

Annual Financial Statement

City of New Richland

For the Year Ended
December 31, 2015

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CITY OF NEW RICHLAND, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF NEW RICHLAND, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Christina Gislason	Mayor	12/31/16
John Hullopeter	Council	12/31/16
Amy Ihrke	Council	12/31/18
Sarah Sundve	Council	12/31/16
Sandra Neumann	Council	12/31/16

APPOINTED

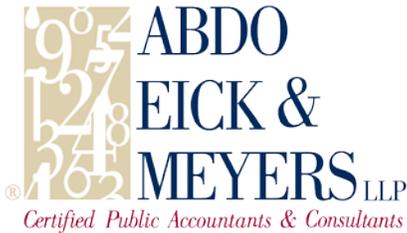
Wayne Billing	Clerk/Treasurer
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FINANCIAL SECTION
CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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. We did not audit the financial statements of the New Richland Care Center enterprise fund which represents 7.8 percent and 82.4 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.

Basis for Qualified Opinion

The City has not adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the Volunteer Firefighters' Relief Association, in the governmental activities, and, accordingly, has not shown activity related to this standard. Accounting principles generally accepted in the United States of America require that pension balances be shown, which would report deferred outflows of resources, deferred inflows of resources and liabilities or assets, while changing the net position in the applicable statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City as of December 31, 2015, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 76 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 May 27, 2016 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

May 27, 2016

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Management's Discussion and Analysis

As management of the City of New Richland, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

Financial Highlights

- The beginning unrestricted net position was decreased by \$1,943,891 to recognize the effects of GASB Statement No. 68 implementation
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,533,586 (net position). A deficit of \$25,512 (*unrestricted net position*) now exists due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The City's total net position decreased by \$75,507. A majority of the decrease is due to an increase in expenditures for the enterprise funds. The Water Utility enterprise fund showed a decrease in net position of \$100,267 and the Sewer Utility showed an increase of \$37,482. The Nursing Home enterprise fund showed a decrease in net position of \$145,336 compared to a decrease of \$62,254 in the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,739,318, a decrease of \$131,438 in comparison with the prior year. Approximately 28.0 percent of this total amount, \$486,860, which constitutes unassigned fund balance, is available for spending at the City's discretion. The remainder of fund balance, \$1,252,458, is not available for spending because it is either 1) nonspendable (\$215,174), 2) restricted (\$593,876) or 3) assigned (\$443,408).

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**

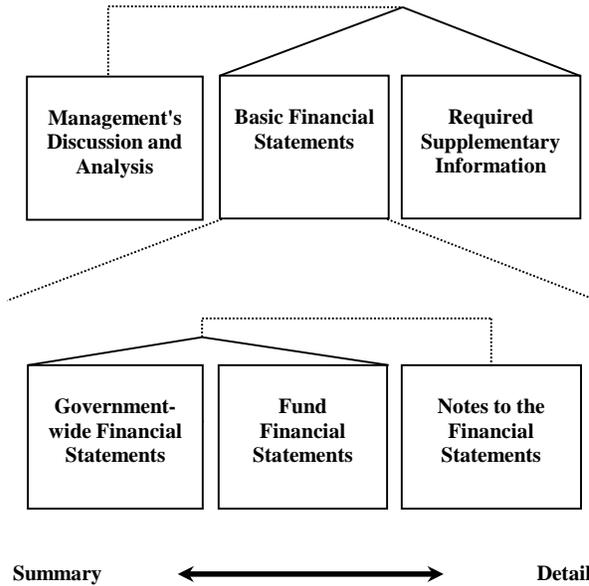


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 inflow/outflow 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 10 individual governmental funds, 3 of which are Debt Service funds, which are reported as one major fund for the government-wide financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Debt Service 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 40 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Required supplementary information. The required supplementary information can be found starting on page 76 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 80 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,533,586 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	\$ 2,206,396	\$ 2,580,917	\$ (374,521)	\$ 1,410,785	\$ 1,914,882	\$ (504,097)
Capital assets	2,944,302	2,990,691	(46,389)	7,000,598	7,234,514	(233,916)
Total assets	5,150,698	5,571,608	(420,910)	8,411,383	9,149,396	(738,013)
Deferred outflows of resources	67,732	-	67,732	150,729	-	150,729
Long-term liabilities outstanding	2,701,455	2,806,272	(104,817)	4,639,316	3,633,721	1,005,595
Other liabilities	31,080	217,504	(186,424)	472,211	459,806	12,405
Total liabilities	2,732,535	3,023,776	(291,241)	5,111,527	4,093,527	1,018,000
Deferred inflows of resources	79,037	-	79,037	323,857	-	323,857
Net investment in capital assets	862,552	859,220	3,332	3,977,854	4,014,115	(36,261)
Restricted	661,842	842,963	(181,121)	56,850	67,034	(10,184)
Unrestricted	882,464	845,649	36,815	(907,976)	974,720	(1,882,696)
Total net position	\$ 2,406,858	\$ 2,547,832	\$ (140,974)	\$ 3,126,728	\$ 5,055,869	\$ (1,929,141)

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* 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 but unrestricted 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 \$75,507. Key elements of this decrease are as follows:

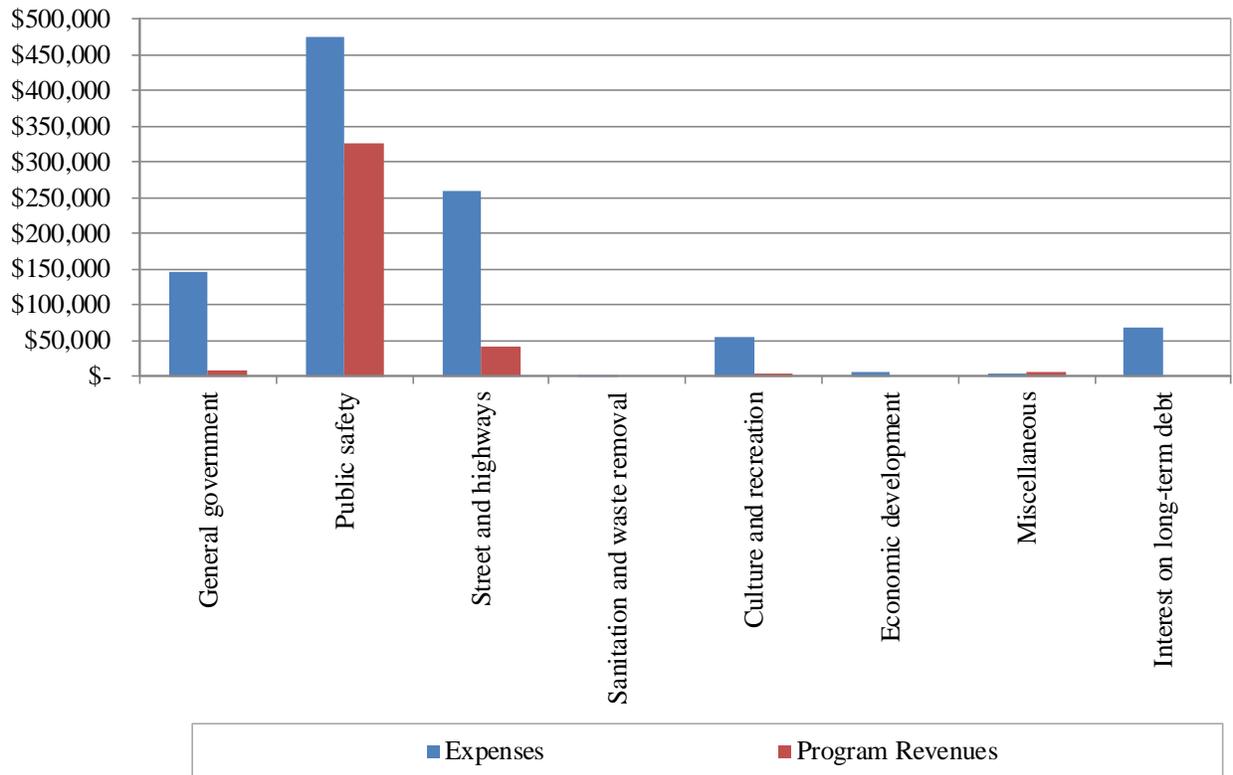
City of New Richland's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 204,504	\$ 173,139	\$ 31,365	\$ 3,920,705	\$ 3,806,716	\$ 113,989
Operating grants and contribution	72,898	53,278	19,620	25,866	-	25,866
Capital grants and contributions	107,919	422,812	(314,893)	-	2,080	(2,080)
General revenues						
Property taxes/tax increments	396,340	364,621	31,719	-	-	-
Franchise taxes	18,862	18,628	234	-	-	-
Grants and contributions not restricted to specific programs	385,901	378,044	7,857	-	-	-
Unrestricted investment earnings	6,362	6,558	(196)	(14,720)	32,263	(46,983)
Gain (loss) on sale of capital assets	-	200	-	15	(2,594)	2,609
Total revenues	<u>1,192,786</u>	<u>1,417,280</u>	<u>(224,294)</u>	<u>3,931,866</u>	<u>3,838,465</u>	<u>93,401</u>
Expenses						
General government	145,396	185,048	(39,652)	-	-	-
Public safety	474,953	474,247	706	-	-	-
Streets and highways	258,298	232,175	26,123	-	-	-
Culture and recreation	54,825	48,055	6,770	-	-	-
Sanitation and waste removal	1,511	1,299	212	-	-	-
Economic development	5,104	5,259	(155)	-	-	-
Miscellaneous	3,593	3,594	(1)	-	-	-
Interest on long-term debt	67,206	99,801	(32,595)	-	-	-
Water utility	-	-	-	330,559	214,865	115,694
Sewer utility	-	-	-	370,322	366,755	3,567
Nursing home	-	-	-	3,394,574	3,256,791	137,783
Cedar Point housing	-	-	-	50,387	51,640	(1,253)
Total expenses	<u>1,010,886</u>	<u>1,049,478</u>	<u>(38,592)</u>	<u>4,145,842</u>	<u>3,890,051</u>	<u>255,791</u>
Increase (decrease) in net position before contributed capital	181,900	367,802	(185,902)	(213,976)	(51,586)	(162,390)
Transfers of capital assets	<u>(58,207)</u>	<u>(484,216)</u>	<u>426,009</u>	<u>14,776</u>	<u>484,216</u>	<u>(469,440)</u>
Change in net position	123,693	(116,414)	240,107	(199,200)	432,630	(631,830)
Net position - January 1	<u>2,283,165</u>	<u>2,664,246</u>	<u>(381,081)</u>	<u>3,325,928</u>	<u>4,623,239</u>	<u>(1,297,311)</u>
Net position - December 31	<u><u>\$ 2,406,858</u></u>	<u><u>\$ 2,547,832</u></u>	<u><u>\$ (140,974)</u></u>	<u><u>\$ 3,126,728</u></u>	<u><u>\$ 5,055,869</u></u>	<u><u>\$ (1,929,141)</u></u>

