTAL REVENUES	935,095	935,095	930,132	(4,963)
EXPENDITURES				
Current				
General government	185,976	185,976	180,908	5,068
Public safety	404,767	404,767	355,664	49,103
Streets and highways	160,424	160,424	133,415	27,009
Sanitation and waste removal	1,615	1,615	1,299	316
Culture and recreation	51,721	51,721	34,207	17,514
Economic development	4,800	4,800	4,800	-
Capital outlay				
General government	2,100	2,100	-	2,100
Public safety	18,300	18,300	27,820	(9,520)
Streets and highways	79,200	79,200	95,783	(16,583)
Culture and recreation	2,500	2,500	1,167	1,333
TOTAL EXPENDITURES	911,403	911,403	835,063	76,340
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,692	23,692	95,069	71,377
OTHER FINANCING SOURCES (USES)				
Transfers out	(300)	(300)	(300)	-
NET CHANGES IN FUND BALANCES	23,392	23,392	94,769	71,377
FUND BALANCES, JANUARY 1	913,706	913,706	913,706	-
FUND BALANCES, DECEMBER 31	\$ 937,098	\$ 937,098	\$ 1,008,475	\$ 71,377

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, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 287,593	\$ 261,973	\$ 127,224	\$ 106,408
Investments	-	-	-	-
Cash with fiscal agent	338,668	343,994	-	-
Accounts receivable, net of allowance for uncollectibles	27,573	32,877	33,416	26,162
Prepaid items	547	415	-	-
TOTAL CURRENT ASSETS	654,381	639,259	160,640	132,570
NONCURRENT ASSETS				
Cash restricted by contributors for capital acquisitions	-	-	-	-
Residents' cash	-	-	-	-
Capital assets				
Land	-	-	-	-
Construction in progress	254,231	-	229,985	-
Land improvements	-	-	-	-
Buildings	29,101	29,101	-	-
Utility systems	2,722,127	2,722,127	6,363,349	6,363,349
Machinery and equipment	9,833	9,833	4,867	4,867
Vehicles	4,161	4,161	-	-
Less accumulated depreciation	(1,053,498)	(986,501)	(2,642,006)	(2,459,349)
Total capital assets (net of accumulated depreciation)	1,965,955	1,778,721	3,956,195	3,908,867
TOTAL NONCURRENT ASSETS	1,965,955	1,778,721	3,956,195	3,908,867
TOTAL ASSETS	2,620,336	2,417,980	4,116,835	4,041,437
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,060	156	174	150
Due to other governments	96	742	-	-
Accrued interest payable	15,265	16,552	6,223	6,439
Accrued salaries payable	149	2,033	-	-
Compensated absences payable - current portion	689	513	-	-
Deposits payable	-	-	-	-
Notes payable - current portion	-	-	-	-
Bonds payable - current portion	449,500	108,000	101,000	100,895
TOTAL CURRENT LIABILITIES	466,759	127,996	107,397	107,484
NONCURRENT LIABILITIES				
Compensated absences payable - noncurrent portion	540	658	-	-
Advances from other funds	-	-	-	-
Advances from component unit	-	-	-	-
Residents' cash	-	-	-	-
Notes payable - noncurrent portion	-	-	-	-
Bonds payable - noncurrent portion	916,022	1,365,522	1,765,999	1,866,998
TOTAL NONCURRENT LIABILITIES	916,562	1,366,180	1,765,999	1,866,998
TOTAL LIABILITIES	1,383,321	1,494,176	1,873,396	1,974,482
NET POSITION				
Net investment in capital assets	960,933	665,699	2,089,196	1,940,974
Restricted for capital acquisitions	-	-	-	-
Unrestricted	276,082	258,105	154,243	125,981
TOTAL NET POSITION	\$ 1,237,015	\$ 923,804	\$ 2,243,439	\$ 2,066,955

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	
2014	2013	2014	2013	2014	2013
\$ 45,279	\$ 32,806	\$ 251,448	\$ 345,267	\$ 711,544	\$ 746,454
-	-	441,039	413,760	441,039	413,760
-	-	-	-	338,668	343,994
-	-	298,174	217,739	359,163	276,778
29	144	20,877	29,365	21,453	29,924
<u>45,308</u>	<u>32,950</u>	<u>1,011,538</u>	<u>1,006,131</u>	<u>1,871,867</u>	<u>1,810,910</u>
-	-	67,034	70,759	67,034	70,759
-	-	5,981	8,073	5,981	8,073
60,000	60,000	-	-	60,000	60,000
-	-	-	-	484,216	-
-	-	111,618	111,618	111,618	111,618
752,426	752,426	2,018,405	1,999,149	2,799,932	2,780,676
-	-	-	-	9,085,476	9,085,476
-	-	723,253	703,798	737,953	718,498
-	-	-	-	4,161	4,161
(187,137)	(172,012)	(2,166,201)	(2,066,833)	(6,048,842)	(5,684,695)
<u>625,289</u>	<u>640,414</u>	<u>687,075</u>	<u>747,732</u>	<u>7,234,514</u>	<u>7,075,734</u>
<u>625,289</u>	<u>640,414</u>	<u>760,090</u>	<u>826,564</u>	<u>7,307,529</u>	<u>7,154,566</u>
<u>670,597</u>	<u>673,364</u>	<u>1,771,628</u>	<u>1,832,695</u>	<u>9,179,396</u>	<u>8,965,476</u>
130	745	58,068	41,406	59,432	42,457
-	-	-	-	96	742
-	-	-	-	21,488	22,991
-	-	119,725	118,946	119,874	120,979
-	-	51,593	65,755	52,282	66,268
2,935	2,975	-	-	2,935	2,975
6,495	6,190	-	-	6,495	6,190
-	-	-	-	550,500	208,895
<u>9,560</u>	<u>9,910</u>	<u>229,386</u>	<u>226,107</u>	<u>813,102</u>	<u>471,497</u>
-	-	-	-	540	658
30,000	30,000	-	-	30,000	30,000
250,000	250,000	-	-	250,000	250,000
-	-	5,981	8,073	5,981	8,073
341,883	349,489	-	-	341,883	349,489
-	-	-	-	2,682,021	3,232,520
<u>621,883</u>	<u>629,489</u>	<u>5,981</u>	<u>8,073</u>	<u>3,310,425</u>	<u>3,870,740</u>
<u>631,443</u>	<u>639,399</u>	<u>235,367</u>	<u>234,180</u>	<u>4,123,527</u>	<u>4,342,237</u>
276,911	284,735	687,075	747,732	4,014,115	3,639,140
-	-	67,034	70,759	67,034	70,759
(237,757)	(250,770)	782,152	780,024	974,720	913,340
<u>\$ 39,154</u>	<u>\$ 33,965</u>	<u>\$ 1,536,261</u>	<u>\$ 1,598,515</u>	<u>\$ 5,055,869</u>	<u>\$ 4,623,239</u>

