

Annual Financial Statement

City of New Richland

For the Year Ended
December 31, 2017

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City of New Richland, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2017

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INTRODUCTORY SECTION
CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of New Richland, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2017

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Christina Gislason	Mayor	12/31/18
Chad Neitzel	Council	12/31/20
Micheal Shurson	Council	12/31/18
Sarah Sundve	Council	12/31/20
Jessie Shaffer	Council	12/31/18

APPOINTED

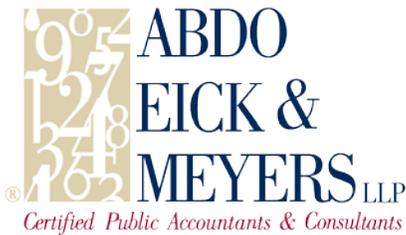
Wayne Billing	Clerk/Treasurer
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FINANCIAL SECTION
CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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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, 2017, 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 23.5 percent and 86.9 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, 2017, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

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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, 2017, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 80 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

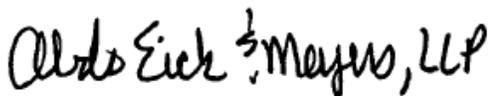
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 June 6, 2018 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
Mankato, Minnesota
June 6, 2018

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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, 2017.

Financial Highlights

- 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 \$5,843,893 (net position). Of this amount \$308,177 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$117,415. A majority of the increase is due to an increase in revenues for the enterprise funds. The Water Utility enterprise fund showed an increase in net position of \$76,144 and the Sewer Utility showed a decrease of \$83,193. The Nursing Home enterprise fund showed an increase in net position of \$74,098 compared to an increase of \$147,115 in the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,788,166, a decrease of \$23,414 in comparison with the prior year. Approximately 26.0 percent of this total amount, \$465,461, which constitutes unassigned fund balance, is available for spending at the City's discretion. The remainder of fund balance, \$1,322,705, is not available for spending because it is either 1) nonspendable (\$304,747), 2) restricted (\$569,298) or 3) assigned (\$448,660).

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

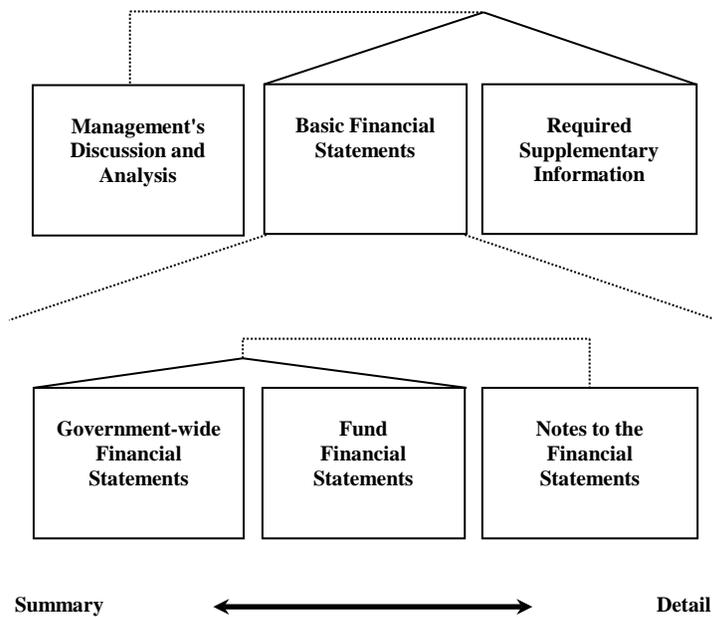


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 31 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances (deficits) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 11 individual governmental funds, 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 37 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 42 of this report.

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

Required supplementary information. The required supplementary information can be found starting on page 80 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 84 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 \$5,843,893 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (84.2 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of New Richland's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Current and Other Assets	\$ 2,174,408	\$ 2,243,725	\$ (69,317)	\$ 1,889,252	\$ 1,677,492	\$ 211,760
Capital Assets	2,697,083	2,808,131	(111,048)	6,475,025	6,678,031	(203,006)
Total Assets	<u>4,871,491</u>	<u>5,051,856</u>	<u>(180,365)</u>	<u>8,364,277</u>	<u>8,355,523</u>	<u>8,754</u>
Deferred Outflows of Resources	<u>180,339</u>	<u>359,846</u>	<u>(179,507)</u>	<u>445,807</u>	<u>839,826</u>	<u>(394,019)</u>
Long-term Liabilities Outstanding	2,268,046	2,830,342	(562,296)	4,594,131	5,230,427	(636,296)
Other Liabilities	34,253	32,784	1,469	425,214	420,840	4,374
Total Liabilities	<u>2,302,299</u>	<u>2,863,126</u>	<u>(560,827)</u>	<u>5,019,345</u>	<u>5,651,267</u>	<u>(631,922)</u>
Deferred Inflows of Resources	<u>245,222</u>	<u>81,182</u>	<u>164,040</u>	<u>451,155</u>	<u>284,998</u>	<u>166,157</u>
Net Investment in Capital Assets	1,042,575	938,193	104,382	3,878,386	3,928,617	(50,231)
Restricted	551,679	621,557	(69,878)	63,076	65,059	(1,983)
Unrestricted	<u>910,055</u>	<u>907,644</u>	<u>2,411</u>	<u>(601,878)</u>	<u>(734,592)</u>	<u>132,714</u>
Total Net Position	<u>\$ 2,504,309</u>	<u>\$ 2,467,394</u>	<u>\$ 36,915</u>	<u>\$ 3,339,584</u>	<u>\$ 3,259,084</u>	<u>\$ 80,500</u>

An additional portion of the City's net position (10.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (5.3 percent) *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 increased the City's net position by \$117,415. Key elements of this increase are as follows:

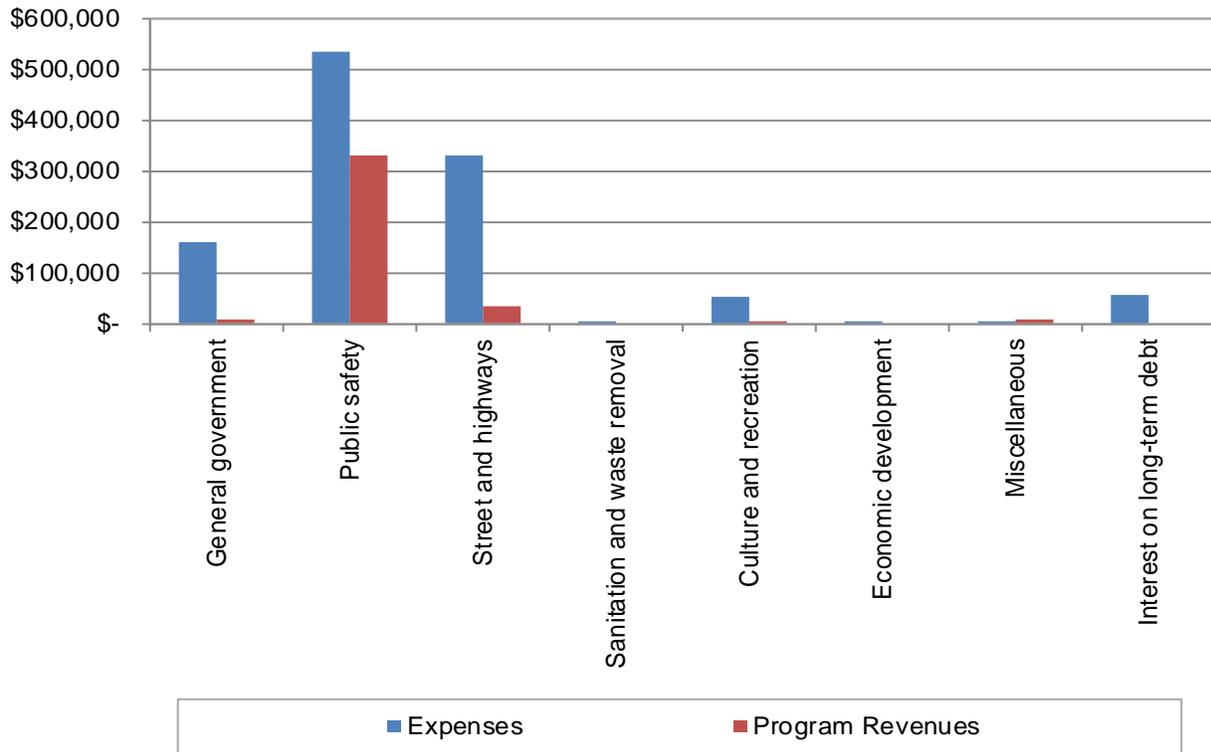
City of New Richland's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 221,887	\$ 251,195	\$ (29,308)	\$ 4,731,420	\$ 4,428,777	\$ 302,643
Operating grants and contribution	65,113	117,562	(52,449)	7,500	-	7,500
Capital grants and contributions	51,829	109,526	(57,697)	8,015	10,962	(2,947)
General Revenues						
Property taxes/tax increments	431,450	405,586	25,864	-	-	-
Franchise taxes	19,592	19,602	(10)	-	-	-
Grants and contributions not restricted to specific programs	388,367	388,148	219	9	-	9
Unrestricted investment earnings	8,203	7,939	264	42,963	31,565	11,398
Other	3,516	-	3,516	-	-	-
Gain (loss) on sale of capital assets	4,169	2,107	-	-	2,008	(2,008)
Total Revenues	1,194,126	1,301,665	(109,601)	4,789,907	4,473,312	316,595
Expenses						
General government	159,870	161,549	(1,679)	-	-	-
Public safety	533,931	591,889	(57,958)	-	-	-
Streets and highways	331,211	315,937	15,274	-	-	-
Culture and recreation	51,772	49,815	1,957	-	-	-
Sanitation and waste removal	3,414	2,242	1,172	-	-	-
Economic development	5,257	5,253	4	-	-	-
Miscellaneous	3,593	53,297	(49,704)	-	-	-
Interest on long-term debt	56,892	61,147	(4,255)	-	-	-
Water utility	-	-	-	197,652	217,063	(19,411)
Sewer utility	-	-	-	380,210	368,217	11,993
Nursing home	-	-	-	4,095,410	3,695,883	399,527
Cedar Point housing	-	-	-	47,406	59,793	(12,387)
Total Expenses	1,145,940	1,241,129	(95,189)	4,720,678	4,340,956	379,722
Increase (Decrease) in Net Position						
Before Contributed Capital	48,186	60,536	(12,350)	69,229	132,356	(63,127)
Transfers	(11,271)	-	(11,271)	11,271	-	11,271
Change in Net Position	36,915	60,536	(23,621)	80,500	132,356	(51,856)
Net Position - January 1	2,467,394	2,406,858	60,536	3,259,084	3,126,728	132,356
Net Position - December 31	\$ 2,504,309	\$ 2,467,394	\$ 36,915	\$ 3,339,584	\$ 3,259,084	\$ 80,500

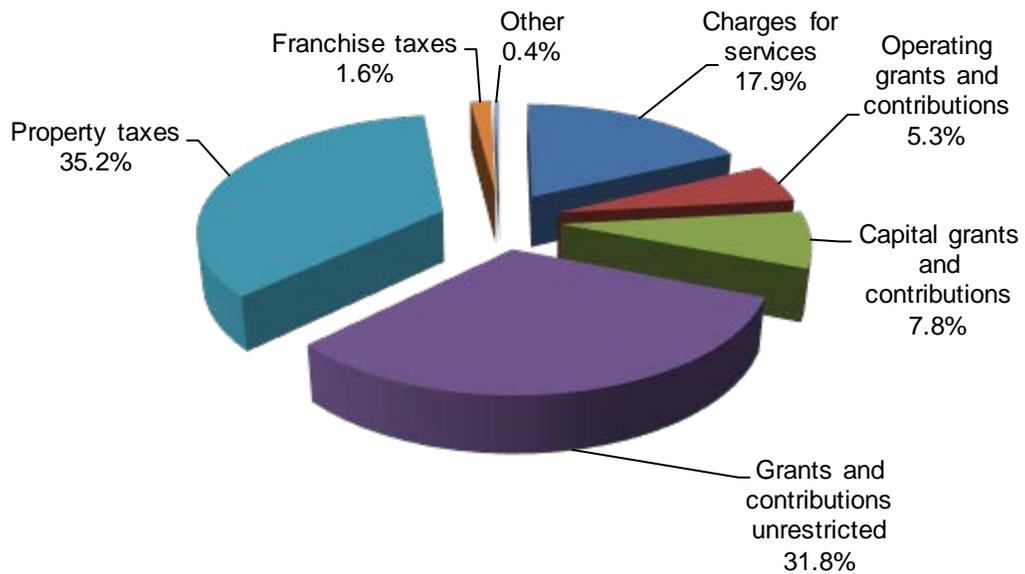
Property tax revenue increased by \$25,864 or (6.4 percent) during the year.