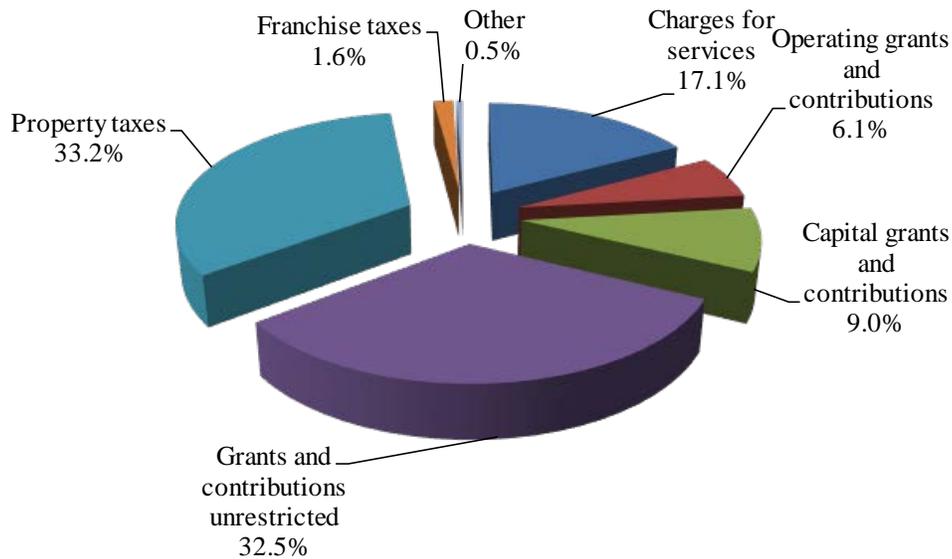
Property tax revenue increased by \$31,719 or (8.7 percent) during the year.

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

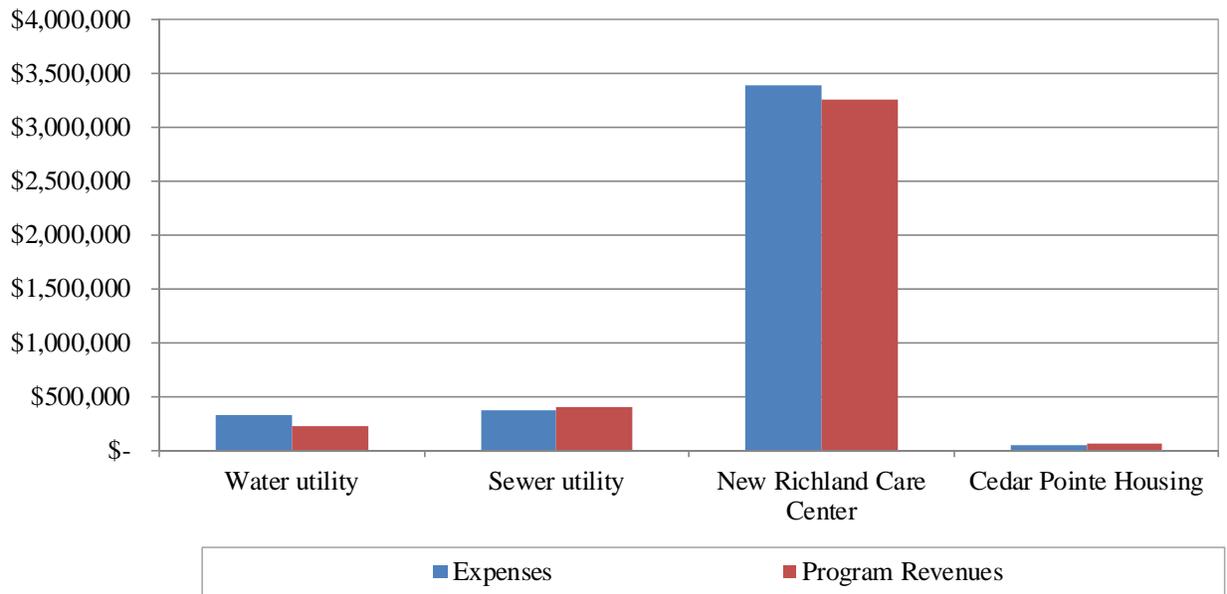


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

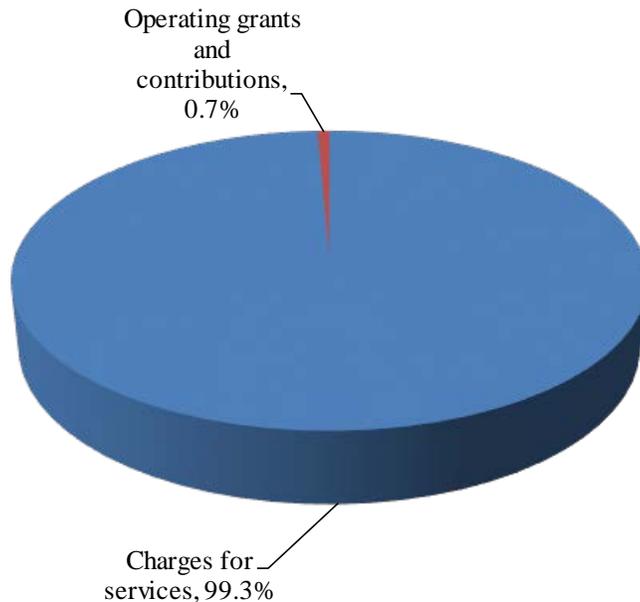
Business-type activities. Business-type activities decreased the City’s net position by \$159,661. Key elements of this decrease are as follows:

- Charges for services for business-type activities on the whole increased by 2.7 percent. The Care Center had an increase in operating expenses of 4.6 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 2014 and 2015 was at a level of around 85 percent and 91 percent respectively. The Care Center’s RUG score was 1.07 and 1.01 for fiscal 2014 and 2015 respectively. The Care Center’s higher revenues in fiscal 2015 are mainly the result of the increase in occupancy.

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 \$655,493. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 62.1 percent of fund expenditures.

The fund balance of the City's General fund increased by \$149,743 during the current fiscal year. The key factor to this increase was contributions and donations of \$21,727 and lower than budgeted personal services.

The Debt Service fund has a total fund balance of \$223,422, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$145,706 due to a payment to a refunding bond escrow agent for \$144,000.

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 deficit of the enterprise funds at the end of the year amounted to \$907,976 due to recognize the effects of GASB Statement No. 68 implementation. The total decrease in net position for the funds was \$199,200. 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 \$42,531 and actual expenditures were under budget by \$71,103 for 2015.

Significant budget variances are described below:

- Public safety charges for services were under budget by \$19,126.
- Property tax collections were under budget by \$108,090.
- Contributions and donations were over budget by \$21,727 due to donations from fire relief.
- Total public safety expenditures were under budget by \$26,072, due to lower than budgeted police and ambulance supplies and personnel costs.
- Capital outlay expenditures which were under budget by \$13,400.

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, 2015, amounts to \$9,944,900 (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 2.7 percent (a 1.6 percent decrease for governmental activities and a 3.2 percent decrease for business-type activities).

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

- Construction on the County Road 12 project with \$118,774 in construction cost added to construction in progress in 2015.
- Water and Sewer main Improvements to the Dollar General site totaling \$122,859 were completed during 2015.

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 184,745	\$ 184,745	\$ -	\$ 60,000	\$ 60,000	\$ -
Buildings	795,342	819,935	(24,593)	970,997	1,091,241	(120,244)
Infrastructure and other improvements	669,972	715,861	(45,889)	5,343,100	5,474,673	(131,573)
Machinery and equipment	123,192	155,814	(32,622)	127,509	124,384	3,125
Vehicles	368,309	423,536	(55,227)	-	-	-
Other assets	25,509	17,566	7,943	-	-	-
Construction in progress	777,233	673,234	103,999	498,992	484,216	14,776
Total	\$ 2,944,302	\$ 2,990,691	\$ (46,389)	\$ 7,000,598	\$ 7,234,514	\$ (233,916)

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,730,521. Of this amount, \$2,048,500 is improvement debt, \$375,000 is tax increment debt, \$2,682,021 is revenue debt and \$340,723 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation improvement bonds	\$ 2,048,500	\$ 2,339,000	\$ (290,500)	\$ -	\$ -	\$ -
General obligation tax increment bonds	375,000	435,000	(60,000)	-	-	-
General obligation revenue bonds	-	-	-	2,682,021	3,232,521	(550,500)
Notes	-	-	-	340,723	348,378	(7,655)
Total	<u>\$ 2,423,500</u>	<u>\$ 2,774,000</u>	<u>\$ (350,500)</u>	<u>\$ 3,022,744</u>	<u>\$ 3,580,899</u>	<u>\$ (558,155)</u>

The City's total debt decreased by \$908,655, or 14.3 percent during the current fiscal year. Long-term debt of \$908,655 was retired during the year and no new debt was issued.