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

CITY OF NEW RICHLAND, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ 270,630	\$ 288,824	\$ 312,729	\$ 276,152
Other operating income	-	-	-	-
TOTAL OPERATING REVENUES	270,630	288,824	312,729	276,152
OPERATING EXPENSES				
Salaries and benefits	21,443	28,814	-	-
Supplies and repairs	23,612	12,999	2,836	3,298
Other services and charges	41,852	8,392	162,957	153,238
Insurance	2,143	2,008	-	-
Utilities	17,766	17,822	-	-
Nursing services	-	-	-	-
Other care related services	-	-	-	-
Ancillary services	-	-	-	-
Dietary	-	-	-	-
Laundry	-	-	-	-
Housekeeping	-	-	-	-
Plant operations and maintenance	-	-	-	-
Property and related	-	-	-	-
Depreciation	66,997	73,815	182,657	182,656
General and administrative	-	-	-	-
Employee benefits	-	-	-	-
TOTAL OPERATING EXPENSES	173,813	143,850	348,450	339,192
OPERATING INCOME (LOSS)	96,817	144,974	(35,721)	(63,040)
NONOPERATING REVENUES (EXPENSES)				
Investment income	3,215	2,777	1,048	1,228
Refunds and reimbursements	497	579	454	412
Contributions and donations	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-
Interest expense	(41,549)	(45,175)	(19,282)	(18,803)
TOTAL NONOPERATING REVENUES (EXPENSES)	(37,837)	(41,819)	(17,780)	(17,163)
INCOME (LOSS) BEFORE CONTRIBUTIONS	58,980	103,155	(53,501)	(80,203)
CAPITAL CONTRIBUTIONS FROM GOVERNMENTAL FUNDS	254,231	-	229,985	-
CHANGE IN NET POSITION	313,211	103,155	176,484	(80,203)
NET POSITION, JANUARY 1	923,804	820,649	2,066,955	2,147,158
NET POSITION, DECEMBER 31	<u>\$ 1,237,015</u>	<u>\$ 923,804</u>	<u>\$ 2,243,439</u>	<u>\$ 2,066,955</u>

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	
2014	2013	2014	2013	2014	2013
\$ 55,836	\$ 54,335	\$ 3,120,897	\$ 3,219,278	\$ 3,760,092	\$ 3,838,589
993	-	46,154	28,950	47,147	28,950
<u>56,829</u>	<u>54,335</u>	<u>3,167,051</u>	<u>3,248,228</u>	<u>3,807,239</u>	<u>3,867,539</u>
-	-	-	-	21,443	28,814
-	-	-	-	26,448	16,297
18,408	16,071	-	-	223,217	177,701
4,828	5,713	-	-	6,971	7,721
6,625	8,089	-	-	24,391	25,911
-	-	1,351,035	1,378,428	1,351,035	1,378,428
-	-	142,714	135,178	142,714	135,178
-	-	196,495	136,131	196,495	136,131
-	-	304,644	328,450	304,644	328,450
-	-	51,084	55,287	51,084	55,287
-	-	57,375	65,077	57,375	65,077
2,552	3,402	193,592	227,455	196,144	230,857
-	-	152,247	139,644	152,247	139,644
15,125	18,811	134,052	131,381	398,831	406,663
-	-	296,788	295,065	296,788	295,065
-	-	376,765	385,951	376,765	385,951
<u>47,538</u>	<u>52,086</u>	<u>3,256,791</u>	<u>3,278,047</u>	<u>3,826,592</u>	<u>3,813,175</u>
<u>9,291</u>	<u>2,249</u>	<u>(89,740)</u>	<u>(29,819)</u>	<u>(19,353)</u>	<u>54,364</u>
-	-	28,000	5,491	32,263	9,496
-	-	-	-	951	991
-	-	2,080	17,394	2,080	17,394
-	-	(2,594)	-	(2,594)	-
<u>(4,102)</u>	<u>(4,524)</u>	<u>-</u>	<u>-</u>	<u>(64,933)</u>	<u>(68,502)</u>
<u>(4,102)</u>	<u>(4,524)</u>	<u>27,486</u>	<u>22,885</u>	<u>(32,233)</u>	<u>(40,621)</u>
5,189	(2,275)	(62,254)	(6,934)	(51,586)	13,743
-	-	-	-	484,216	-
5,189	(2,275)	(62,254)	(6,934)	432,630	13,743
<u>33,965</u>	<u>36,240</u>	<u>1,598,515</u>	<u>1,605,449</u>	<u>4,623,239</u>	<u>4,609,496</u>
<u>\$ 39,154</u>	<u>\$ 33,965</u>	<u>\$ 1,536,261</u>	<u>\$ 1,598,515</u>	<u>\$ 5,055,869</u>	<u>\$ 4,623,239</u>

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

CITY OF NEW RICHLAND, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 275,934	\$ 287,998	\$ 305,475	\$ 272,162
Payments to suppliers and vendors	(85,247)	(41,281)	(165,769)	(156,431)
Payments to and on behalf of employees	(23,269)	(28,991)	-	-
Other receipts	497	579	454	412
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	167,915	218,305	140,160	116,143
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contributions	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long term debt	(108,000)	(106,000)	(100,894)	(115,000)
Interest paid on long term debt	(42,836)	(47,313)	(19,498)	(19,189)
Net proceeds from issuance of debt	-	-	-	113,999
Acquisition of capital assets	-	-	-	(126,293)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(150,836)	(153,313)	(120,392)	(146,483)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	3,215	2,777	1,048	1,228
Increase (decrease) in cash restricted by contributors for capital acquisitions	-	-	-	-
(Purchase) sale of investments	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,215	2,777	1,048	1,228
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	20,294	67,769	20,816	(29,112)
CASH AND TEMPORARY INVESTMENTS, JANUARY 1	605,967	538,198	106,408	135,520
CASH AND TEMPORARY INVESTMENTS, DECEMBER 31	\$ 626,261	\$ 605,967	\$ 127,224	\$ 106,408
RECONCILIATION OF CASH AND TEMPORARY INVESTMENTS				
Cash and temporary investments	\$ 287,593	\$ 261,973	\$ 127,224	\$ 106,408
Cash with fiscal agent	338,668	343,994	-	-
TOTAL CASH AND TEMPORARY INVESTMENTS	\$ 626,261	\$ 605,967	\$ 127,224	\$ 106,408
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 96,817	\$ 144,974	\$ (35,721)	\$ (63,040)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income related to operations	497	579	454	412
Depreciation	66,997	73,815	182,657	182,656
(Increase) decrease in assets:				
Accounts receivable	5,304	(826)	(7,254)	(3,990)
Intergovernmental receivable	-	-	-	-
Prepaid items	(132)	104	-	-
Increase (decrease) in liabilities:				
Accounts payable	904	59	24	105
Due to other governments	(646)	(223)	-	-
Accrued salaries payable	(1,884)	1,196	-	-
Compensated absences payable	58	(1,373)	-	-
Deposits payable	-	-	-	-
Third Party Payor Settlements Payable	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 167,915	\$ 218,305	\$ 140,160	\$ 116,143
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Transfer of capital assets from other funds	\$ 254,231	-	\$ 229,985	-