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

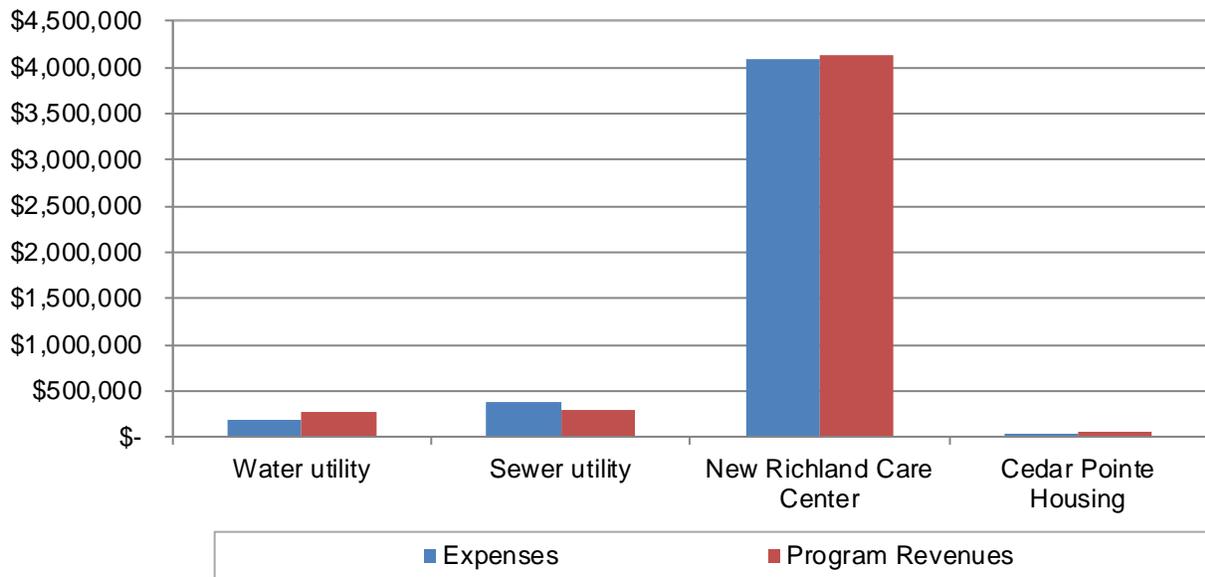


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

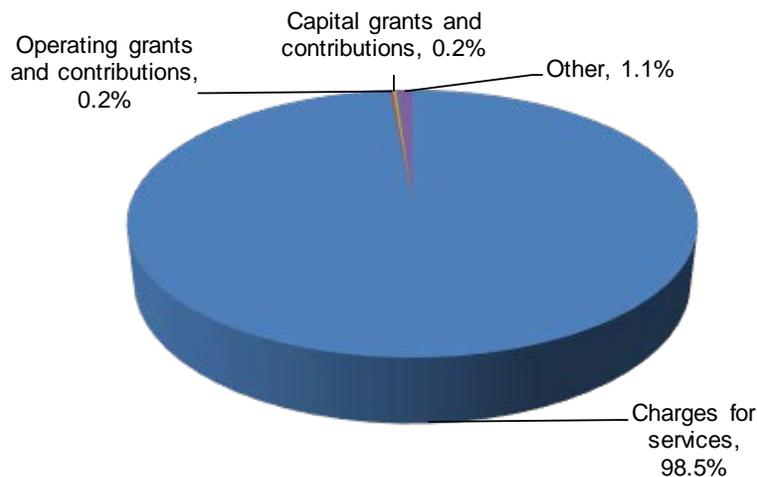
Business-type activities. Business-type activities increased the City's net position by \$80,500. Key elements of this increase are as follows:

- Charges for services for business-type activities on the whole increased by 6.9 percent. The Care Center had an increase in operating expenses of 10.8 percent.
- Revenues in the Care Center are generally determined by three factors – occupancy, acuity of residents, and reimbursement rates. 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 48 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 actual overall average for any nursing home is called a "RUG Score"
- The Care Center's occupancy for fiscal 2017 and 2016 was at a level of around 89 percent and 85 percent respectively. The Care Center's RUG score was 1.05 and 1.04 for fiscal 2017 and 2016 respectively. The Care Center's higher revenues in fiscal 2017 are mainly the result of the increase in acuity and RUG rates.

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 \$732,658. 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 48.3 percent of fund expenditures.

The fund balance of the City's General fund increased by \$15,951 during the current fiscal year. The key factor to this increase was miscellaneous revenues exceeding budget by \$54,741, the main drive of the increased revenues as unbudgeted contributions and donations of \$25,889. However, the City's expenditures also exceeded the budget by \$104,644 which is due to higher than expected capital outlay costs for public safety and streets and highways.

The Debt Service fund has a total fund balance of \$216,825, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$182 due to scheduled debt payments.

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 \$601,878 due to recognize the effects of GASB Statement No. 68 implementation. The total increase in net position for the funds was \$80,500. 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 \$25,090 and actual expenditures were over budget by \$104,644 for 2017.

Significant budget variances are described below:

- Ambulance current expenditures were under budget by \$25,309.
- Tax revenues were under budget by \$122,613.
- Capital outlay expenditures which were over budget by \$96,370.

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, 2017, amounts to \$9,172,108 (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 3.3 percent (a 4.0 percent decrease for governmental activities and a 3.0 percent decrease for business-type activities).

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

- The purchase of a 2017 Ford F-350 pickup truck for \$34,363.
- The purchase of a Gator for the culture and recreation for \$7,250.
- The purchase of a concession stand in the amount of \$9,776 for St. Olaf Park.

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

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 184,745	\$ 184,745	\$ -	\$ 60,000	\$ 60,000	\$ -
Buildings	751,980	770,851	(18,871)	791,178	866,287	(75,109)
Infrastructure and Other Improvements	578,194	624,083	(45,889)	4,828,797	5,085,617	(256,820)
Machinery and Equipment	100,393	126,652	(26,259)	209,774	167,135	42,639
Vehicles	284,563	301,825	(17,262)	-	-	-
Other Assets	19,975	22,742	(2,767)	-	-	-
Construction in Progress	777,233	777,233	-	585,276	498,992	86,284
Total	<u>\$2,697,083</u>	<u>\$2,808,131</u>	<u>\$ (111,048)</u>	<u>\$6,475,025</u>	<u>\$6,678,031</u>	<u>\$ (203,006)</u>

Additional information on the City of New Richland's capital assets can be found in Note 3C starting on page 62 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,969,521. Of this amount, \$1,739,500 is improvement debt, \$260,000 is tax increment debt, \$2,230,021 is revenue debt and \$366,618 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Improvement Bonds	\$ 1,739,500	\$ 1,894,000	\$ (154,500)	\$ -	\$ -	\$ -
General Obligation Tax Increment Bonds	260,000	320,000	(60,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	2,230,021	2,457,521	(227,500)
Notes	-	-	-	366,618	291,893	74,725
Total	<u>\$ 1,999,500</u>	<u>\$ 2,214,000</u>	<u>\$ (214,500)</u>	<u>\$ 2,596,639</u>	<u>\$ 2,749,414</u>	<u>\$ (152,775)</u>

The City's total debt decreased by \$367,275, or 7.4 percent during the current fiscal year. Long-term debt of \$467,275 was retired during the year and \$100,000 in 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 \$1,310,916, 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 65 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Waseca County is currently 5.8 percent, which is an increase from a rate of 4.4 percent a year ago. This can be compared to the State's average unemployment rate of 3.1 percent and the national average rate of 3.7 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 2017 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$732,658. The City has appropriated \$933,671 for the 2018 fiscal year budget. It is intended that this amount of available fund balance will keep the need to raise taxes or charges during the 2017 fiscal year to a minimum.

Property taxes will remain steady in 2018.