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 \$1,230,927, 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 60 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Waseca County is currently 4.5 percent, which is an increase from a rate of 4.2 percent a year ago. This can be compared to the State's average unemployment rate of 3.7 percent and the national average rate of 4.8 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 2016 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$655,493. The City has appropriated \$859,899 for the 2016 fiscal year budget. It is intended that this amount of available fund balance will keep the need to raise taxes or charges during the 2016 fiscal year to a minimum.

Property taxes will remain steady in 2016.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk/Treasurer, City of New Richland, 203 N. Broadway, New Richland, Minnesota 56072.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF NEW RICHLAND, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and temporary investments	\$ 1,603,624	\$ 677,898	\$ 2,281,522	\$ 26,905
Investments	-	414,131	414,131	-
Receivables				
Delinquent taxes	13,844	-	13,844	-
Accounts, net of allowance for uncollectibles	63,462	288,961	352,423	-
Loans	-	-	-	74,968
Special assessments	435,214	-	435,214	-
Intergovernmental	10,182	396	10,578	-
Due from primary government	-	-	-	283,602
Internal balances	63,602	(63,602)	-	-
Prepaid items	16,468	28,956	45,424	-
Residents' cash	-	7,195	7,195	-
Cash restricted by contributors for capital acquisitions	-	56,850	56,850	-
Capital assets				
Nondepreciable assets	961,978	558,992	1,520,970	-
Depreciable assets, net of accumulated depreciation	1,982,324	6,441,606	8,423,930	-
TOTAL ASSETS	5,150,698	8,411,383	13,562,081	385,475
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension Resources	67,732	150,729	218,461	-
LIABILITIES				
Accounts payable	8,585	51,231	59,816	-
Due to component unit	-	283,602	283,602	-
Due to other governments	-	90	90	-
Accrued interest payable	13,060	13,593	26,653	-
Accrued salaries payable	9,435	120,580	130,015	-
Deposits payable	-	3,115	3,115	-
Noncurrent liabilities				
Due within one year	217,475	280,183	497,658	-
Due in more than one year	2,483,980	4,359,133	6,843,113	-
TOTAL LIABILITIES	2,732,535	5,111,527	7,844,062	-
DEFERRED INFLOWS OF RESOURCES				
Deferred pension Resources	79,037	323,857	402,894	-
NET POSITION				
Net investment in capital assets	862,552	3,977,854	4,840,406	-
Restricted for:				
Debt service	641,979	-	641,979	-
Capital acquisitions	-	56,850	56,850	-
Flood recovery	1,517	-	1,517	-
Fire Protection	18,346	-	18,346	-
Economic development	-	-	-	358,570
Unrestricted	882,464	(907,976)	(25,512)	26,905
TOTAL NET POSITION	\$ 2,406,858	\$ 3,126,728	\$ 5,533,586	\$ 385,475

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 145,396	\$ 7,477	\$ -	\$ -
Public safety	474,953	191,168	53,965	37,800
Streets and highways	258,298	2,196	18,706	20,461
Sanitation and waste removal	1,511	-	-	-
Culture and recreation	54,825	3,663	227	-
Economic development	5,104	-	-	-
Miscellaneous	3,593	-	-	6,227
Interest on long-term debt	67,206	-	-	-
Total governmental activities	<u>1,010,886</u>	<u>204,504</u>	<u>72,898</u>	<u>64,488</u>
Business-type activities				
Water utility	330,559	219,979	-	-
Sewer utility	370,322	374,909	25,000	-
Cedar pointe housing	50,387	59,308	-	-
Nursing home	3,394,574	3,266,509	866	-
Total business-type activities	<u>4,145,842</u>	<u>3,920,705</u>	<u>25,866</u>	<u>-</u>
Total primary government	<u>\$ 5,156,728</u>	<u>\$ 4,125,209</u>	<u>\$ 98,764</u>	<u>\$ 64,488</u>
Component unit				
Economic Development Authority	<u>\$ 9,819</u>	<u>\$ -</u>	<u>\$ 9,457</u>	<u>\$ -</u>
Totals	<u>\$ 5,166,547</u>	<u>\$ 4,125,209</u>	<u>\$ 108,221</u>	<u>\$ 64,488</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

Total general revenues

Change in net position

Net position, January 1 as restated (Note 8)

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
\$ (137,919)		\$ (137,919)	
(192,020)		(192,020)	
(216,935)		(216,935)	
(1,511)		(1,511)	
(50,935)		(50,935)	
(5,104)		(5,104)	
2,634		2,634	
<u>(67,206)</u>		<u>(67,206)</u>	
<u>(668,996)</u>		<u>(668,996)</u>	
	\$ (110,580)	(110,580)	
	29,587	29,587	
	8,921	8,921	
	<u>(127,199)</u>	<u>(127,199)</u>	
	<u>(199,271)</u>	<u>(199,271)</u>	
	<u>(199,271)</u>	<u>(868,267)</u>	
			\$ (362)
<u>(668,996)</u>	<u>(199,271)</u>	<u>(868,267)</u>	<u>(362)</u>
252,310	-	252,310	-
124,000	-	124,000	-
20,030	-	20,030	-
18,862	-	18,862	-
385,901	-	385,901	-
6,362	(14,720)	(8,358)	96
-	15	15	-
<u>(14,776)</u>	<u>14,776</u>	<u>-</u>	<u>-</u>
<u>792,689</u>	<u>71</u>	<u>792,760</u>	<u>96</u>
123,693	(199,200)	(75,507)	(266)
<u>2,283,165</u>	<u>3,325,928</u>	<u>5,609,093</u>	<u>385,741</u>
<u>\$ 2,406,858</u>	<u>\$ 3,126,728</u>	<u>\$ 5,533,586</u>	<u>\$ 385,475</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF NEW RICHLAND, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	\$ 893,642	\$ 218,156	\$ 491,826	\$ 1,603,624
Receivables				
Delinquent taxes	13,844	-	-	13,844
Accounts	61,610	-	1,852	63,462
Special assessments	3,597	431,617	-	435,214
Intergovernmental	4,916	5,266	-	10,182
Advances to other funds	198,706	-	33,602	232,308
Prepaid items	14,684	-	1,784	16,468
TOTAL ASSETS	<u>\$ 1,190,999</u>	<u>\$ 655,039</u>	<u>\$ 529,064</u>	<u>\$ 2,375,102</u>
LIABILITIES				
Accounts payable	\$ 5,905	\$ -	\$ 2,680	\$ 8,585
Due to other funds	-	-	168,706	168,706
Accrued salaries payable	9,435	-	-	9,435
TOTAL LIABILITIES	<u>15,340</u>	<u>-</u>	<u>171,386</u>	<u>186,726</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	13,844	-	-	13,844
Unavailable revenue - special assessments	3,597	431,617	-	435,214
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,441</u>	<u>431,617</u>	<u>-</u>	<u>449,058</u>
FUND BALANCES				
Nonspendable				
Advances to other funds	198,706	-	-	198,706
Prepaid items	14,684	-	1,784	16,468
Restricted				
Future capital outlay	-	-	350,591	350,591
Debt service	-	223,422	-	223,422
Flood recovery	-	-	1,517	1,517
Fire protection	-	-	18,346	18,346
Assigned				
Fire protection	-	-	92,594	92,594
Future capital outlay	289,335	-	60,136	349,471
Flood recovery	-	-	802	802
Renovation	-	-	541	541
Unassigned	655,493	-	(168,633)	486,860
TOTAL FUND BALANCES	<u>1,158,218</u>	<u>223,422</u>	<u>357,678</u>	<u>1,739,318</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,190,999</u>	<u>\$ 655,039</u>	<u>\$ 529,064</u>	<u>\$ 2,375,102</u>

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

CITY OF NEW RICHLAND, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Total fund balances - governmental funds	\$ 1,739,318
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.	2,944,302
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	(23,863)
Pension liability	(245,251)
Bonds payable	(2,423,500)
Unamortized bond premium	(8,841)
Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds.	
Delinquent property taxes	13,844
Special assessments	435,214
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	67,732
Deferred inflows of pension resources	(79,037)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(13,060)</u>
Total net position - governmental activities	<u><u>\$ 2,406,858</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, 2015

	General	Debt Service	Other Governmental Funds	Totals
REVENUES				
Taxes	\$ 276,415	\$ 124,000	\$ 20,030	\$ 420,445
Special assessments	1,118	84,809	-	85,927
Licenses and permits	18,831	-	-	18,831
Intergovernmental	452,754	-	-	452,754
Charges for services	131,320	-	46,789	178,109
Fines and forfeits	2,286	-	-	2,286
Investment earnings	3,116	-	3,246	6,362
Miscellaneous	48,461	-	23,513	71,974
TOTAL REVENUES	934,301	208,809	93,578	1,236,688
EXPENDITURES				
Current				
General government	148,803	-	-	148,803
Public safety	371,590	-	26,797	398,387
Streets and highways	141,020	-	-	141,020
Sanitation and waste removal	1,511	-	-	1,511
Culture and recreation	37,084	-	-	37,084
Economic development	4,800	-	307	5,107
Capital outlay				
Public safety	8,133	-	5,223	13,356
Streets and highways	59,787	-	119,661	179,448
Culture and recreation	11,530	-	-	11,530
Debt service				
Principal	-	206,500	-	206,500
Interest and other	-	81,380	-	81,380
TOTAL EXPENDITURES	784,258	287,880	151,988	1,224,126
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	150,043	(79,071)	(58,410)	12,562
OTHER FINANCING SOURCES (USES)				
Transfers in	-	77,365	300	77,665
Transfers out	(300)	-	(77,365)	(77,665)
Payment to refunded bond escrow agent	-	(144,000)	-	(144,000)
TOTAL OTHER FINANCING SOURCES (USES)	(300)	(66,635)	(77,065)	(144,000)
NET CHANGES IN FUND BALANCES	149,743	(145,706)	(135,475)	(131,438)
FUND BALANCES, JANUARY 1	1,008,475	369,128	493,153	1,870,756
FUND BALANCES, DECEMBER 31	\$ 1,158,218	\$ 223,422	\$ 357,678	\$ 1,739,318