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	
2014	2013	2014	2013	2014	2013
\$ 56,789	\$ 54,363	\$ 3,036,379	\$ 3,267,847	\$ 3,674,577	\$ 3,882,370
(32,913)	(32,907)	(3,106,889)	(3,160,903)	(3,390,818)	(3,391,522)
-	-	-	-	(23,269)	(28,991)
-	-	46,154	28,950	47,105	29,941
<u>23,876</u>	<u>21,456</u>	<u>(24,356)</u>	<u>135,894</u>	<u>307,595</u>	<u>491,798</u>
-	-	2,080	17,394	2,080	17,394
(7,301)	(16,878)	-	-	(216,195)	(237,878)
(4,102)	(4,524)	-	-	(66,436)	(71,026)
-	-	-	-	-	113,999
-	-	(75,988)	(44,266)	(75,988)	(170,559)
<u>(11,403)</u>	<u>(21,402)</u>	<u>(75,988)</u>	<u>(44,266)</u>	<u>(358,619)</u>	<u>(365,464)</u>
-	-	19,043	4,848	23,306	8,853
-	-	3,725	4,696	3,725	4,696
-	-	(18,323)	(400,859)	(18,323)	(400,859)
-	-	4,445	(391,315)	8,708	(387,310)
12,473	54	(93,819)	(282,293)	(40,236)	(243,582)
<u>32,806</u>	<u>32,752</u>	<u>345,267</u>	<u>627,560</u>	<u>1,090,448</u>	<u>1,334,030</u>
<u>\$ 45,279</u>	<u>\$ 32,806</u>	<u>\$ 251,448</u>	<u>\$ 345,267</u>	<u>\$ 1,050,212</u>	<u>\$ 1,090,448</u>
\$ 45,279	\$ 32,806	\$ 251,448	\$ 345,267	\$ 711,544	\$ 746,454
-	-	-	-	338,668	343,994
<u>\$ 45,279</u>	<u>\$ 32,806</u>	<u>\$ 251,448</u>	<u>\$ 345,267</u>	<u>\$ 1,050,212</u>	<u>\$ 1,090,448</u>
\$ 9,291	\$ 2,249	\$ (89,740)	\$ (29,819)	\$ (19,353)	\$ 54,364
-	-	-	-	951	991
15,125	18,811	134,052	131,381	398,831	406,663
-	-	(80,435)	36,566	(82,385)	31,750
-	-	-	-	-	-
115	115	8,488	(8,368)	8,471	(8,149)
(615)	253	20,745	(23,948)	21,058	(23,531)
-	-	-	-	(646)	(223)
-	-	779	15,524	(1,105)	16,720
-	-	(14,162)	2,555	(14,104)	1,182
(40)	28	-	-	(40)	28
-	-	(4,083)	12,003	(4,083)	12,003
<u>\$ 23,876</u>	<u>\$ 21,456</u>	<u>\$ (24,356)</u>	<u>\$ 135,894</u>	<u>\$ 307,595</u>	<u>\$ 491,798</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 484,216</u>	<u>\$ -</u>

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 criterion that results in the EDA being reported as a discretely presented component unit include 1) a five member board unit consisting of two City council member and three council appointed community volunteers and 2) the ability of the City to impose its will on the EDA by significantly influencing the program, projects, activities or level of service performed by the EDA by approving the EDA’s budget. 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, 2014 and 2013.

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. Amounts reported as *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, 2014

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.

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.

The *2014 Street Reconstruction fund* accounts for costs associated with the 2014 street construction projects and related improvements program.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

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, 2014

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.

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 2014. 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, 2014 was \$25,000 in the Care Center fund and \$9,100 for Ambulance receivables.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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 2014 was \$75,573. 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 2014, 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, 2014

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 has no items that qualify 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 qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. 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, 2014

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 - Consists 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 2014.

B. Deficit fund equity

The following funds had fund equity deficits at December 31, 2014:

Fund	Amount
Special revenue	
TIF District 1-1 Homestake Division	\$ 111,298

The above deficits will be eliminated through future tax increments.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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 \$3,083,137 and the bank balance was \$3,076,956. The bank balance was covered by federal depository insurance totaling \$750,000. Of the remaining balance, \$2,326,956 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 with fiscal agents

The cash with fiscal agents consists of State and Local Government Securities issued by the Bureau of Public Debt with a maturity date of less than six months. The balance as of December 31, 2014 is \$483,811.

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	\$ 3,033,672	\$ 49,465	\$ 3,083,137
Petty cash	272	-	272
Cash with fiscal agents	483,811	-	483,811
Total deposits and investments	\$ 3,517,755	\$ 49,465	\$ 3,567,220
Cash and temporary investments	\$ 2,519,890	\$ 49,465	\$ 2,569,355
Investments	441,039	-	441,039
Cash with fiscal agent	483,811	-	483,811
Residents' cash	5,981	-	5,981
Cash restricted by contributors for capital acquisitions	67,034	-	67,034
Total	\$ 3,517,755	\$ 49,465	\$ 3,567,220

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, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Loans receivable

Commercial loans

The City currently has loans to various local businesses totaling \$6,000 at December 31, 2014. The loans are forgivable in two years after final distribution.

Flood recovery loans

The City currently has loans to various local businesses totaling \$169,388, net of an allowance for approximately one half forgivable portions of \$91,612, at December 31, 2014. Interest free monthly payments on the notes total approximately \$1,130 over ten years. The loans are secured by real estate.