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, 2017

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City of New Richland, Minnesota

Statement of Net Position

December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 1,631,877	\$ 912,673	\$ 2,544,550	\$ 43,999
Investments	-	486,440	486,440	-
Receivables				
Delinquent taxes	13,660	-	13,660	-
Accounts, net of allowance for uncollectibles	102,455	449,632	552,087	-
Loans, net of allowances	-	-	-	84,531
Special assessments	348,953	-	348,953	-
Intergovernmental	10,285	327	10,612	-
Due from primary government	-	-	-	279,632
Internal balances	59,632	(59,632)	-	-
Prepaid items	7,546	31,771	39,317	-
Residents' cash	-	4,965	4,965	-
Cash restricted by contributors for capital acquisitions	-	63,076	63,076	-
Capital assets				
Nondepreciable assets	961,978	645,276	1,607,254	-
Depreciable assets, net of accumulated depreciation	1,735,105	5,829,749	7,564,854	-
Total Assets	4,871,491	8,364,277	13,235,768	408,162
Deferred Outflows of Resources				
Deferred pension resources	180,339	445,807	626,146	-
Liabilities				
Accounts payable	12,230	54,017	66,247	-
Due to component unit	-	279,632	279,632	-
Due to other governments	-	825	825	-
Accrued interest payable	10,624	12,317	22,941	-
Accrued salaries payable	11,399	75,027	86,426	-
Deposits payable	-	3,396	3,396	-
Noncurrent liabilities				
Due within one year	216,419	296,214	512,633	-
Due in more than one year	2,051,627	4,297,917	6,349,544	-
Total Liabilities	2,302,299	5,019,345	7,321,644	-
Deferred Inflows of Resources				
Deferred pension resources	245,222	451,155	696,377	-
Net Position				
Net investment in capital assets	1,042,575	3,878,386	4,920,961	-
Restricted for:				
Debt service	551,679	-	551,679	-
Capital acquisitions	-	63,076	63,076	-
Economic development	-	-	-	364,163
Unrestricted	910,055	(601,878)	308,177	43,999
Total Net Position	\$ 2,504,309	\$ 3,339,584	\$ 5,843,893	\$ 408,162

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 159,870	\$ 8,365	\$ 55	\$ -
Public safety	533,931	208,424	51,628	25,869
Streets and highways	331,211	1,948	11,862	21,054
Sanitation and waste removal	3,414	-	-	-
Culture and recreation	51,772	3,150	195	-
Economic development	5,257	-	-	-
Miscellaneous	3,593	-	1,373	4,906
Interest on long-term debt	56,892	-	-	-
Total Governmental Activities	<u>1,145,940</u>	<u>221,887</u>	<u>65,113</u>	<u>51,829</u>
Business-Type Activities				
Water utility	197,652	266,867	-	-
Sewer utility	380,210	290,012	-	-
Cedar pointe housing	47,406	60,851	-	-
Nursing home	4,095,410	4,113,690	7,500	8,015
Total Business-type Activities	<u>4,720,678</u>	<u>4,731,420</u>	<u>7,500</u>	<u>8,015</u>
Total Primary Government	<u>\$ 5,866,618</u>	<u>\$ 4,953,307</u>	<u>\$ 72,613</u>	<u>\$ 59,844</u>
Component Unit				
Economic Development Authority	<u>\$ 14,911</u>	<u>\$ -</u>	<u>\$ 28,778</u>	<u>\$ -</u>
Totals	<u>\$ 5,881,529</u>	<u>\$ 4,953,307</u>	<u>\$ 101,391</u>	<u>\$ 59,844</u>

General Revenues

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (151,450)		\$ (151,450)	
(248,010)		(248,010)	
(296,347)		(296,347)	
(3,414)		(3,414)	
(48,427)		(48,427)	
(5,257)		(5,257)	
2,686		2,686	
(56,892)		(56,892)	
<u>(807,111)</u>		<u>(807,111)</u>	
	\$ 69,215	69,215	
	(90,198)	(90,198)	
	13,445	13,445	
	33,795	33,795	
	<u>26,257</u>	<u>26,257</u>	
	26,257	(780,854)	
			<u>\$ 13,867</u>
<u>(807,111)</u>	<u>26,257</u>	<u>(780,854)</u>	<u>13,867</u>
275,777	-	275,777	-
134,631	-	134,631	-
21,042	-	21,042	-
19,592	-	19,592	-
388,367	9	388,376	-
8,203	42,963	51,166	1,120
3,516	-	3,516	-
4,169	-	4,169	-
(11,271)	11,271	-	-
<u>844,026</u>	<u>54,243</u>	<u>898,269</u>	<u>1,120</u>
36,915	80,500	117,415	14,987
<u>2,467,394</u>	<u>3,259,084</u>	<u>5,726,478</u>	<u>393,175</u>
<u>\$ 2,504,309</u>	<u>\$ 3,339,584</u>	<u>\$ 5,843,893</u>	<u>\$ 408,162</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, 2017

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City of New Richland, Minnesota

Balance Sheet
 Governmental Funds
 December 31, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 856,802	\$ 209,956	\$ 565,119	\$ 1,631,877
Receivables				
Delinquent taxes	13,660	-	-	13,660
Accounts, net of allowance for uncollectibles	99,615	-	2,840	102,455
Special assessments	3,475	345,478	-	348,953
Intergovernmental	3,416	6,869	-	10,285
Advances to other funds	297,201	-	29,632	326,833
Prepaid items	7,546	-	-	7,546
	<u>\$ 1,281,715</u>	<u>\$ 562,303</u>	<u>\$ 597,591</u>	<u>\$ 2,441,609</u>
Liabilities				
Accounts payable	\$ 11,245	\$ -	\$ 985	\$ 12,230
Advances from other funds	-	-	267,201	267,201
Accrued salaries payable	11,399	-	-	11,399
Total Liabilities	<u>22,644</u>	<u>-</u>	<u>268,186</u>	<u>290,830</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	13,660	-	-	13,660
Unavailable revenue - special assessments	3,475	345,478	-	348,953
Total Deferred Inflows of Resources	<u>17,135</u>	<u>345,478</u>	<u>-</u>	<u>362,613</u>
Fund Balances				
Nonspendable				
Advances to other funds	297,201	-	-	297,201
Prepaid items	7,546	-	-	7,546
Restricted				
Debt service	-	216,825	-	216,825
Future capital outlay	-	-	352,473	352,473
Assigned				
Fire protection	-	-	170,959	170,959
Future capital outlay	204,531	-	72,639	277,170
Renovation	-	-	531	531
Unassigned	732,658	-	(267,197)	465,461
Total Fund Balances	<u>1,241,936</u>	<u>216,825</u>	<u>329,405</u>	<u>1,788,166</u>
	<u>\$ 1,281,715</u>	<u>\$ 562,303</u>	<u>\$ 597,591</u>	<u>\$ 2,441,609</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				

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, 2017

Total Fund Balances - Governmental Funds	\$ 1,788,166
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.	2,697,083
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(25,553)
Pension liability	(235,512)
Bonds payable	(1,999,500)
Unamortized bond premium	(7,481)
Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds.	
Delinquent property taxes	13,660
Special assessments	348,953
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	180,339
Deferred inflows of pension resources	(245,222)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(10,624)</u>
Total Net Position - Governmental Activities	<u><u>\$ 2,504,309</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, 2017