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, 2015

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

Net change in fund balances - governmental funds	\$ (131,438)
<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	129,309
Depreciation expense	(160,922)
<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	(14,776)
<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	350,500
Amortization of premium of bonds	680
<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>	
	13,494
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	7,211
Direct aid contributions	900
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unearned in the funds.</p>	
<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	(65,466)
Property taxes	(4,687)
<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	(1,112)
Change in net position - governmental activities	\$ 123,693

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

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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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 378,742	\$ 378,742	\$ 276,415	\$ (102,327)
Special assessments	-	-	1,118	1,118
Licenses and permits	15,880	15,880	18,831	2,951
Intergovernmental	423,935	423,935	452,754	28,819
Charges for services	150,000	150,000	131,320	(18,680)
Fines and forfeits	3,000	3,000	2,286	(714)
Investment earnings	2,900	2,900	3,116	216
Miscellaneous	2,375	2,375	48,461	46,086
TOTAL REVENUES	976,832	976,832	934,301	(42,531)
EXPENDITURES				
Current				
General government	168,304	168,304	148,803	19,501
Public safety	397,662	397,662	371,590	26,072
Streets and highways	140,957	140,957	141,020	(63)
Sanitation and waste removal	2,115	2,115	1,511	604
Culture and recreation	48,373	48,373	37,084	11,289
Economic development	5,100	5,100	4,800	300
Capital outlay				
General government	4,100	4,100	-	4,100
Public safety	13,250	13,250	8,133	5,117
Streets and highways	74,000	74,000	59,787	14,213
Sanitation and waste removal				
Culture and recreation	1,500	1,500	11,530	(10,030)
TOTAL EXPENDITURES	855,361	855,361	784,258	71,103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	121,471	121,471	150,043	28,572
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(300)	(300)
NET CHANGES IN FUND BALANCES	121,471	121,471	149,743	28,272
FUND BALANCES, JANUARY 1	1,008,475	1,008,475	1,008,475	-
FUND BALANCES, DECEMBER 31	\$ 1,129,946	\$ 1,129,946	\$ 1,158,218	\$ 28,272

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

CITY OF NEW RICHLAND, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 107,042	\$ 205,648	\$ 63,459
Investments	-	-	-
Accounts receivable, net of allowance for uncollectibles	22,551	44,672	605
Intergovernmental	396	-	-
Prepaid items	534	-	259
TOTAL CURRENT ASSETS	130,523	250,320	64,323
NONCURRENT ASSETS			
Cash restricted by contributors for capital acquisitions	-	-	-
Residents' cash	-	-	-
Capital assets			
Land	-	-	60,000
Construction in progress	262,654	236,338	-
Land improvements	-	-	-
Buildings	29,101	-	752,426
Utility systems	2,783,557	6,424,779	-
Machinery and equipment	15,745	4,867	-
Vehicles	4,161	-	-
Less accumulated depreciation	(1,121,198)	(2,824,663)	(204,369)
Total capital assets (net of accumulated depreciation)	1,974,020	3,841,321	608,057
TOTAL NONCURRENT ASSETS	1,974,020	3,841,321	608,057
TOTAL ASSETS	2,104,543	4,091,641	672,380
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	1,534	-	-
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	5,070	5,232	467
Due to other governments	90	-	-
Accrued interest payable	7,706	5,887	-
Accrued salaries payable	461	-	-
Compensated absences payable - current portion	732	-	-
Deposits payable	-	-	3,115
Notes payable - current portion	-	-	8,027
Bonds payable - current portion	122,500	102,000	-
TOTAL CURRENT LIABILITIES	136,559	113,119	11,609
NONCURRENT LIABILITIES			
Compensated absences payable - noncurrent portion	678	-	-
Pension liability	13,483	-	-
Advances from other funds	33,602	-	30,000
Advances from component unit	-	33,602	250,000
Residents' cash	-	-	-
Notes payable - noncurrent portion	-	-	332,696
Bonds payable - noncurrent portion	793,522	1,663,999	-
TOTAL NONCURRENT LIABILITIES	841,285	1,697,601	612,696
TOTAL LIABILITIES	977,844	1,810,720	624,305
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	4,142	-	-
NET POSITION			
Net investment in capital assets	1,057,998	2,075,322	267,334
Restricted for capital acquisitions	-	-	-
Unrestricted	66,093	205,599	(219,259)
TOTAL NET POSITION	\$ 1,124,091	\$ 2,280,921	\$ 48,075

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Totals
\$ 301,749	\$ 677,898
414,131	414,131
221,133	288,961
-	396
28,163	28,956
<u>965,176</u>	<u>1,410,342</u>
56,850	56,850
7,195	7,195
-	60,000
-	498,992
111,618	111,618
2,018,405	2,799,932
-	9,208,336
747,187	767,799
-	4,161
<u>(2,300,010)</u>	<u>(6,450,240)</u>
577,200	7,000,598
641,245	7,064,643
1,606,421	8,474,985
<u>149,195</u>	<u>150,729</u>
33,267	44,036
-	90
-	13,593
120,119	120,580
46,924	47,656
-	3,115
-	8,027
-	224,500
<u>200,310</u>	<u>461,597</u>
-	678
1,554,755	1,568,238
-	63,602
-	283,602
7,195	7,195
-	332,696
-	2,457,521
<u>1,561,950</u>	<u>4,713,532</u>
1,762,260	5,175,129
<u>319,715</u>	<u>323,857</u>
577,200	3,977,854
56,850	56,850
<u>(960,409)</u>	<u>(907,976)</u>
<u>\$ (326,359)</u>	<u>\$ 3,126,728</u>

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

CITY OF NEW RICHLAND, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
OPERATING REVENUES			
Charges for services	\$ 194,979	\$ 373,126	\$ 57,192
Other operating income	-	-	2,116
TOTAL OPERATING REVENUES	194,979	373,126	59,308
OPERATING EXPENSES			
Salaries and benefits	27,871	-	-
Supplies and repairs	139,395	13,764	-
Other services and charges	51,792	156,466	15,479
Insurance	2,064	-	5,666
Utilities	18,158	-	7,287
Nursing services	-	-	-
Other care related services	-	-	-
Ancillary services	-	-	-
Dietary	-	-	-
Laundry	-	-	-
Housekeeping	-	-	-
Plant operations and maintenance	-	-	977
Property and related	-	-	-
Depreciation	67,700	182,657	17,232
General and administrative	-	-	-
Employee benefits	-	-	-
TOTAL OPERATING EXPENSES	306,980	352,887	46,641
OPERATING INCOME (LOSS)	(112,001)	20,239	12,667
NONOPERATING REVENUES (EXPENSES)			
Other income	25,000	-	-
Investment income	1,890	1,527	-
Refunds and reimbursements	771	27,748	-
Contributions and donations	-	-	-
Gain (loss) on sale of capital assets	-	15	-
Interest expense	(24,350)	(18,400)	(3,746)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,311	10,890	(3,746)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(108,690)	31,129	8,921
CAPITAL CONTRIBUTIONS FROM GOVERNMENTAL FUNDS	8,423	6,353	-
CHANGE IN NET POSITION	(100,267)	37,482	8,921
NET POSITION, JANUARY 1 AS RESTATED (NOTE 8)	1,224,358	2,243,439	39,154
NET POSITION, DECEMBER 31	<u>\$ 1,124,091</u>	<u>\$ 2,280,921</u>	<u>\$ 48,075</u>

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Totals
\$ 3,236,945	\$ 3,862,242
29,564	31,680
<u>3,266,509</u>	<u>3,893,922</u>
-	27,871
-	153,159
-	223,737
-	7,730
-	25,445
1,404,354	1,404,354
139,248	139,248
216,687	216,687
324,183	324,183
60,226	60,226
64,377	64,377
190,348	191,325
153,916	153,916
133,809	401,398
298,808	298,808
408,618	408,618
<u>3,394,574</u>	<u>4,101,082</u>
<u>(128,065)</u>	<u>(207,160)</u>
-	25,000
(18,137)	(14,720)
-	28,519
866	866
-	15
-	(46,496)
<u>(17,271)</u>	<u>(6,816)</u>
(145,336)	(213,976)
-	14,776
(145,336)	(199,200)
<u>(181,023)</u>	<u>3,325,928</u>
<u>\$ (326,359)</u>	<u>\$ 3,126,728</u>

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

CITY OF NEW RICHLAND, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 199,605	\$ 361,870	\$ 58,883
Payments to suppliers and vendors	(208,484)	(166,264)	(29,302)
Payments to and on behalf of employees	(23,944)	-	-
Other receipts	25,771	27,748	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(7,052)	223,354	29,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long term debt	(449,500)	(101,000)	(7,655)
Interest paid on long term debt	(31,909)	(18,736)	(3,746)
Advance from other funds	33,602	-	-
Advance from component unit	-	33,602	-
Acquisition of capital assets	(66,250)	(60,338)	-
Proceeds from sale of capital assets	-	15	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(514,057)	(146,457)	(11,401)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	1,890	1,527	-
Increase (decrease) in cash restricted by contributors for capital acquisitions	-	-	-
(Purchase) sale of investments	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,890	1,527	-
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	(519,219)	78,424	18,180
CASH AND TEMPORARY INVESTMENTS, JANUARY 1	626,261	127,224	45,279
CASH AND TEMPORARY INVESTMENTS, DECEMBER 31	\$ 107,042	\$ 205,648	\$ 63,459
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (112,001)	\$ 20,239	\$ 12,667
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Other income related to operations	25,771	27,748	-
Depreciation	67,700	182,657	17,232
(Increase) decrease in assets:			
Accounts receivable	5,022	(11,256)	(605)
Intergovernmental receivable	(396)	-	-
Third Party Payor Settlements Receivable	-	-	-
Prepaid items	13	-	(230)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	286	-	-
Increase (decrease) in liabilities:			
Accounts payable	2,918	3,966	337
Due to other governments	(6)	-	-
Accrued salaries payable	312	-	-
Compensated absences payable	181	-	-
Pension liability	2,086	-	-
Deposits payable	-	-	180
Third Party Payor Settlements Payable	-	-	-
(Increase) decrease in deferred inflows of resources			
Deferred pension resources	1,062	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (7,052)	\$ 223,354	\$ 29,581
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Transfer of capital assets from other funds	\$ 8,423	\$ 6,353	\$ -
Capital assets acquired on account	1,092	1,092	-