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 184,745	\$ -	\$ -	\$ 184,745
Construction in progress	-	673,234	-	673,234
Total capital assets not being depreciated	184,745	673,234	-	857,979
Capital assets, being depreciated				
Buildings and improvements	1,020,941	28,855	-	1,049,796
Infrastructure	1,039,682	-	-	1,039,682
Machinery and equipment	309,719	43,431	(20,832)	332,318
Vehicles	962,131	-	-	962,131
Other assets	30,968	4,172	-	35,140
Total capital assets being depreciated	3,363,441	76,458	(20,832)	3,419,067
Less accumulated depreciation for				
Buildings and improvements	(205,678)	(24,183)	-	(229,861)
Infrastructure	(277,932)	(45,889)	-	(323,821)
Machinery and equipment	(163,323)	(34,013)	20,832	(176,504)
Vehicles	(483,368)	(55,227)	-	(538,595)
Other assets	(16,204)	(1,370)	-	(17,574)
Total accumulated depreciation	(1,146,505)	(160,682)	20,832	(1,286,355)
Total capital assets being depreciated, net	2,216,936	(84,224)	-	2,132,712
Governmental activities capital assets, net	\$ 2,401,681	\$ 589,010	\$ -	\$ 2,990,691

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	-	484,216	-	484,216
Total capital assets not being depreciated	<u>60,000</u>	<u>484,216</u>	<u>-</u>	<u>544,216</u>
Capital assets being depreciated				
Land improvements	111,617	-	-	111,617
Buildings	2,780,676	19,256	-	2,799,932
Utility systems	9,085,475	-	-	9,085,475
Machinery and equipment	718,500	56,732	(37,277)	737,955
Vehicles	4,161	-	-	4,161
Total capital assets being depreciated	<u>12,700,429</u>	<u>75,988</u>	<u>(37,277)</u>	<u>12,739,140</u>
Less accumulated depreciation for				
Land improvements	(64,259)	(5,285)	-	(69,544)
Buildings	(1,589,857)	(118,834)	-	(1,708,691)
Utility systems	(3,403,726)	(249,149)	-	(3,652,875)
Machinery and equipment	(622,692)	(25,563)	34,684	(613,571)
Vehicles	(4,161)	-	-	(4,161)
Total accumulated depreciation	<u>(5,684,695)</u>	<u>(398,831)</u>	<u>34,684</u>	<u>(6,048,842)</u>
Total capital assets being depreciated, net	<u>7,015,734</u>	<u>(322,843)</u>	<u>(2,593)</u>	<u>6,690,298</u>
Business-type activities capital assets, net	<u>\$ 7,075,734</u>	<u>\$ 161,373</u>	<u>\$ (2,593)</u>	<u>\$ 7,234,514</u>

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

Governmental activities		
General government		\$ 3,606
Public safety		75,257
Streets and highways		61,185
Culture and recreation		17,040
Miscellaneous		3,594
Total depreciation expense - governmental activities		<u>\$ 160,682</u>
Business-type activities		
Water utility		\$ 66,997
Sewer utility		182,657
Cedar Pointe housing		15,125
Nursing home		134,052
Total depreciation expense - business-type activities		<u>\$ 398,831</u>

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

Construction commitments

The city has an active construction project as of December 31, 2014. The project include street reconstruction and widening and is being completed in conjunction with the County which will invoice the City for additional costs. This amount is not yet determinable. At year end the City’s commitment with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2014 Street Reconstruction Project	<u>\$ 1,034,483</u>	<u>\$ 16,556</u>

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2014 is as follows:

Advances from/to other funds

Receivable Fund	Payable Fund	Amount
General - Primary Government	TIF District 1-1 Homestake Subdivision - Primary Government	\$ 111,298
	Cedar Pointe Housing - Primary Government	30,000
EDA - Component Unit	Cedar Pointe Housing - Primary Government	<u>250,000</u>
Totals		<u>\$ 391,298</u>

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 2014, The General fund loaned the TIF District 1-1 Homestake Subdivision an additional \$47,284 to cover the fund’s cash deficit. In 2013 and 2012, the general fund also loaned the TIF District \$41,514 and \$22,500, respectively to cover the fund’s cash deficit, these advances total \$111,298.

Interfund transfers

	Transfers in		Total
	Primary Government		
	Debt Service Fund	Nonmajor Governmental Funds	
Transfers out			
Governmental			
General fund	\$ -	\$ 300	\$ 300
Nonmajor governmental funds	67,047	-	67,047
Total transfers out	<u>\$ 67,047</u>	<u>\$ 300</u>	<u>\$ 67,347</u>

For the year ended December 31, 2014, the City made the following transfers:

A transfer of \$300 was made from the General fund to the Oddfellows Building fund in accordance with the City’s 2014 operating budget.

A transfer of \$67,047 was made from TIF District 1-1 Homestake Subdivision to 2009 G.O. Refunding for the fund’s debt service payments.

The governmental funds contributed assets to the Water and Sewer fund of \$254,231 and \$229,985, respectively for infrastructure from the 2014 Street Project.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. 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	\$ 160,500
G.O. Improvement Bonds of 2010A	166,000	4.00	07/01/10	02/01/26	139,000
G.O. Improvement Refunding Bonds of 2012A	424,500	0.75 - 2.40	06/01/12	02/01/24	384,500
G.O. Improvement Bonds of 2014A	1,655,000	1.75 - 3.30	08/01/14	12/01/29	<u>1,655,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 2,339,000</u>

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

Year Ending December 31,	General Obligation Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2015	\$ 290,500	\$ 70,601	\$ 361,101
2016	154,500	50,833	205,333
2017	154,500	48,193	202,693
2018	148,000	45,514	193,514
2019	155,500	42,762	198,262
2020 - 2024	808,000	161,321	969,321
2025 - 2029	<u>628,000</u>	<u>59,635</u>	<u>687,635</u>
Total	<u>\$ 2,339,000</u>	<u>\$ 478,859</u>	<u>\$ 2,817,859</u>

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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>\$ 435,000</u>

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

<u>Year Ending December 31,</u>	G.O. Tax Increment Bonds		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,000	\$ 12,225	\$ 72,225
2016	55,000	10,780	65,780
2017	60,000	9,170	69,170
2018	60,000	7,400	67,400
2019	65,000	5,463	70,463
2020 - 2021	<u>135,000</u>	<u>4,537</u>	<u>139,537</u>
Total	<u>\$ 435,000</u>	<u>\$ 49,575</u>	<u>\$ 484,575</u>

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds of 2003 (PFA)	\$ 1,365,000	2.74 %	07/15/03	08/20/22	\$ 630,522
G.O. PIR Bonds of 2007A	581,000	4.15 - 4.55	06/01/07	08/01/15	374,500
G.O. Sewer Revenue Bonds of 2011 (PFA)	2,142,894	1.00	08/29/11	08/20/31	1,866,999
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>\$ 3,232,521</u>

Annual revenues from charges for services, principal and interest payments and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer
Revenues	\$ 270,630	\$ 312,729
Principal and interest	150,836	120,392
Percentage of revenues	55.7%	38.5%

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2015	\$ 550,500	\$ 50,514	\$ 601,014
2016	224,500	38,949	263,449
2017	227,500	35,319	262,819
2018	227,000	31,559	258,559
2019	233,500	27,643	261,143
2020 - 2024	962,521	77,402	1,039,923
2025 - 2029	570,000	29,050	599,050
2030 - 2031	<u>237,000</u>	<u>3,560</u>	<u>240,560</u>
Total	<u>\$ 3,232,521</u>	<u>\$ 293,996</u>	<u>\$ 3,526,517</u>