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Taxes	\$ 294,748	\$ 134,631	\$ 21,042	\$ 450,421
Special assessments	450	70,014	-	70,464
Licenses and permits	22,694	-	-	22,694
Intergovernmental	444,757	-	1,373	446,130
Charges for services	145,001	-	49,806	194,807
Fines and forfeits	1,291	-	-	1,291
Investment earnings	6,888	-	1,315	8,203
Miscellaneous	54,547	-	5,922	60,469
Total Revenues	<u>970,376</u>	<u>204,645</u>	<u>79,458</u>	<u>1,254,479</u>
Expenditures				
Current				
General government	149,115	-	-	149,115
Public safety	426,629	-	28,836	455,465
Streets and highways	160,690	-	-	160,690
Sanitation and waste removal	3,414	-	-	3,414
Culture and recreation	46,110	-	-	46,110
Economic development	4,800	-	458	5,258
Capital outlay				
Public safety	11,986	-	4,881	16,867
Streets and highways	140,500	-	-	140,500
Culture and recreation	20,084	-	-	20,084
Debt service				
Principal	-	214,500	-	214,500
Interest and other	-	58,788	-	58,788
Total Expenditures	<u>963,328</u>	<u>273,288</u>	<u>34,175</u>	<u>1,270,791</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>7,048</u>	<u>(68,643)</u>	<u>45,283</u>	<u>(16,312)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	4,169	-	-	4,169
Transfer In	16,305	68,825	300	85,430
Transfers out	(11,571)	-	(85,130)	(96,701)
Total Other Financing Sources (Uses)	<u>8,903</u>	<u>68,825</u>	<u>(84,830)</u>	<u>(7,102)</u>
Net Changes in Fund Balances				
	15,951	182	(39,547)	(23,414)
Fund Balances, January 1				
	<u>1,225,985</u>	<u>216,643</u>	<u>368,952</u>	<u>1,811,580</u>
Fund Balances, December 31				
	<u>\$ 1,241,936</u>	<u>\$ 216,825</u>	<u>\$ 329,405</u>	<u>\$ 1,788,166</u>

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

City of New Richland, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2017

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

Net Change in Fund Balances - Governmental Funds	\$ (23,414)
<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	51,390
Depreciation expense	(156,815)
<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>	
Sale of capital assets	(5,623)
<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	214,500
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>	
	1,216
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	3,662
Direct aid contributions	595
<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 to liquidate liabilities of the current period.</p>	
Special assessments	(49,395)
Property taxes	807
<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	(688)
Change in Net Position - Governmental Activities	\$ 36,915

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

City of New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 417,361	\$ 417,361	\$ 294,748	\$ (122,613)
Special assessments	-	-	450	450
Licenses and permits	23,610	23,610	22,694	(916)
Intergovernmental	427,128	427,128	444,757	17,629
Charges for services	116,592	116,592	145,001	28,409
Fines and forfeits	2,800	2,800	1,291	(1,509)
Investment earnings	4,000	4,000	6,888	2,888
Miscellaneous	3,975	3,975	54,547	50,572
Total Revenues	<u>995,466</u>	<u>995,466</u>	<u>970,376</u>	<u>(25,090)</u>
Expenditures				
Current				
General government	155,158	155,158	149,115	6,043
Public safety	416,529	416,529	426,629	(10,100)
Streets and highways	144,998	144,998	160,690	(15,692)
Sanitation and waste removal	3,600	3,600	3,414	186
Culture and recreation	50,199	50,199	46,110	4,089
Economic development	12,000	12,000	4,800	7,200
Capital outlay				
General government	1,500	1,500	-	1,500
Public safety	10,100	10,100	11,986	(1,886)
Streets and highways	64,600	64,600	140,500	(75,900)
Sanitation and waste removal				
Culture and recreation	-	-	20,084	(20,084)
Total Expenditures	<u>858,684</u>	<u>858,684</u>	<u>963,328</u>	<u>(104,644)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>136,782</u>	<u>136,782</u>	<u>7,048</u>	<u>(129,734)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	4,169	4,169
Transfers in	-	-	16,305	16,305
Transfers out	(300)	(300)	(11,571)	(11,271)
Total Other Financing Sources (Uses)	<u>(300)</u>	<u>(300)</u>	<u>8,903</u>	<u>9,203</u>
Net Changes in Fund Balances	136,482	136,482	15,951	(120,531)
Fund Balances, January 1	<u>1,225,985</u>	<u>1,225,985</u>	<u>1,225,985</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,362,467</u>	<u>\$ 1,362,467</u>	<u>\$ 1,241,936</u>	<u>\$ (120,531)</u>

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

City of New Richland, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
Assets			
Current Assets			
Cash and temporary investments	\$ 136,660	\$ 225,385	\$ 38,877
Investments	-	-	-
Accounts receivable, net of allowance for uncollectibles	27,232	28,634	-
Intergovernmental	327	-	-
Prepaid items	891	10,238	42
Total Current Assets	<u>165,110</u>	<u>264,257</u>	<u>38,919</u>
Noncurrent Assets			
Cash restricted by contributors for capital acquisitions	-	-	-
Residents' cash	-	-	-
Capital assets			
Land	-	-	60,000
Construction in progress	305,796	279,480	-
Land improvements	-	-	-
Buildings	29,101	-	752,426
Utility systems	2,783,557	6,424,779	-
Machinery and equipment	20,175	5,797	-
Vehicles	4,161	-	-
Less accumulated depreciation	<u>(1,260,504)</u>	<u>(3,193,258)</u>	<u>(238,833)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,882,286</u>	<u>3,516,798</u>	<u>573,593</u>
Total Noncurrent Assets	<u>1,882,286</u>	<u>3,516,798</u>	<u>573,593</u>
Total Assets	<u>2,047,396</u>	<u>3,781,055</u>	<u>612,512</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>7,029</u>	<u>-</u>	<u>-</u>

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Totals
\$ 511,751	\$ 912,673
486,440	486,440
393,766	449,632
-	327
20,600	31,771
<u>1,412,557</u>	<u>1,880,843</u>
<u>63,076</u>	<u>63,076</u>
<u>4,965</u>	<u>4,965</u>
-	60,000
-	585,276
111,618	111,618
2,039,170	2,820,697
-	9,208,336
893,080	919,052
-	4,161
<u>(2,541,520)</u>	<u>(7,234,115)</u>
<u>502,348</u>	<u>6,475,025</u>
<u>570,389</u>	<u>6,543,066</u>
<u>1,982,946</u>	<u>8,423,909</u>
<u>438,778</u>	<u>445,807</u>

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

City of New Richland, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
Liabilities			
Current Liabilities			
Accounts payable	7,349	9,561	147
Due to other governments	825	-	-
Accrued interest payable	6,489	5,828	-
Accrued salaries payable	749	-	-
Compensated absences payable - current portion	612	-	-
Deposits payable	-	-	3,396
Notes payable - current portion	3,000	3,000	-
Bonds payable - current portion	123,000	104,000	-
Total Current Liabilities	<u>142,024</u>	<u>122,389</u>	<u>3,543</u>
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	1,237	-	-
Pension liability	24,245	-	-
Advances from other funds	29,632	-	30,000
Advances from component unit	-	29,632	250,000
Residents' cash	-	-	-
Notes payable - noncurrent portion	47,000	47,000	266,618
Bonds payable - noncurrent portion	546,022	1,456,999	-
Total Noncurrent Liabilities	<u>648,136</u>	<u>1,533,631</u>	<u>546,618</u>
Total Liabilities	<u>790,160</u>	<u>1,656,020</u>	<u>550,161</u>
Deferred Inflows of Resources			
Deferred pension resources	6,921	-	-
Net Position			
Net investment in capital assets	1,163,264	1,905,799	306,975
Restricted for capital acquisitions	-	-	-
Unrestricted	94,080	219,236	(244,624)
Total Net Position	<u>\$ 1,257,344</u>	<u>\$ 2,125,035</u>	<u>\$ 62,351</u>