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Totals
\$ 3,312,658	\$ 3,933,016
(3,287,808)	(3,691,858)
-	(23,944)
29,564	83,083
<u>54,414</u>	<u>300,297</u>
866	866
-	(558,155)
-	(54,391)
-	33,602
-	33,602
(23,934)	(150,522)
-	15
<u>(23,934)</u>	<u>(695,849)</u>
21,391	24,808
10,184	10,184
(12,620)	(12,620)
<u>18,955</u>	<u>22,372</u>
50,301	(372,314)
251,448	1,050,212
<u>\$ 301,749</u>	<u>\$ 677,898</u>
\$ (128,065)	\$ (207,160)
-	53,519
133,809	401,398
78,983	72,144
-	(396)
(1,942)	(1,942)
(7,286)	(7,503)
60,784	61,070
(23,473)	(16,252)
-	(6)
394	706
(4,669)	(4,488)
37,463	39,549
-	180
(1,328)	(1,328)
<u>(90,256)</u>	<u>(89,194)</u>
<u>\$ 54,414</u>	<u>\$ 300,297</u>
\$ -	\$ 14,776
-	2,184

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

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CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 and 2014.

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, 2015

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.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, deferred outflows of resources, liabilities, deferred inflows of resources and net position/fund balances

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, 2015

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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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 2015. 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, 2015 was \$25,000 in the Care Center fund and \$12,508 for Ambulance receivables.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 cash restricted by contributors for capital acquisitions. 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, 2015

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

Deferred outflows 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 City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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 2015 was \$72,197. 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 2015, 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, 2015

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 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 inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements 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 City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

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, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net position

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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”.

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 30, 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 2015.

B. Deficit fund equity

The following funds had fund equity deficits at December 31, 2015:

Fund	Amount
Special revenue	
TIF District 1-1 Homestake Division	\$ 168,633
Enterprise funds	
New Richland Care Center	326,359

The above deficits will be eliminated through future tax increments.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks (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.

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

At year end, the City's carrying amount of deposits was \$2,786,331 and the bank balance was \$2,815,429. The bank balance was covered by federal depository insurance totaling \$750,000. Of the remaining balance, \$2,050,973 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.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

	Primary Government	Component Unit - EDA	Total
Deposits	\$ 2,759,426	\$ 26,905	\$ 2,786,331
Petty cash	272	-	272
Total deposits and investments	\$ 2,759,698	\$ 26,905	\$ 2,786,603
Cash and temporary investments	\$ 2,281,522	\$ 26,905	\$ 2,308,427
Investments	414,131	-	414,131
Residents' cash	7,195	-	7,195
Cash restricted by contributors for capital acquisitions	56,850	-	56,850
Total	\$ 2,759,698	\$ 26,905	\$ 2,786,603

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.

B. Loans receivable

Commercial loans

The City currently has loans to various local businesses totaling \$9,000 at December 31, 2015. The loans are forgivable in two years after final distribution.

Flood recovery loans

The City currently has loans to various local businesses totaling \$65,968, net of an allowance for approximately one half of the original amount, the forgivable portions, of \$91,611, at December 31, 2015. Interest free monthly payments on the notes total approximately \$1,000 over ten years. The loans are secured by real estate.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2015 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	103,999	-	777,233
Total capital assets not being depreciated	<u>857,979</u>	<u>103,999</u>	<u>-</u>	<u>961,978</u>
Capital assets, being depreciated				
Buildings and improvements	1,049,796	-	-	1,049,796
Infrastructure	1,039,682	-	-	1,039,682
Machinery and equipment	332,318	-	-	332,318
Vehicles	962,131	-	-	962,131
Other assets	35,140	10,534	-	45,674
Total capital assets being depreciated	<u>3,419,067</u>	<u>10,534</u>	<u>-</u>	<u>3,429,601</u>
Less accumulated depreciation for				
Buildings and improvements	(229,861)	(24,593)	-	(254,454)
Infrastructure	(323,821)	(45,889)	-	(369,710)
Machinery and equipment	(176,504)	(32,622)	-	(209,126)
Vehicles	(538,595)	(55,227)	-	(593,822)
Other assets	(17,574)	(2,591)	-	(20,165)
Total accumulated depreciation	<u>(1,286,355)</u>	<u>(160,922)</u>	<u>-</u>	<u>(1,447,277)</u>
Total capital assets being depreciated, net	<u>2,132,712</u>	<u>(150,388)</u>	<u>-</u>	<u>1,982,324</u>
Governmental activities capital assets, net	<u>\$ 2,990,691</u>	<u>\$ (46,389)</u>	<u>\$ -</u>	<u>\$ 2,944,302</u>

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	14,776	-	498,992
Total capital assets not being depreciated	<u>544,216</u>	<u>14,776</u>	<u>-</u>	<u>558,992</u>
Capital assets being depreciated				
Land improvements	111,617	-	-	111,617
Buildings	2,799,932	-	-	2,799,932
Utility systems	9,085,475	122,860	-	9,208,335
Machinery and equipment	737,955	29,846	-	767,801
Vehicles	4,161	-	-	4,161
Total capital assets being depreciated	<u>12,739,140</u>	<u>152,706</u>	<u>-</u>	<u>12,891,846</u>
Less accumulated depreciation for				
Land improvements	(69,544)	(5,285)	-	(74,829)
Buildings	(1,708,691)	(120,244)	-	(1,828,935)
Utility systems	(3,652,875)	(249,148)	-	(3,902,023)
Machinery and equipment	(613,571)	(26,721)	-	(640,292)
Vehicles	(4,161)	-	-	(4,161)
Total accumulated depreciation	<u>(6,048,842)</u>	<u>(401,398)</u>	<u>-</u>	<u>(6,450,240)</u>
Total capital assets being depreciated, net	<u>6,690,298</u>	<u>(248,692)</u>	<u>-</u>	<u>6,441,606</u>
Business-type activities capital assets, net	<u>\$ 7,234,514</u>	<u>\$ (233,916)</u>	<u>\$ -</u>	<u>\$ 7,000,598</u>

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

Governmental activities		
General government		\$ 4,122
Public safety		74,646
Streets and highways		61,096
Culture and recreation		17,465
Miscellaneous		3,593
Total depreciation expense - governmental activities		<u>\$ 160,922</u>
Business-type activities		
Water utility		\$ 67,700
Sewer utility		182,657
Cedar Pointe housing		17,232
Nursing home		133,809
Total depreciation expense - business-type activities		<u>\$ 401,398</u>

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2015 is as follows:

Advances from/to other funds

Receivable Fund	Payable Fund	Amount
General - Primary Government	TIF District 1-1 Homestake Subdivision - Primary Government	\$ 168,706
	Cedar Pointe Housing - Primary Government	30,000
Capital Improvement Fund - Primary Government	Water Fund - Primary Government	33,602
EDA - Component Unit	Cedar Pointe Housing - Primary Government	250,000
	Sewer Fund - Primary Government	33,602
Totals		<u>\$ 515,910</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 2015, The General fund loaned the TIF District 1-1 Homestake Subdivision an additional \$57,408 to cover the fund's cash deficit. In 2014, 2013 and 2012, the general fund also loaned the TIF District 47,284, \$41,514 and \$22,500, respectively to cover the fund's cash deficit, these advances total \$168,706. In 2015, the Capital Improvement Fund loaned the Water Fund \$33,602 to cover the utility extension to the Dollar General site, these funds will be paid back with future tax abatement revenue. In 2015, the Economic Development Authority loaned the Sewer Fund \$33,602 to cover the utility extension to the Dollar General site, these funds will be paid back with future tax abatement revenue.

Interfund transfers

	Transfers in		Total
	Primary Government		
	Debt Service Fund	Nonmajor Governmental Funds	
Transfers out			
Governmental			
General fund	\$ -	\$ 300	\$ 300
Nonmajor governmental funds	77,365	-	77,365
Total transfers out	<u>\$ 77,365</u>	<u>\$ 300</u>	<u>\$ 77,665</u>

For the year ended December 31, 2015, 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 2015 operating budget.