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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	81,760
Total Notes Payable					<u>\$ 348,378</u>

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

Year Ending December 31,	Notes Payable		
	Business-type Activities		
	Principal	Interest	Total
2015	\$ 6,495	\$ 4,879	\$ 11,374
2016	6,801	4,572	11,373
2017	7,149	4,224	11,373
2018	7,502	3,872	11,374
2019	7,871	3,503	11,374
2020 - 2024	45,548	11,321	56,869
2025 - 2029	394	873	1,267
2030 - 2034	266,618	-	266,618
Total	<u>\$ 348,378</u>	<u>\$ 33,244</u>	<u>\$ 381,622</u>

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation special assessment bonds	\$ 729,500	\$ 1,655,000	\$ (45,500)	\$ 2,339,000	\$ 60,000
General obligation tax increment bonds	495,000	-	(60,000)	435,000	290,500
Unamortized bond premiums	-	9,521	-	9,521	-
Compensated absences payable	<u>19,909</u>	<u>15,519</u>	<u>(12,677)</u>	<u>22,751</u>	<u>10,193</u>
Governmental activities long-term liabilities	<u>\$ 1,244,409</u>	<u>\$ 1,680,040</u>	<u>\$ (118,177)</u>	<u>\$ 2,806,272</u>	<u>\$ 360,693</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 3,441,414	\$ -	\$ (208,893)	\$ 3,232,521	\$ 550,500
Notes payable	355,679	-	(7,301)	348,378	6,495
Compensated absences payable	<u>66,927</u>	<u>2,724</u>	<u>(16,829)</u>	<u>52,822</u>	<u>52,282</u>
Business-type activities long-term liabilities	<u>\$ 3,864,020</u>	<u>\$ 2,724</u>	<u>\$ (233,023)</u>	<u>\$ 3,633,721</u>	<u>\$ 609,277</u>

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 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, 2014

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. GERF 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 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. PECF members are required to contribute 5.83 percent of their annual covered salary. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 15.3 percent for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$133,670, \$130,518, and \$134,557, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013 and 2012 were \$13,425, \$7,677, and \$7,305, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

A. Plan description

All members of the New Richland Fire Department (the Department) are covered by a defined benefit plan administered by the New Richland Firefighters' Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to New Richland Firefighters' Relief Association, 203 N. Broadway, New Richland, MN 56072.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

B. Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$	23,289
Contributions made		
State aid		23,289
Actuarial valuation date		12/31/14
Actuarial cost method		Entry age normal
Amortization method		Level dollar closed
Remaining amortization period		
Normal cost		20 years
Prior service cost		10 years
Asset valuation method		Market
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 23,289	100.0 %	\$ -
12/31/13	24,078	100.0	-
12/31/12	17,938	100.0	-

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/14	*	*	*	* %	\$ 1,000
12/31/13	\$ 207,697	\$ 174,420	\$ 33,277	119.1	1,000
12/31/12	190,358	166,920	23,438	114.0	1,000

* Information not available for audit

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: 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.

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 January 1, 2013 and will remain in effect for 5 years. Monthly payments under the agreement are currently \$9,918. These payments are adjusted annually on January 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 \$42,053,800. The City currently does not have any general long-term debt outstanding subject to this limit, leaving a debt margin of \$1,261,614. Debt financed partially or entirely by special assessments or revenues from proprietary funds are excluded from this computation by statute.

Note 7: 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 2014 was \$377,598. This accounted for 40.6 percent of General fund revenue.

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

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF NEW RICHLAND, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and temporary investments	\$ 72,681	\$ 53,686	\$ 126,367
Receivables			
Accounts	1,575	702	2,277
Intergovernmental	7,200	-	7,200
Prepaid items	<u>1,753</u>	<u>-</u>	<u>1,753</u>
 TOTAL ASSETS	 <u>\$ 83,209</u>	 <u>\$ 54,388</u>	 <u>\$ 137,597</u>
LIABILITIES			
Accounts payable	\$ 218	\$ -	\$ 218
Due to component unit	<u>111,298</u>	<u>-</u>	<u>111,298</u>
 TOTAL LIABILITIES	 <u>111,516</u>	 <u>-</u>	 <u>111,516</u>
FUND BALANCES			
Nonspendable			
Prepaid items	1,753	-	1,753
Restricted			
Flood recovery	1,517	-	1,517
Fire protection	2,677	-	2,677
Assigned			
Fire protection	76,242	-	76,242
Future capital outlay	-	53,843	53,843
Flood recovery	802	-	802
Renovation	-	545	545
Unassigned	<u>(111,298)</u>	<u>-</u>	<u>(111,298)</u>
 TOTAL FUND BALANCES	 <u>(28,307)</u>	 <u>54,388</u>	 <u>26,081</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 83,209</u>	 <u>\$ 54,388</u>	 <u>\$ 137,597</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, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Tax increment	\$ 19,913	\$ -	\$ 19,913
Charges for services	47,662	-	47,662
Miscellaneous	16,445	5,924	22,369
TOTAL REVENUES	84,020	5,924	89,944
EXPENDITURES			
Current			
Public safety	25,303	-	25,303
Economic development	150	310	460
Capital outlay			
Public safety	20,413	-	20,413
TOTAL EXPENDITURES	45,866	310	46,176
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,154	5,614	43,768
OTHER FINANCING SOURCES (USES)			
Transfers in	-	300	300
Transfers out	(67,047)	-	(67,047)
TOTAL OTHER FINANCING SOURCES (USES)	(67,047)	300	(66,747)
NET CHANGES IN FUND BALANCES	(28,893)	5,914	(22,979)
FUND BALANCES, JANUARY 1	586	48,474	49,060
FUND BALANCES, DECEMBER 31	\$ (28,307)	\$ 54,388	\$ 26,081

CITY OF NEW RICHLAND, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	203	201	405	
	Rural Fire	2010 Flood	TIF District 1-1 Homestake Subdivision	Total
ASSETS				
Cash and temporary investments	\$ 70,362	\$ 2,319	\$ -	\$ 72,681
Receivables				
Accounts	1,575	-	-	1,575
Intergovernmental	7,200	-	-	7,200
Prepaid items	1,753	-	-	1,753
	<u>80,890</u>	<u>2,319</u>	<u>-</u>	<u>83,209</u>
TOTAL ASSETS	<u>\$ 80,890</u>	<u>\$ 2,319</u>	<u>\$ -</u>	<u>\$ 83,209</u>
LIABILITIES				
Accounts payable	\$ 218	\$ -	\$ -	\$ 218
Due to other funds	-	-	111,298	111,298
	<u>218</u>	<u>-</u>	<u>111,298</u>	<u>111,516</u>
TOTAL LIABILITIES	<u>218</u>	<u>-</u>	<u>111,298</u>	<u>111,516</u>
FUND BALANCES				
Nonspendable				
Prepaid items	1,753	-	-	1,753
Restricted				
Flood recovery	-	1,517	-	1,517
Fire protection	2,677	-	-	2,677
Assigned				
Fire protection	76,242	-	-	76,242
Flood recovery	-	802	-	802
Unassigned	-	-	(111,298)	(111,298)
	<u>80,672</u>	<u>2,319</u>	<u>(111,298)</u>	<u>(28,307)</u>
TOTAL FUND BALANCES	<u>80,672</u>	<u>2,319</u>	<u>(111,298)</u>	<u>(28,307)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 80,890</u>	<u>\$ 2,319</u>	<u>\$ -</u>	<u>\$ 83,209</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, 2014