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Totals
31,995	49,052
-	825
-	12,317
74,278	75,027
62,602	63,214
-	3,396
-	6,000
-	227,000
<u>168,875</u>	<u>436,831</u>
-	1,237
1,908,796	1,933,041
-	59,632
-	279,632
4,965	4,965
-	360,618
-	2,003,021
<u>1,913,761</u>	<u>4,642,146</u>
<u>2,082,636</u>	<u>5,078,977</u>
<u>444,234</u>	<u>451,155</u>
502,348	3,878,386
63,076	63,076
<u>(670,570)</u>	<u>(601,878)</u>
<u>\$ (105,146)</u>	<u>\$ 3,339,584</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, 2017

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
Operating Revenues			
Charges for services	\$ 266,867	\$ 290,854	\$ 60,135
Other operating income	-	-	716
Total Operating Revenues	<u>266,867</u>	<u>290,854</u>	<u>60,851</u>
Operating Expenses			
Salaries and benefits	35,692	-	-
Supplies and repairs	26,324	17,786	-
Other services and charges	20,852	159,412	15,738
Insurance	1,965	-	4,120
Utilities	22,272	-	5,963
Nursing services	-	-	-
Other care related services	-	-	-
Ancillary services	-	-	-
Dietary	-	-	-
Laundry	-	-	-
Housekeeping	-	-	-
Plant operations and maintenance	-	-	2,983
Property and related	-	-	-
Depreciation	69,501	184,325	17,232
General and administrative	-	-	-
Employee benefits	-	-	-
Total Operating Expenses	<u>176,606</u>	<u>361,523</u>	<u>46,036</u>
Operating Income (Loss)	<u>90,261</u>	<u>(70,669)</u>	<u>14,815</u>
Nonoperating Revenues (Expenses)			
Other income	9	-	-
Investment income	1,285	1,369	6
Grant revenue	-	-	-
Refunds and reimbursements	254	320	-
Note issuance costs	(1,900)	(1,900)	-
Interest expense	(19,400)	(17,949)	(1,370)
Total Nonoperating Revenues (Expenses)	<u>(19,752)</u>	<u>(18,160)</u>	<u>(1,364)</u>
Income (Loss) Before Contributions and Transfers	70,509	(88,829)	13,451
Capital Contributions	-	-	-
Transfers In	5,635	5,636	-
Change in Net Position	76,144	(83,193)	13,451
Net Position, January 1 As Restated (Note 8)	<u>1,181,200</u>	<u>2,208,228</u>	<u>48,900</u>
Net Position, December 31	<u>\$ 1,257,344</u>	<u>\$ 2,125,035</u>	<u>\$ 62,351</u>

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Total
\$ 4,083,863	\$ 4,701,719
29,827	30,543
4,113,690	4,732,262
-	35,692
-	44,110
-	196,002
-	6,085
-	28,235
1,663,716	1,663,716
178,945	178,945
229,715	229,715
365,608	365,608
69,359	69,359
62,262	62,262
210,111	213,094
156,189	156,189
122,663	393,721
396,649	396,649
640,193	640,193
4,095,410	4,679,575
18,280	52,687
-	9
40,303	42,963
7,500	7,500
-	574
-	(3,800)
-	(38,719)
47,803	8,527
66,083	61,214
8,015	8,015
-	11,271
74,098	80,500
(179,244)	3,259,084
\$ (105,146)	\$ 3,339,584

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, 2017

	Business-type Activities - Enterprise Funds		
	601 Water Utility	602 Sewer Utility	610 Cedar Pointe Housing
Cash Flows from Operating Activities			
Receipts from customers	\$ 267,324	\$ 294,572	\$ 60,868
Payments to suppliers and vendors	(72,046)	(183,438)	(29,281)
Payments to and on behalf of employees	(35,887)	-	-
Other receipts	263	320	-
Net Cash Provided (Used) by Operating Activities	<u>159,654</u>	<u>111,454</u>	<u>31,587</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on long term debt	(124,500)	(103,000)	(25,275)
Interest paid on long term debt	(19,705)	(17,668)	(1,370)
Issuance costs paid on long term debt	(1,900)	(1,900)	-
Net proceeds from issuance of debt	50,000	50,000	-
Advance from other funds	(4,608)	-	-
Advance from component unit	-	(4,608)	-
Contributions	-	-	-
Acquisition of capital assets	(43,142)	(43,142)	-
Transfers in	5,635	5,636	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(138,220)</u>	<u>(114,682)</u>	<u>(26,645)</u>
Cash Flows from Investing Activities			
Interest received on cash and investments	1,285	1,369	6
Increase (decrease) in cash restricted by contributors for capital acquisitions	-	-	-
Purchase of investments	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>1,285</u>	<u>1,369</u>	<u>6</u>
Net Increase (Decrease) in Cash and Temporary Investments	22,719	(1,859)	4,948
Cash and Temporary Investments, January 1	<u>113,941</u>	<u>227,244</u>	<u>33,929</u>
Cash and Temporary Investments, December 31	<u>\$ 136,660</u>	<u>\$ 225,385</u>	<u>\$ 38,877</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 90,261	\$ (70,669)	\$ 14,815
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Other income related to operations	263	320	-
Depreciation	69,501	184,325	17,232
(Increase) decrease in assets:			
Accounts receivable	784	3,718	-
Intergovernmental receivable	(327)	-	-
Third Party Payer Settlements Receivable	-	-	-
Prepaid items	(891)	(10,238)	114
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	3,382	-	-
Increase (decrease) in liabilities:			
Accounts payable	433	3,998	(591)
Due to other governments	(175)	-	-
Accrued salaries payable	119	-	-
Compensated absences payable	(135)	-	-
Pension liability	(4,863)	-	-
Deposits payable	-	-	17
(Increase) decrease in deferred inflows of resources			
Deferred pension resources	1,302	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 159,654</u>	<u>\$ 111,454</u>	<u>\$ 31,587</u>

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

Business-type Activities -
Enterprise Funds

New Richland Care Center	Totals
\$ 4,022,679	\$ 4,645,443
(3,881,143)	(4,165,908)
-	(35,887)
<u>29,827</u>	<u>30,410</u>
<u>171,363</u>	<u>474,058</u>
-	(252,775)
-	(38,743)
-	(3,800)
-	100,000
-	(4,608)
-	(4,608)
8,015	8,015
(104,431)	(190,715)
-	11,271
<u>(96,416)</u>	<u>(375,963)</u>
5,530	8,190
1,983	1,983
(1,686)	(1,686)
<u>5,827</u>	<u>8,487</u>
80,774	106,582
<u>430,977</u>	<u>806,091</u>
<u>\$ 511,751</u>	<u>\$ 912,673</u>
\$ 18,280	\$ 52,687
-	583
122,663	393,721
(62,848)	(58,346)
-	(327)
1,664	1,664
8,957	(2,058)
390,637	394,019
(9,323)	(5,483)
-	(175)
15,001	15,120
7,934	7,799
(486,457)	(491,320)
-	17
<u>164,855</u>	<u>166,157</u>
<u>\$ 171,363</u>	<u>\$ 474,058</u>

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, 2017

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, 2017.