A transfer of \$77,365 was made from TIF District 1-1 Homestake Subdivision to 2009 G.O. Refunding for the fund's debt service payments.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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. Improvement Bonds of 2010A	\$ 166,000	4.00 %	07/01/10	02/01/26	\$ 129,000
G.O. Improvement Refunding Bonds of 2012A	424,500	0.75 - 2.40	06/01/12	02/01/24	364,500
G.O. Improvement Bonds of 2014A	1,655,000	1.75 - 3.30	08/01/14	12/01/29	<u>1,555,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 2,048,500</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
2016	\$ 154,500	\$ 50,833	\$ 205,333
2017	154,500	48,193	202,693
2018	148,000	45,514	193,514
2019	155,500	42,763	198,263
2020	155,500	39,793	195,293
2021 - 2025	781,500	141,342	922,842
2026 - 2029	<u>499,000</u>	<u>39,820</u>	<u>538,820</u>
Total	<u>\$ 2,048,500</u>	<u>\$ 408,258</u>	<u>\$ 2,456,758</u>

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Refunding Bonds of 2009	\$ 675,000	1.00 - 3.30 %	11/02/09	02/01/21	<u>\$ 375,000</u>

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

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2016	\$ 55,000	\$ 10,780	\$ 65,780
2017	60,000	9,170	69,170
2018	60,000	7,400	67,400
2019	65,000	5,462	70,462
2020	65,000	3,383	68,383
2021	70,000	1,155	71,155
Total	<u>\$ 375,000</u>	<u>\$ 37,350</u>	<u>\$ 412,350</u>

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 555,522
G.O. Sewer Revenue Bonds of 2011 (PFA)	2,142,894	1.00	08/29/11	08/20/31	1,765,999
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>\$ 2,682,021</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	Cedar Pointe Housing
Revenues	\$ 194,979	\$ 373,126	\$ 59,308
Principal and interest	481,409	119,736	11,401
Percentage of revenues	246.9%	32.1%	19.2%

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
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	238,500	23,522	262,022
2021 - 2025	836,021	61,951	897,972
2026 - 2030	576,000	23,350	599,350
2031	<u>119,000</u>	<u>1,190</u>	<u>120,190</u>
Total	<u>\$ 2,682,021</u>	<u>\$ 243,483</u>	<u>\$ 2,925,504</u>

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	<u>74,105</u>
Total Notes Payable					<u><u>\$ 340,723</u></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
2016	\$ 8,027	\$ 3,347	\$ 11,374
2017	8,417	2,957	11,374
2018	8,825	2,548	11,373
2019	9,254	2,120	11,374
2020	9,703	1,671	11,374
2021 - 2025	29,879	2,096	31,975
2026 - 2030	-	-	-
2031 - 2034	<u>266,618</u>	<u>-</u>	<u>266,618</u>
Total	<u><u>\$ 340,723</u></u>	<u><u>\$ 14,739</u></u>	<u><u>\$ 355,462</u></u>

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, 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	\$ 2,339,000	\$ -	\$ (290,500)	\$ 2,048,500	\$ 154,500
General obligation tax increment bonds	435,000	-	(60,000)	375,000	55,000
Unamortized bond premiums	9,521	-	(680)	8,841	-
Pension liability					
GERF	-	148,318 *	(16,690)	131,628	-
PEPPF	-	128,955 *	(15,332)	113,623	-
Compensated absences payable	<u>22,751</u>	<u>16,217</u>	<u>(15,105)</u>	<u>23,863</u>	<u>7,975</u>
 Governmental activities long-term liabilities	 <u>\$ 2,806,272</u>	 <u>\$ 293,490</u>	 <u>\$ (398,307)</u>	 <u>\$ 2,701,455</u>	 <u>\$ 217,475</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 3,232,521	\$ -	\$ (550,500)	\$ 2,682,021	\$ 224,500
Notes payable	348,378	-	(7,655)	340,723	8,027
Pension liability					
GERF	-	1,569,280 *	(1,042)	1,568,238	-
Compensated absences payable	<u>52,822</u>	<u>3,732</u>	<u>(8,220)</u>	<u>48,334</u>	<u>47,656</u>
 Business-type activities long-term liabilities	 <u>\$ 3,633,721</u>	 <u>\$ 1,573,012</u>	 <u>\$ (567,417)</u>	 <u>\$ 4,639,316</u>	 <u>\$ 280,183</u>

* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation.
See Note 4 for further detail.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$129,230, \$133,670 and \$130,518, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$15,724, \$13,425 and \$7,677, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$1,699,866 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0328 percent which was a decrease of 0.0029 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$128,895 for its proportionate share of GERF's pension expense.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,158	\$ 85,702
Changes in actuarial assumptions	112,996	-
Net difference between projected and actual earnings on plan investments	-	173,214
Changes in proportion	-	105,380
Contributions to GERF subsequent to the measurement date	35,550	-
Total	\$ 165,704	\$ 364,296

Deferred outflows of resources totaling \$165,704 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (69,765)
2017	(69,765)
2018	(134,843)
2019	40,231
2020	-
Thereafter	-

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$113,623 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.01 percent which was an increase of 0.002 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$16,132 for its proportionate share of PEPFF's pension expense. The City also recognized (\$900) for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97	\$ 18,426
Changes in actuarial assumptions	21,620	-
Net difference between projected and actual earnings on plan investments	-	20,172
Changes in proportion	22,359	-
Contributions to PEPFF subsequent to the measurement date	8,681	-
Total	\$ 52,757	\$ 38,598

Deferred outflows of resources totaling \$8,681 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ (2,159)
2017	(2,159)
2018	(2,159)
2019	11,165
2020	790
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERP and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u>100.00 %</u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.90%)</u>	<u>Current (7.90%)</u>	<u>1 Percent Increase (8.90%)</u>
GERF	\$ 2,672,793	\$ 1,699,866	\$ 896,377
PEPFF	221,453	113,623	24,537

H. Pension plan fiduciary net position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF NEW RICHLAND, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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.

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	\$ 25,794
Contributions made	
City (required)	450
State aid	25,344
Actuarial valuation date	12/31/15
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

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Three Year Trend Information				
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
12/31/15	\$ 25,794	100.0 %	\$	-
12/31/14	23,289	100.0		-
12/31/13	24,078	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
12/31/15	*	*	*	* %	\$ 1,000
12/31/14	\$ 240,881	\$ 197,560	\$ 43,321	121.9	1,000
12/31/13	207,697	174,420	33,277	119.1	1,000

* Information not available for audit

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.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: OTHER INFORMATION - CONTINUED

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 \$10,087. 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 \$41,030,900. The City currently does not have any general long-term debt outstanding subject to this limit, leaving a debt margin of \$1,230,927. 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 2015 was \$385,457. This accounted for 41.25 percent of General fund revenue.

CITY OF NEW RICHLAND, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 2,547,832	\$ (264,667)	\$ 2,283,165
Business-type activities	\$ 5,055,869	\$ (1,729,941)	\$ 3,325,928
Business-type activities			
Water	\$ 1,237,015	\$ (12,657)	\$ 1,224,358
Sewer	2,243,439	-	2,243,439
Cedar Point Housing	39,154	-	39,154
New Richland Care Center	1,536,261	(1,717,284)	(181,023)
Total business-type activities	\$ 5,055,869	\$ (1,729,941)	\$ 3,325,928

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF NEW RICHLAND, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0328 %	\$ 1,699,866	-	\$ 1,699,866	\$ 1,952,320	87.1 %	78.2 %

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 129,230	\$ 129,230	-	\$ 1,946,147	6.6 %

CITY OF NEW RICHLAND, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0100 %	\$ 113,623	-	\$ 113,623	\$ 88,932	127.8 %	86.6 %

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 15,724	\$ 15,724	-	\$ 97,062	16.2 %

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

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 115,112	\$ 376,714	\$ 491,826
Receivables			
Accounts	900	952	1,852
Advances to other funds	-	33,602	33,602
Prepaid items	1,784	-	1,784
 TOTAL ASSETS	 \$ 117,796	 \$ 411,268	 \$ 529,064
LIABILITIES			
Accounts payable	\$ 2,680	\$ -	\$ 2,680
Due to component unit	168,706	-	168,706
 TOTAL LIABILITIES	 171,386	 -	 171,386
FUND BALANCES			
Nonspendable			
Prepaid items	1,784	-	1,784
Restricted			
Future capital outlay	-	350,591	350,591
Flood recovery	1,517	-	1,517
Fire protection	18,346	-	18,346
Assigned			
Fire protection	92,594	-	92,594
Future capital outlay	-	60,136	60,136
Flood recovery	802	-	802
Renovation	-	541	541
Unassigned	(168,633)	-	(168,633)
 TOTAL FUND BALANCES	 (53,590)	 411,268	 357,678
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 117,796	 \$ 411,268	 \$ 529,064

CITY OF NEW RICHLAND, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Tax increment	\$ 20,030	\$ -	\$ 20,030
Charges for services	46,789	-	46,789
Investment earnings	-	3,246	3,246
Miscellaneous	17,283	6,230	23,513
	<u>84,102</u>	<u>9,476</u>	<u>93,578</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	26,797	-	26,797
Economic development	-	307	307
Capital outlay			
Public safety	5,223	-	5,223
Streets and highways	-	119,661	119,661
	<u>32,020</u>	<u>119,968</u>	<u>151,988</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>52,082</u>	<u>(110,492)</u>	<u>(58,410)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	300	300
Transfers out	(77,365)	-	(77,365)
	<u>(77,365)</u>	<u>300</u>	<u>(77,065)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGES IN FUND BALANCES	(25,283)	(110,192)	(135,475)
FUND BALANCES, JANUARY 1	<u>(28,307)</u>	<u>521,460</u>	<u>493,153</u>
FUND BALANCES, DECEMBER 31	<u>\$ (53,590)</u>	<u>\$ 411,268</u>	<u>\$ 357,678</u>

CITY OF NEW RICHLAND, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	203	201	405	
	Rural Fire	2010 Flood	TIF District 1-1 Homestake Subdivision	Total
ASSETS				
Cash and temporary investments	\$ 112,720	\$ 2,319	\$ 73	\$ 115,112
Receivables				
Accounts	900	-	-	900
Prepaid items	1,784	-	-	1,784
	<u>1,784</u>	<u>-</u>	<u>-</u>	<u>1,784</u>
TOTAL ASSETS	<u>\$ 115,404</u>	<u>\$ 2,319</u>	<u>\$ 73</u>	<u>\$ 117,796</u>
LIABILITIES				
Accounts payable	\$ 2,680	\$ -	\$ -	\$ 2,680
Due to other funds	-	-	168,706	168,706
	<u>-</u>	<u>-</u>	<u>168,706</u>	<u>168,706</u>
TOTAL LIABILITIES	<u>2,680</u>	<u>-</u>	<u>168,706</u>	<u>171,386</u>
FUND BALANCES				
Nonspendable				
Prepaid items	1,784	-	-	1,784
Restricted				
Flood recovery	-	1,517	-	1,517
Fire protection	18,346	-	-	18,346
Assigned				
Fire protection	92,594	-	-	92,594
Flood recovery	-	802	-	802
Unassigned	-	-	(168,633)	(168,633)
	<u>-</u>	<u>-</u>	<u>(168,633)</u>	<u>(168,633)</u>
TOTAL FUND BALANCES	<u>112,724</u>	<u>2,319</u>	<u>(168,633)</u>	<u>(53,590)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 115,404</u>	<u>\$ 2,319</u>	<u>\$ 73</u>	<u>\$ 117,796</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, 2015