	203	201	405	
	Rural Fire	2010 Flood	TIF District 1-1 Homestake Subdivision	Total
REVENUES				
Tax increment	\$ -	\$ -	\$ 19,913	\$ 19,913
Charges for services	47,662	-	-	47,662
Miscellaneous				
Refunds and reimbursements	432	-	-	432
Contributions and donations	16,013	-	-	16,013
TOTAL REVENUES	64,107	-	19,913	84,020
EXPENDITURES				
Current				
Public safety	25,303	-	-	25,303
Economic development	-	-	150	150
Capital outlay				
Public safety	20,413	-	-	20,413
TOTAL EXPENDITURES	45,716	-	150	45,866
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,391	-	19,763	38,154
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(67,047)	(67,047)
NET CHANGE IN FUND BALANCES	18,391	-	(47,284)	(28,893)
FUND BALANCES, JANUARY 1	62,281	2,319	(64,014)	586
FUND BALANCES, DECEMBER 31	\$ 80,672	\$ 2,319	\$ (111,298)	\$ (28,307)

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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Charges for service	\$ 44,800	\$ 44,800	\$ 47,662	\$ 2,862
Miscellaneous				
Refunds and reimbursements	-	-	432	432
Contributions and donations	-	-	16,013	16,013
TOTAL REVENUES	44,800	44,800	64,107	19,307
EXPENDITURES				
Current				
Public safety				
Personal service	1,314	1,314	1,631	(317)
Supplies	13,000	13,000	8,347	4,653
Other service and charges	19,875	19,875	15,325	4,550
Capital outlay				
Public safety	-	-	20,413	(20,413)
TOTAL EXPENDITURES	34,189	34,189	45,716	(11,527)
NET CHANGES IN FUND BALANCES	10,611	10,611	18,391	7,780
FUND BALANCES, JANUARY 1	62,281	62,281	62,281	-
FUND BALANCES, DECEMBER 31	<u>\$ 72,892</u>	<u>\$ 72,892</u>	<u>\$ 80,672</u>	<u>\$ 7,780</u>

CITY OF NEW RICHLAND, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2014

	401	412	
	<u>Capital Improvement</u>	<u>Oddfellows Building</u>	<u>Total</u>
ASSETS			
Cash and temporary investments	\$ 53,141	\$ 545	\$ 53,686
Receivables			
Accounts	<u>702</u>	<u>-</u>	<u>702</u>
 TOTAL ASSETS	 <u><u>\$ 53,843</u></u>	 <u><u>\$ 545</u></u>	 <u><u>\$ 54,388</u></u>
 FUND BALANCES			
Assigned			
Future capital outlay	\$ 53,843	\$ -	\$ 53,843
Renovation	<u>-</u>	<u>545</u>	<u>545</u>
 TOTAL FUND BALANCES	 <u><u>\$ 53,843</u></u>	 <u><u>\$ 545</u></u>	 <u><u>\$ 54,388</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, 2014

	401	412	
	<u>Capital Improvement</u>	<u>Oddfellows Building</u>	<u>Total</u>
REVENUES			
Miscellaneous			
Contributions and donations	\$ 5,923	\$ -	\$ 5,923
Refunds and reimbursements	-	1	1
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	5,923	1	5,924
EXPENDITURES			
Current			
Economic development			
Other services and charges	-	310	310
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,923	(309)	5,614
OTHER FINANCING SOURCES			
Transfers in	-	300	300
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	5,923	(9)	5,914
FUND BALANCES, JANUARY 1	<hr/> 47,920	<hr/> 554	<hr/> 48,474
FUND BALANCES, DECEMBER 31	<u>\$ 53,843</u>	<u>\$ 545</u>	<u>\$ 54,388</u>

CITY OF NEW RICHLAND, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and temporary investments	\$ 814,592	\$ 787,135
Receivables		
Delinquent taxes	18,531	15,539
Accounts	46,215	48,887
Special assessments	4,485	6,084
Intergovernmental	6,064	3,316
Advances to other funds	141,298	94,014
Prepaid items	14,242	10,901
TOTAL ASSETS	\$ 1,045,427	\$ 965,876
LIABILITIES		
Accounts payable	\$ 5,758	\$ 9,607
Accrued salaries payable	8,178	20,940
TOTAL LIABILITIES	13,936	30,547
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	18,531	15,539
Unavailable revenue - special assessments	4,485	6,084
TOTAL DEFERRED INFLOWS OF RESOURCES	23,016	21,623
FUND BALANCES		
Nonspendable		
Advances to other funds	141,298	94,014
Prepaid items	14,242	10,901
Assigned		
Capital outlay	215,548	193,699
Unassigned	637,387	615,092
TOTAL FUND BALANCES	1,008,475	913,706
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,045,427	\$ 965,876

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, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts		Actual Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 10,317	\$ 10,317	\$ 9,333	\$ 984	\$ 9,874
Supplies	-	-	8	(8)	20
Other services and charges	330	330	446	(116)	951
Total Mayor and Council	10,647	10,647	9,787	860	10,845
Administration					
Personal services	134,762	134,762	136,013	(1,251)	130,067
Supplies	8,700	8,700	12,921	(4,221)	10,312
Other services and charges	28,817	28,817	20,862	7,955	18,310
Total administration	172,279	172,279	169,796	2,483	158,689
Election					
Personal services	1,000	1,000	818	182	-
Supplies	1,200	1,200	114	1,086	-
Other services and charges	850	850	393	457	6
Total election	3,050	3,050	1,325	1,725	6
Total general government	185,976	185,976	180,908	5,068	169,540
Public safety					
Police					
Personal services	172,296	172,296	146,866	25,430	146,375
Supplies	13,250	13,250	15,667	(2,417)	11,922
Other services and charges	26,920	26,920	31,355	(4,435)	24,514
Total police	212,466	212,466	193,888	18,578	182,811
Ambulance					
Personal services	59,232	59,232	48,593	10,639	45,844
Supplies	22,050	22,050	13,373	8,677	16,769
Other services and charges	47,960	47,960	42,678	5,282	37,330
Total ambulance	129,242	129,242	104,644	24,598	99,943
Fire					
Personal services	16,314	16,314	24,920	(8,606)	25,394
Supplies	13,000	13,000	8,357	4,643	9,515
Other services and charges	19,875	19,875	15,876	3,999	9,381
Total fire	49,189	49,189	49,153	36	44,290