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, 2017

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.

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. 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, 2017

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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 57 and are valued using quoted market prices (Level 1 inputs).

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 2017. 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, 2017 was approximately \$25,000 in the Care Center fund and \$31,795 for Ambulance receivables.

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.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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 acquisition value of the item at the date of its donation.

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 net 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 2017 was \$90,004. The General fund is typically used to liquidate governmental compensated absences payable.

Note 1: Summary of Significant Accounting Policies (Continued)

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 2017, 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.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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".

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

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 fund level. Budgeted amounts are as originally adopted or as amended by the Council. No budget amendments were made during 2017.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 858,684	\$ 963,328	\$ 104,644

The expenditures were funded by budgeted fund balance increases.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2017:

Fund	Amount
Special revenue	
TIF District 1-1 Homestake Division	\$ 267,197
Enterprise funds	
New Richland Care Center	105,146

The above deficits will be eliminated through future tax increments and charges for services.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

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 \$2,656,322 and the bank balance was \$2,644,972. The bank balance was covered by federal depository insurance totaling \$750,000. Of the remaining balance 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, 2017

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

As of December 31, 2017, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Non-Pooled Investments at Amortized Costs						
Non-negotiable certificates of deposit	N/A	N/A	\$ 12,606			
Non-Pooled Investments at Fair Value						
Mutual Funds	N/A	N/A	328,247	\$ 328,247	\$ -	\$ -
Equities	Aaa	N/A	145,587	145,587	-	-
Total Investments			<u>\$ 486,440</u>	<u>\$ 473,834</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 2,612,323	\$ 43,999	\$ 2,656,322
Petty Cash	268	-	268
Investments	486,440	-	486,440
Total Deposits and Investments	<u>\$ 3,099,031</u>	<u>\$ 43,999</u>	<u>\$ 3,143,030</u>
Cash and Temporary Investments	\$ 2,544,550	\$ 43,999	\$ 2,588,549
Investments	486,440	-	486,440
Residents' cash	4,965	-	4,965
Cash Restricted By Contributors For Capital Acquisitions	63,076	-	63,076
Total	<u>\$ 3,099,031</u>	<u>\$ 43,999</u>	<u>\$ 3,143,030</u>

Residents' and Employees Cash

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

B. Loans Receivable

Commercial Loans

The City currently has loans to various local businesses totaling \$6,000 at December 31, 2017. A total of \$6,000 of the loans are forgivable in two years after final distribution. The remaining balance will be paid back to the City over 5 years with an interest rate of 3 percent.

Flood Recovery Loans

The City currently has loans to various local businesses totaling \$44,072, net of an allowance for approximately one half of the original amount, the forgivable portions, of \$91,612, at December 31, 2017. Interest free monthly payments on the notes total approximately \$900 over ten years. The loans are secured by real estate.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Revolving Economic Recovery Loans

The City currently has loans to various local businesses totaling \$34,459 at December 31, 2017. The loan is not forgivable. The remaining balance will be paid back to the City over 5 years with an interest rate of 3 percent.

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 184,745	\$ -	\$ -	\$ 184,745
Construction in progress	777,233	-	-	777,233
Total Capital Assets not being Depreciated	<u>961,978</u>	<u>-</u>	<u>-</u>	<u>961,978</u>
Capital Assets, Being Depreciated				
Buildings and improvements	1,049,796	9,776	(10,608)	1,048,964
Infrastructure	1,039,682	-	-	1,039,682
Machinery and equipment	353,357	7,250	(4,714)	355,893
Vehicles	933,989	34,364	-	968,353
Other assets	45,674	-	-	45,674
Total Capital Assets being Depreciated	<u>3,422,498</u>	<u>51,390</u>	<u>(15,322)</u>	<u>3,458,566</u>
Less Accumulated Depreciation for				
Buildings and improvements	(278,945)	(24,691)	6,652	(296,984)
Infrastructure	(415,599)	(45,889)	-	(461,488)
Machinery and equipment	(226,705)	(31,842)	3,047	(255,500)
Vehicles	(632,164)	(51,626)	-	(683,790)
Other assets	(22,932)	(2,767)	-	(25,699)
Total Accumulated Depreciation	<u>(1,576,345)</u>	<u>(156,815)</u>	<u>9,699</u>	<u>(1,723,461)</u>
Total Capital Assets being Depreciated, Net	<u>1,846,153</u>	<u>(105,425)</u>	<u>(5,623)</u>	<u>1,735,105</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,808,131</u>	<u>\$ (105,425)</u>	<u>\$ (5,623)</u>	<u>\$ 2,697,083</u>

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

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	498,992	86,284	-	585,276
Total Capital Assets not being Depreciated	<u>558,992</u>	<u>86,284</u>	<u>-</u>	<u>645,276</u>
Capital Assets Being Depreciated				
Land improvements	111,617	-	-	111,617
Buildings	2,800,610	20,087	-	2,820,697
Utility systems	9,208,335	-	-	9,208,335
Machinery and equipment	834,710	84,344	-	919,054
Vehicles	4,161	-	-	4,161
Total Capital Assets being Depreciated	<u>12,959,433</u>	<u>104,431</u>	<u>-</u>	<u>13,063,864</u>
Less Accumulated Depreciation For				
Land improvements	(80,115)	(5,285)	-	(85,400)
Buildings	(1,934,323)	(95,196)	-	(2,029,519)
Utility systems	(4,154,220)	(251,535)	-	(4,405,755)
Machinery and equipment	(667,575)	(41,705)	-	(709,280)
Vehicles	(4,161)	-	-	(4,161)
Total Accumulated Depreciation	<u>(6,840,394)</u>	<u>(393,721)</u>	<u>-</u>	<u>(7,234,115)</u>
Total Capital Assets being Depreciated, Net	<u>6,119,039</u>	<u>(289,290)</u>	<u>-</u>	<u>5,829,749</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,678,031</u>	<u>\$ (203,006)</u>	<u>\$ -</u>	<u>\$ 6,475,025</u>

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General government	\$ 4,127
Public safety	67,114
Streets and highways	64,202
Culture and recreation	17,779
Miscellaneous	3,593
	<u>156,815</u>

Total Depreciation Expense - Governmental Activities	\$ 156,815
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Business-Type Activities

Water utility	\$ 69,501
Sewer utility	184,325
Cedar Pointe housing	17,232
Nursing home	122,663
	<u>393,721</u>