	203	201	405	
	Rural Fire	2010 Flood	TIF District 1-1 Homestake Subdivision	Total
REVENUES				
Tax increment	\$ -	\$ -	\$ 20,030	\$ 20,030
Charges for services	46,789	-	-	46,789
Miscellaneous				
Refunds and reimbursements	983	-	-	983
Contributions and donations	16,300	-	-	16,300
TOTAL REVENUES	64,072	-	20,030	84,102
EXPENDITURES				
Current				
Public safety	26,797	-	-	26,797
Capital outlay				
Public safety	5,223	-	-	5,223
TOTAL EXPENDITURES	32,020	-	-	32,020
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,052	-	20,030	52,082
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(77,365)	(77,365)
NET CHANGE IN FUND BALANCES	32,052	-	(57,335)	(25,283)
FUND BALANCES, JANUARY 1	80,672	2,319	(111,298)	(28,307)
FUND BALANCES, DECEMBER 31	<u>\$ 112,724</u>	<u>\$ 2,319</u>	<u>\$ (168,633)</u>	<u>\$ (53,590)</u>

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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, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Charges for service	\$ 45,548	\$ 45,548	\$ 46,789	\$ 1,241
Miscellaneous				
Refunds and reimbursements	-	-	983	983
Contributions and donations	-	-	16,300	16,300
TOTAL REVENUES	45,548	45,548	64,072	18,524
EXPENDITURES				
Current				
Public Safety				
Personal service	2,177	2,177	2,109	68
Supplies	11,000	11,000	9,405	1,595
Other service and charges	21,792	21,792	15,283	6,509
Capital outlay				
Public safety	-	-	5,223	(5,223)
TOTAL EXPENDITURES	34,969	34,969	32,020	2,949
NET CHANGES IN FUND BALANCES	10,579	10,579	32,052	21,473
FUND BALANCES, JANUARY 1	80,672	80,672	80,672	-
FUND BALANCES, DECEMBER 31	<u>\$ 91,251</u>	<u>\$ 91,251</u>	<u>\$ 112,724</u>	<u>\$ 21,473</u>

CITY OF NEW RICHLAND, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2015

	401	411 2014	412	
	<u>Capital Improvement</u>	<u>Street Reconstruction</u>	<u>Oddfellows Building</u>	<u>Total</u>
ASSETS				
Cash and temporary investments	\$ 25,582	\$ 350,591	\$ 541	\$ 376,714
Receivables				
Accounts	952	-	-	952
Advances to other funds	33,602	-	-	33,602
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 TOTAL ASSETS	 <u><u>\$ 60,136</u></u>	 <u><u>\$ 350,591</u></u>	 <u><u>\$ 541</u></u>	 <u><u>\$ 411,268</u></u>
 FUND BALANCES				
Restricted for				
Future capital outlay	\$ -	\$ 350,591	\$ -	\$ 350,591
Assigned				
Future capital outlay	60,136	-	-	60,136
Renovation	-	-	541	541
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 TOTAL FUND BALANCES	 <u><u>\$ 60,136</u></u>	 <u><u>\$ 350,591</u></u>	 <u><u>\$ 541</u></u>	 <u><u>\$ 411,268</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, 2015

	401	411 2014	412	
	Capital Improvement	Street Reconstruction	Oddfellows Building	Total
REVENUES				
Investment earnings	\$ 66	\$ 3,180	\$ -	\$ 3,246
Miscellaneous				
Contributions and donations	6,227	-	-	6,227
Refunds and reimbursements	-	-	3	3
TOTAL REVENUES	6,293	3,180	3	9,476
EXPENDITURES				
Current				
Economic development				
Other services and charges	-	-	307	307
Capital outlay				
Streets and highways	-	119,661	-	119,661
TOTAL EXPENDITURES	-	119,661	307	119,968
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,293	(116,481)	(304)	(110,492)
OTHER FINANCING SOURCES				
Transfers in	-	-	300	300
NET CHANGE IN FUND BALANCES	6,293	(116,481)	(4)	(110,192)
FUND BALANCES, JANUARY 1	53,843	467,072	545	521,460
FUND BALANCES, DECEMBER 31	<u>\$ 60,136</u>	<u>\$ 350,591</u>	<u>\$ 541</u>	<u>\$ 411,268</u>

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CITY OF NEW RICHLAND, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and temporary investments	\$ 893,642	\$ 814,592
Receivables		
Delinquent taxes	13,844	18,531
Accounts	61,610	46,215
Special assessments	3,597	4,485
Intergovernmental	4,916	6,064
Advances to other funds	198,706	141,298
Prepaid items	14,684	14,242
	\$ 1,190,999	\$ 1,045,427
TOTAL ASSETS		
LIABILITIES		
Accounts payable	\$ 5,905	\$ 5,758
Accrued salaries payable	9,435	8,178
	15,340	13,936
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	13,844	18,531
Unavailable revenue - special assessments	3,597	4,485
	17,441	23,016
TOTAL DEFERRED INFLOWS OF RESOURCES		
FUND BALANCES		
Nonspendable		
Advances to other funds	198,706	141,298
Prepaid items	14,684	14,242
Assigned		
Capital outlay	289,335	215,548
Unassigned	655,493	637,387
	1,158,218	1,008,475
TOTAL FUND BALANCES		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
	\$ 1,190,999	\$ 1,045,427

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES					
Taxes					
Property taxes	\$ 358,742	\$ 358,742	\$ 250,652	\$ (108,090)	\$ 310,328
Payment in lieu of taxes	7,000	7,000	6,901	(99)	6,942
Franchise taxes	13,000	13,000	18,862	5,862	18,628
Total taxes	<u>378,742</u>	<u>378,742</u>	<u>276,415</u>	<u>(102,327)</u>	<u>335,898</u>
Special assessments	-	-	1,118	1,118	310
Licenses and permits	15,880	15,880	18,831	2,951	14,294
Intergovernmental					
Federal					
Other federal aids	-	-	-	-	1,282
State					
Local government aid	384,457	384,457	384,457	-	377,598
Property tax credits and aids	-	-	966	966	-
Fire aid	25,000	25,000	25,344	344	22,839
Police state aid	7,000	7,000	13,425	6,425	7,677
Other state aids	2,478	2,478	24,102	21,624	4,895
Total state	<u>418,935</u>	<u>418,935</u>	<u>448,294</u>	<u>29,359</u>	<u>413,009</u>
Local					
Other local aids	5,000	5,000	4,460	(540)	4,250
Total intergovernmental	<u>423,935</u>	<u>423,935</u>	<u>452,754</u>	<u>28,819</u>	<u>418,541</u>
Charges for services					
Public safety	146,000	146,000	126,874	(19,126)	99,021
Streets and highways	400	400	1,496	1,096	1,420
Culture and recreation	3,600	3,600	2,950	(650)	3,225
Total charges for services	<u>150,000</u>	<u>150,000</u>	<u>131,320</u>	<u>(18,680)</u>	<u>103,666</u>
Fines and forfeits	3,000	3,000	2,286	(714)	4,406
Investment earnings	2,900	2,900	3,116	216	3,038
Miscellaneous					
Other	-	-	6,917	6,917	2,892
Rents	1,800	1,800	1,740	(60)	2,126
Contributions and donations	-	-	21,727	21,727	26,586
Refunds and reimbursements	575	575	18,077	17,502	18,175
Sale of assets	-	-	-	-	200
Total miscellaneous	<u>2,375</u>	<u>2,375</u>	<u>48,461</u>	<u>46,086</u>	<u>49,979</u>
TOTAL REVENUES	<u>976,832</u>	<u>976,832</u>	<u>934,301</u>	<u>(42,531)</u>	<u>930,132</u>

CITY OF NEW RICHLAND, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 10,365	\$ 10,365	\$ 9,396	\$ 969	\$ 9,333
Supplies	50	50	80	(30)	8
Other services and charges	1,024	1,024	526	498	446
Total Mayor and Council	<u>11,439</u>	<u>11,439</u>	<u>10,002</u>	<u>1,437</u>	<u>9,787</u>
Administration					
Personal services	127,253	127,253	108,701	18,552	136,013
Supplies	9,750	9,750	11,636	(1,886)	12,921
Other services and charges	19,112	19,112	18,244	868	20,862
Election					
Other services and charges	250	250	220	30	393
Total election	<u>750</u>	<u>750</u>	<u>220</u>	<u>530</u>	<u>1,325</u>
Public safety					
Police					
Personal services	156,623	156,623	152,768	3,855	146,866
Supplies	13,220	13,220	10,668	2,552	15,667
Other services and charges	25,572	25,572	23,680	1,892	31,355
Total police	<u>195,415</u>	<u>195,415</u>	<u>187,116</u>	<u>8,299</u>	<u>193,888</u>
Ambulance					
Personal services	61,462	61,462	55,046	6,416	48,593
Supplies	21,750	21,750	21,779	(29)	13,373
Other services and charges	46,316	46,316	46,199	117	42,678
Total ambulance	<u>129,528</u>	<u>129,528</u>	<u>123,024</u>	<u>6,504</u>	<u>104,644</u>
Fire					
Personal services	26,585	26,585	27,903	(1,318)	24,920
Supplies	11,000	11,000	9,405	1,595	8,357
Other services and charges	22,414	22,414	15,284	7,130	15,876
Total fire	<u>59,999</u>	<u>59,999</u>	<u>52,592</u>	<u>7,407</u>	<u>49,153</u>