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, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES					
Taxes					
Property taxes	\$ 329,129	\$ 329,129	\$ 310,328	\$ (18,801)	\$ 296,473
Payment in lieu of taxes	5,400	5,400	6,942	1,542	5,490
Franchise taxes	15,500	15,500	18,628	3,128	13,029
Total taxes	350,029	350,029	335,898	(14,131)	314,992
Special assessments	-	-	310	310	317
Licenses and permits	13,770	13,770	14,294	524	10,021
Intergovernmental					
Federal					
Other federal aids	-	-	1,282	1,282	-
State					
Local government aid	377,598	377,598	377,598	-	325,599
Fire aid	15,000	15,000	22,839	7,839	23,628
Police state aid	6,400	6,400	7,677	1,277	7,305
Other state aids	2,478	2,478	4,895	2,417	2,462
Total state	401,476	401,476	413,009	11,533	358,994
Local					
Other local aids	5,000	5,000	4,250	(750)	3,500
Total intergovernmental	406,476	406,476	418,541	12,065	362,494
Charges for services					
Public safety	147,200	147,200	99,021	(48,179)	107,480
Streets and highways	-	-	1,420	1,420	435
Culture and recreation	3,100	3,100	3,225	125	3,088
Total charges for services	150,300	150,300	103,666	(46,634)	111,003
Fines and forfeits	3,000	3,000	4,406	1,406	3,314
Investment earnings	4,020	4,020	3,038	(982)	3,681
Miscellaneous					
Other	-	-	2,892	2,892	7,414
Rents	1,600	1,600	2,126	526	1,470
Contributions and donations	-	-	26,586	26,586	84,628
Refunds and reimbursements	5,900	5,900	18,175	12,275	7,167
Sale of assets	-	-	200	200	19,982
Total miscellaneous	7,500	7,500	49,979	42,479	120,661
TOTAL REVENUES	935,095	935,095	930,132	(4,963)	926,483

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, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety - continued					
Building inspection					
Other services and charges	\$ 13,870	\$ 13,870	\$ 7,979	\$ 5,891	\$ 9,480
Total public safety	404,767	404,767	355,664	49,103	336,524
Streets and highways					
Personal services	100,499	100,499	76,056	24,443	98,165
Supplies	26,150	26,150	28,034	(1,884)	38,594
Other services and charges	33,775	33,775	29,325	4,450	41,777
Total streets and highways	160,424	160,424	133,415	27,009	178,536
Sanitation and waste removal					
Personal services	1,615	1,615	1,299	316	1,312
Culture and recreation					
Recreation - Legion Field					
Personal services	3,500	3,500	393	3,107	2,981
Supplies	1,900	1,900	15	1,885	109
Other services and charges	8,820	8,820	6,794	2,026	13,940
Total recreation - Legion Field	14,220	14,220	7,202	7,018	17,030
Parks - St. Olaf Park					
Personal services	10,111	10,111	8,863	1,248	10,848
Supplies	4,700	4,700	1,754	2,946	7,262
Other services and charges	6,285	6,285	5,240	1,045	6,065
Total parks - St. Olaf Park	21,096	21,096	15,857	5,239	24,175
Senior citizens' bus					
Other services and charges	3,200	3,200	3,000	200	3,000
Library					
Supplies	3,300	3,300	2,207	1,093	1,057
Other services and charges	9,905	9,905	5,941	3,964	2,685
Total library	13,205	13,205	8,148	5,057	3,742
Total culture and recreation	51,721	51,721	34,207	17,514	47,947
Economic development					
Other services and charges	4,800	4,800	4,800	-	4,800
Total current	809,303	809,303	710,293	99,010	738,659

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, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014				2013
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 2,100	\$ 2,100	\$ -	\$ 2,100	\$ 1,250
Public safety	18,300	18,300	27,820	(9,520)	46,643
Streets and highways	79,200	79,200	95,783	(16,583)	69,018
Culture and recreation	2,500	2,500	1,167	1,333	5,583
Total capital outlay	<u>102,100</u>	<u>102,100</u>	<u>124,770</u>	<u>(22,670)</u>	<u>122,494</u>
TOTAL EXPENDITURES	<u>911,403</u>	<u>911,403</u>	<u>835,063</u>	<u>76,340</u>	<u>861,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,692	23,692	95,069	71,377	65,330
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>	<u>-</u>	<u>(400)</u>
NET CHANGE IN FUND BALANCES	23,392	23,392	94,769	71,377	64,930
FUND BALANCES, JANUARY 1	<u>913,706</u>	<u>913,706</u>	<u>913,706</u>	<u>-</u>	<u>848,776</u>
FUND BALANCES, DECEMBER 31	<u>\$ 937,098</u>	<u>\$ 937,098</u>	<u>\$ 1,008,475</u>	<u>\$ 71,377</u>	<u>\$ 913,706</u>

CITY OF NEW RICHLAND, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	305	311	320
	2009 G.O.	2003 G.O.	2007 G.O.
	<u>Refunding</u>	<u>Improvement</u>	<u>Improvement</u>
ASSETS			
Cash and temporary investments	\$ -	\$ -	\$ 171,728
Restricted assets - cash with fiscal agent	-	-	145,143
Receivables			
Special assessments	85,074	-	104,894
Intergovernmental	-	-	466
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 85,074</u>	<u>\$ -</u>	<u>\$ 422,231</u>
LIABILITIES			
Accrued interest payable	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	85,074	-	104,894
FUND BALANCES			
Restricted for debt service	-	-	317,337
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 85,074</u>	<u>\$ -</u>	<u>\$ 422,231</u>

314 2014 G.O Improvement	Total Debt Service
\$ 53,970	\$ 225,698
-	145,143
306,227	496,195
-	466
\$ 360,197	\$ 867,502
\$ 2,179	\$ 2,179
306,227	496,195
51,791	369,128
\$ 360,197	\$ 867,502

CITY OF NEW RICHLAND, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	305 2009 G.O. <u>Refunding</u>	311 2003 G.O. <u>Improvement</u>	320 2007 G.O. <u>Improvement</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ 25,618
Special assessments	<u>21,762</u>	<u>-</u>	<u>30,304</u>
 TOTAL REVENUES	 <u>21,762</u>	 <u>-</u>	 <u>55,922</u>
EXPENDITURES			
Debt service			
Principal	69,000	-	36,500
Interest and other	<u>19,809</u>	<u>-</u>	<u>13,172</u>
 TOTAL EXPENDITURES	 <u>88,809</u>	 <u>-</u>	 <u>49,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(67,047)</u>	 <u>-</u>	 <u>6,250</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	67,047	-	45,689
Transfers out	-	(45,689)	-
Bonds issued	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>67,047</u>	 <u>(45,689)</u>	 <u>45,689</u>
NET CHANGE IN FUND BALANCES	-	(45,689)	51,939
FUND BALANCES, JANUARY 1	<u>-</u>	<u>45,689</u>	<u>265,398</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 317,337</u></u>

314

2014 G.O.

<u>Improvement</u>	<u>Total</u>
\$ -	\$ 25,618
<u>19,562</u>	<u>71,628</u>
<u>19,562</u>	<u>97,246</u>
-	105,500
<u>2,179</u>	<u>35,160</u>
<u>2,179</u>	<u>140,660</u>
<u>17,383</u>	<u>(43,414)</u>
-	112,736
-	(45,689)
<u>34,408</u>	<u>34,408</u>
<u>34,408</u>	<u>101,455</u>
51,791	58,041
<u>-</u>	<u>311,087</u>
<u>\$ 51,791</u>	<u>\$ 369,128</u>

CITY OF NEW RICHLAND, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS		
Cash and temporary investments	\$	49,465
<u>Receivables</u>		
Loans		83,776
Due from primary government		250,000
Due from other governments		2,500
		2,500
TOTAL ASSETS	\$	385,741
FUND BALANCES		
Nonspendable		
Due from primary government		250,000
Loan receivables		83,776
Restricted		
Future loans		202
Assigned		
Economic development		51,763
		51,763
TOTAL FUND BALANCES	\$	385,741
NET POSITION		
Restricted	\$	333,978
Unrestricted		51,763
		51,763
TOTAL NET POSITION	\$	385,741

CITY OF NEW RICHLAND, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET POSITION -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Actual Amounts
REVENUES	
Intergovernmental	\$ 4,250
Payments from primary government	4,800
Investment earnings	11
Refunds and reimbursements	75
TOTAL REVENUES	9,136
EXPENDITURES	
Current	
Economic development	4,048
NET CHANGES IN FUND BALANCES/NET POSITION	5,088
FUND BALANCES/NET POSITION, JANUARY 1	380,653
FUND BALANCES/NET POSITION, DECEMBER 31	\$ 385,741

CITY OF NEW RICHLAND, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 381,429	\$ 372,919	2.28 %
Special assessments	71,938	45,773	57.16
Licenses and permits	14,294	10,021	42.64
Intergovernmental	418,541	428,979	(2.43)
Charges for services	151,328	142,434	6.24
Fines and forfeits	4,406	3,314	32.95
Investment earnings	6,133	4,032	52.11
Miscellaneous	72,348	167,239	(56.74)
	<u>\$ 1,120,417</u>	<u>\$ 1,174,711</u>	(4.62) %
TOTAL REVENUES	<u>\$ 1,120,417</u>	<u>\$ 1,174,711</u>	(4.62) %
Per Capita	\$ 921	\$ 968	(4.86) %
EXPENDITURES			
Current			
General government	\$ 180,908	\$ 169,540	6.71 %
Public safety	380,967	356,742	6.79
Streets and highways	133,415	178,536	(25.27)
Sanitation and waste removal	1,299	1,312	(0.99)
Culture and recreation	34,207	47,947	(28.66)
Economic development	5,260	10,969	(52.05)
Capital outlay			
General government	-	1,250	(100.00)
Public safety	48,233	73,242	(34.15)
Streets and highways	1,209,350	69,018	1,652.22
Culture and recreation	1,167	5,583	(79.10)
Economic development	-	168,085	(100.00)
Debt Service			
Principal	105,500	104,000	1.44
Interest	87,729	39,072	124.53
	<u>\$ 2,188,035</u>	<u>\$ 1,225,296</u>	78.57 %
TOTAL EXPENDITURES	<u>\$ 2,188,035</u>	<u>\$ 1,225,296</u>	78.57 %
Per Capita	\$ 1,798	\$ 1,009	78.13 %
Total Long-term Indebtedness	\$ 2,774,000	\$ 1,224,500	126.54 %
Per Capita	2,279	1,009	125.98
General Fund and Special Revenue Funds Unassigned			
Fund Balance - December 31	\$ 526,089	\$ 551,078	(4.53) %
Per Capita	432	454	(4.77)

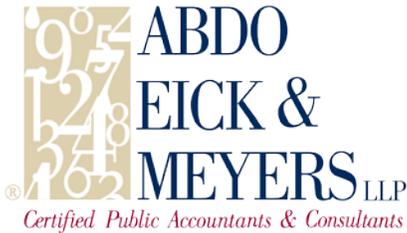
The purpose of this report is to provide a summary of financial information concerning the City of New Richland to interested citizens. The complete financial statements may be examined at City Hall, 203 North Broadway, New Richland, Minnesota. Questions about this report should be directed to Wayne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

OTHER REQUIRED REPORTS

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

YEAR ENDED
DECEMBER 31, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of New Richland, Minnesota

We have audited, 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 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, 2014, and the related notes to the financial statements and have issued our report thereon dated February 27, 2015.

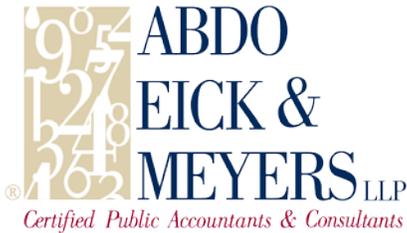
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
February 27, 2015



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 the City of New Richland (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated February 27, 2015. 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 and Responses we identified certain deficiencies in internal control that we consider to be material weakness and 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2014-003 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 and Responses as items 2014-001 and 2014-002 to be 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*.

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 and Responses as items 2014-001, 2014-002 and 2014-003. 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.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
February 27, 2015

CITY OF NEW RICHLAND, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding Description

2014-001 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 overpayroll

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 AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding

Description

2014-001

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 AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Finding</u>	<u>Description</u>
2014-001	Segregation of duties - continued
	<u>Internal control over utility billing</u>
<i>Cause:</i>	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.
<i>Recommendation:</i>	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.
<i>Management response:</i>	
	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.
<i>Updated response from prior year:</i>	
	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 AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding

Description

2014-002

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 comparing the Banyon financial information to the report.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NEW RICHLAND, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Finding</u>	<u>Description</u>
2014-003	Material audit adjustments
<i>Condition:</i>	During our audit, material adjustments were needed to adjust accounts payable, contributed capital, construction in progress, and debt activity.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<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.
<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.
<i>Management response:</i>	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.