CITY OF NEW RICHLAND, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015				2014
	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	\$ 12,720	\$ 12,720	\$ 8,858	\$ 3,862	\$ 7,979
Total public safety	397,662	397,662	371,590	26,072	355,664
Streets and highways					
Personal services	70,914	70,914	86,263	(15,349)	76,056
Supplies	29,650	29,650	25,734	3,916	28,034
Other services and charges	40,393	40,393	29,023	11,370	29,325
Total streets and highways	140,957	140,957	141,020	(63)	133,415
Sanitation and waste removal					
Personal services	1,615	1,615	1,511	104	1,299
Other services and charges	500	500	-	500	-
Total sanitation and waste removal	2,115	2,115	1,511	604	1,299
Culture and recreation					
Recreation - Legion Field					
Personal services	3,500	3,500	750	2,750	393
Supplies	1,900	1,900	711	1,189	15
Other services and charges	8,936	8,936	5,075	3,861	6,794
Total recreation - Legion Field	14,336	14,336	6,536	7,800	7,202
Parks - St. Olaf Park					
Personal services	10,909	10,909	9,510	1,399	8,863
Supplies	4,700	4,700	3,476	1,224	1,754
Other services and charges	5,547	5,547	6,001	(454)	5,240
Total parks - St. Olaf Park	21,156	21,156	18,987	2,169	15,857
Senior citizens' bus					
Other services and charges	3,300	3,300	3,000	300	3,000
Library					
Supplies	3,300	3,300	225	3,075	2,207
Other services and charges	6,281	6,281	8,336	(2,055)	5,941
Total library	9,581	9,581	8,561	1,020	8,148
Total culture and recreation	48,373	48,373	37,084	11,289	34,207
Economic development					
Other services and charges	5,100	5,100	4,800	300	4,800
Total current	762,011	762,011	704,808	57,203	710,293

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, 2015

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

	2015				2014
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 4,100	\$ 4,100	\$ -	\$ 4,100	\$ -
Public safety	13,250	13,250	8,133	5,117	27,820
Streets and highways	74,000	74,000	59,787	14,213	95,783
Culture and recreation	1,500	1,500	11,530	(10,030)	1,167
	<u>92,850</u>	<u>92,850</u>	<u>79,450</u>	<u>13,400</u>	<u>124,770</u>
Total capital outlay					
	<u>92,850</u>	<u>92,850</u>	<u>79,450</u>	<u>13,400</u>	<u>124,770</u>
TOTAL EXPENDITURES	<u>854,861</u>	<u>854,861</u>	<u>784,258</u>	<u>70,603</u>	<u>835,063</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	121,971	121,971	150,043	28,072	95,069
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(300)	(300)	(300)
NET CHANGE IN FUND BALANCES	121,971	121,971	149,743	27,772	94,769
FUND BALANCES, JANUARY 1	<u>1,008,475</u>	<u>1,008,475</u>	<u>1,008,475</u>	<u>-</u>	<u>913,706</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 1,130,446</u></u>	<u><u>\$ 1,130,446</u></u>	<u><u>\$ 1,158,218</u></u>	<u><u>\$ 27,772</u></u>	<u><u>\$ 1,008,475</u></u>

CITY OF NEW RICHLAND, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	305 2009 G.O. Refunding	320 2007 G.O Improvement	314 2014 G.O Improvement	Total
ASSETS				
Cash and temporary investments	\$ -	\$ 178,416	\$ 39,740	\$ 218,156
Receivables				
Special assessments	78,943	85,185	267,489	431,617
Intergovernmental	-	157	5,109	5,266
	<u>78,943</u>	<u>178,573</u>	<u>272,598</u>	<u>457,116</u>
TOTAL ASSETS	<u>\$ 78,943</u>	<u>\$ 263,758</u>	<u>\$ 312,338</u>	<u>\$ 655,039</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	78,943	85,185	267,489	431,617
FUND BALANCES				
Restricted for debt service	-	178,573	44,849	223,422
	<u>-</u>	<u>178,573</u>	<u>44,849</u>	<u>223,422</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 78,943</u>	<u>\$ 263,758</u>	<u>\$ 312,338</u>	<u>\$ 655,039</u>

CITY OF NEW RICHLAND, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	305 2009 G.O. Refunding	320 2007 G.O. Improvement	314 2014 G.O. Improvement	Total
REVENUES				
Property taxes	\$ -	\$ 26,000	\$ 98,000	\$ 124,000
Special assessments	10,860	25,717	48,232	84,809
TOTAL REVENUES	<u>10,860</u>	<u>51,717</u>	<u>146,232</u>	<u>208,809</u>
EXPENDITURES				
Debt service				
Principal	70,000	36,500	100,000	206,500
Interest and other	18,225	9,981	53,174	81,380
TOTAL EXPENDITURES	<u>88,225</u>	<u>46,481</u>	<u>153,174</u>	<u>287,880</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(77,365)</u>	<u>5,236</u>	<u>(6,942)</u>	<u>(79,071)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	77,365	-	-	77,365
Payment to refunded bond escrow agent	-	(144,000)	-	(144,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>77,365</u>	<u>(144,000)</u>	<u>-</u>	<u>(66,635)</u>
NET CHANGE IN FUND BALANCES	-	(138,764)	(6,942)	(145,706)
FUND BALANCES, JANUARY 1	<u>-</u>	<u>317,337</u>	<u>51,791</u>	<u>369,128</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 178,573</u></u>	<u><u>\$ 44,849</u></u>	<u><u>\$ 223,422</u></u>

CITY OF NEW RICHLAND, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS	
Cash and temporary investments	\$ 26,905
Receivables	
Loans	74,968
Due from primary government	<u>283,602</u>
TOTAL ASSETS	<u><u>\$ 385,475</u></u>
FUND BALANCES	
Nonspendable	
Due from primary government	283,602
Loan receivables	74,968
Assigned	
Economic development	<u>26,905</u>
TOTAL FUND BALANCES	<u><u>\$ 385,475</u></u>
NET POSITION	
Restricted	\$ 358,570
Unrestricted	<u>26,905</u>
TOTAL NET POSITION	<u><u>\$ 385,475</u></u>

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, 2015

	<u>Actual Amounts</u>
REVENUES	
Intergovernmental	\$ 4,460
Payments from primary government	4,800
Investment earnings	96
Refunds and reimbursements	<u>197</u>
TOTAL REVENUES	9,553
EXPENDITURES	
Current	
Economic development	<u>9,819</u>
NET CHANGES IN FUND BALANCES/NET POSITION	(266)
FUND BALANCES/NET POSITION, JANUARY 1	<u>385,741</u>
FUND BALANCES/NET POSITION, DECEMBER 31	<u><u>\$ 385,475</u></u>

CITY OF NEW RICHLAND, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 420,445	\$ 381,429	10.23 %
Special assessments	85,927	71,938	19.45
Licenses and permits	18,831	14,294	31.74
Intergovernmental	452,754	418,541	8.17
Charges for services	178,109	151,328	17.70
Fines and forfeits	2,286	4,406	(48.12)
Investment earnings	6,362	6,133	3.73
Miscellaneous	71,974	72,348	(0.52)
TOTAL REVENUES	\$ 1,236,688	\$ 1,120,417	10.38 %
Per Capita	\$ 1,019	\$ 921	10.65 %
EXPENDITURES			
Current			
General government	\$ 148,803	\$ 180,908	(17.75) %
Public safety	398,387	380,967	4.57
Streets and highways	141,020	133,415	5.70
Sanitation and waste removal	1,511	1,299	16.32
Culture and recreation	37,084	34,207	8.41
Economic development	5,107	5,260	(2.91)
Capital outlay			
Public safety	13,356	48,233	(72.31)
Streets and highways	179,448	1,209,350	(85.16)
Culture and recreation	11,530	1,167	888.00
Debt Service			
Principal	206,500	105,500	95.73
Interest	81,380	87,729	(7.24)
Bond issuance costs	-	-	100.00
TOTAL EXPENDITURES	\$ 1,224,126	\$ 2,188,035	(44.05) %
Per Capita	\$ 1,008	\$ 1,798	(43.92) %
Total Long-term Indebtedness	\$ 2,423,500	\$ 2,774,000	(12.64) %
Per Capita	1,996	2,279	(12.42)
General Fund Balance			
Fund Balance - December 31	\$ 655,493	\$ 637,387	2.84 %
Per Capita	540	524	3.09

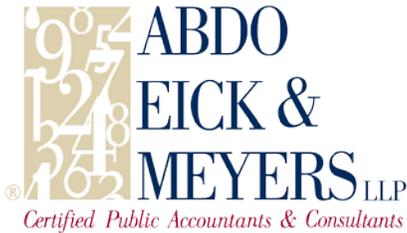
The purpose of this report is to provide a summary of financial information concerning the City of New Richland to interested citizens. The complete financial statements may be examined at City Hall, 203 North Broadway, New Richland, Minnesota. Questions about this report should be directed to Wayne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

OTHER REQUIRED REPORTS

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

YEAR ENDED
DECEMBER 31, 2015

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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, 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, 2015, and the related notes to the financial statements and have issued our report thereon dated May 27, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*. 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
May 27, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated May 27, 2016. 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 2015-003 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 2015-001 and 2015-002 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 2015-001, 2015-002 and 2015-003. 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
May 27, 2016

CITY OF NEW RICHLAND, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding Description

2015-001 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 over payroll

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

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

Management response:

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

Updated response from prior year:

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

CITY OF NEW RICHLAND, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding

Description

2015-001

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, 2015

<u>Finding</u>	<u>Description</u>
2015-001	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, 2015

Finding

Description

2015-002

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.

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CITY OF NEW RICHLAND, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Finding</u>	<u>Description</u>
2015-003	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.