Total Depreciation Expense - Business-type Activities	\$ 393,721
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D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2017 is as follows:

Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount
General - Primary Government	TIF District 1-1 Homestake Subdivision - Primary Government	\$ 267,201
	Cedar Pointe Housing - Primary Government	30,000
Capital Improvement Fund - Primary Government	Water Fund - Primary Government	29,632
EDA - Component Unit	Cedar Pointe Housing - Primary Government	250,000
	Sewer Fund - Primary Government	29,632
Totals		\$ 606,465

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, the current balance of this inter fund loan is \$29,632. 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.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

	Transfers in Primary					Total
	Government			Enterprise		
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Water Utility	Sewer Utility	
Transfers Out						
Governmental						
General fund	\$ -	\$ -	\$ 300	\$ 5,635	\$ 5,636	\$ 11,571
Nonmajor governmental funds	16,305	68,825	-	-	-	85,130
	<u>\$ 16,305</u>	<u>\$ 68,825</u>	<u>\$ 300</u>	<u>\$ 5,635</u>	<u>\$ 5,636</u>	<u>\$ 96,701</u>
Total Transfers Out						

For the year ended December 31, 2017, 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 2017 operating budget.

A transfer of \$68,825 was made from TIF District 1-1 Homestake Subdivision to 2009 G.O. Refunding for the fund's debt service payments.

A transfer of \$5,635 was made to the Water utility fund for the tax collection from the Dollar general project to pay for prior construction costs.

A transfer of \$5,636 was made to the Sewer utility fund for the tax collection from the Dollar general project to pay for prior construction costs.

A transfer of \$14,412 was made from the 2010 Flood fund and \$1,893 from the 2016 Flood fund to the General fund for future flood control projects.

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.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

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	\$ 109,000
G.O. Improvement Refunding Bonds of 2012A	424,500	0.75 - 2.40	06/01/12	02/01/24	275,500
G.O. Improvement Bonds of 2014A	1,655,000	1.75 - 3.30	08/01/14	12/01/29	<u>1,355,000</u>
Total G.O. Special Assessment Bonds					<u><u>\$ 1,739,500</u></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
2018	\$ 148,000	\$ 45,514	\$ 193,514
2019	155,500	42,762	198,262
2020	155,500	39,794	195,294
2021	155,500	36,306	191,806
2022	166,500	32,660	199,160
2023 - 2027	713,500	99,986	813,486
2028 - 2029	<u>245,000</u>	<u>12,210</u>	<u>257,210</u>
Total	<u><u>\$ 1,739,500</u></u>	<u><u>\$ 309,232</u></u>	<u><u>\$ 2,048,732</u></u>

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

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>\$ 260,000</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
2018	\$ 60,000	\$ 7,400	\$ 67,400
2019	65,000	5,463	70,463
2020	65,000	3,383	68,383
2021	70,000	1,154	71,154
Total	<u>\$ 260,000</u>	<u>\$ 17,400</u>	<u>\$ 277,400</u>

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 399,522
G.O. Sewer Revenue Bonds of 2011 (PFA)	2,142,894	1.00	08/29/11	08/20/31	1,560,999
G.O. Improvement Refunding Bonds of 2012A	360,500	0.75 - 2.40	06/01/12	02/01/23	<u>269,500</u>
Total G.O. Revenue Bonds					<u><u>\$ 2,230,021</u></u>

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
2018	\$ 227,000	\$ 31,559	\$ 258,559
2019	233,500	27,643	261,143
2020	238,500	23,522	262,022
2021	241,500	19,186	260,686
2022	216,021	14,694	230,715
2023 - 2027	605,500	40,841	646,341
2028 - 2031	<u>468,000</u>	<u>11,770</u>	<u>479,770</u>
Total	<u><u>\$ 2,230,021</u></u>	<u><u>\$ 169,215</u></u>	<u><u>\$ 2,399,236</u></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	\$ 266,867	\$ 290,854	\$ 60,851
Principal and Interest	144,205	120,668	26,645
Percentage of Revenues	54.0%	41.5%	43.8%

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

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
G.O. Utility Revenue Note of 2017A	100,000	2.65	07/10/17	02/01/25	<u>100,000</u>
Total Notes Payable					<u><u>\$ 366,618</u></u>

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

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2018	\$ 6,000	\$ 2,725	\$ 8,725
2019	12,000	2,332	14,332
2020	13,000	2,001	15,001
2021	13,000	1,656	14,656
2022	14,000	1,299	15,299
2023 - 2027	42,000	1,669	43,669
2028 - 2032	-	-	-
2033 - 2034	<u>266,618</u>	<u>-</u>	<u>266,618</u>
Total	<u><u>\$ 366,618</u></u>	<u><u>\$ 11,682</u></u>	<u><u>\$ 378,300</u></u>

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, 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	\$ 1,894,000	\$ -	\$ (154,500)	\$ 1,739,500	\$ 148,000
General obligation tax increment bonds	320,000	-	(60,000)	260,000	60,000
Unamortized bond premiums	8,161	-	(680)	7,481	-
Pension Liability					
GERF	181,999	401	(27,895)	154,505	-
PEPFF	401,317	-	(320,310)	81,007	-
Compensated Absences payable	<u>24,865</u>	<u>18,124</u>	<u>(17,436)</u>	<u>25,553</u>	<u>8,419</u>
Governmental Activities Long-Term Liabilities	<u>\$ 2,830,342</u>	<u>\$ 18,525</u>	<u>\$ (580,821)</u>	<u>\$ 2,268,046</u>	<u>\$ 216,419</u>
Business-Type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 2,457,521	\$ -	\$ (227,500)	\$ 2,230,021	\$ 227,000
Notes Payable	291,893	100,000	(25,275)	366,618	6,000
Pension Liability					
GERF	2,424,361	-	(491,320)	1,933,041	-
Compensated Absences payable	<u>56,652</u>	<u>9,390</u>	<u>(1,591)</u>	<u>64,451</u>	<u>63,214</u>
Business-type Activities Long-term Liabilities	<u>\$ 5,230,427</u>	<u>\$ 109,390</u>	<u>\$ (745,686)</u>	<u>\$ 4,594,131</u>	<u>\$ 296,214</u>

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, 2017

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 members 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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$160,345, \$157,993 and \$129,230, 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 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$12,603, \$12,679 and \$15,724, 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, 2017, the City reported a liability of \$2,087,546 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$33,511. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0325 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$159,986 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$757 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2017, the City reported its proportionate share of GERS'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	\$ 68,798	\$ 133,859
Changes in actuarial assumptions	346,579	209,278
Net difference between projected and actual earnings on plan investments	-	90,946
Changes in proportion	27,437	61,181
Contributions to GERS subsequent to the measurement date	47,785	-
Total	\$ 490,599	\$ 495,264

Deferred outflows of resources totaling \$47,785 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$81,007 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0060 percent which was a decrease of 0.0040 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension revenue of \$6,028 for its proportionate share of PEPFF's pension expense. The City also recognized \$540 for the year ended December 31, 2017 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. 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, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2017, 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	\$ 1,885	\$ 27,567
Changes in actuarial assumptions	111,641	115,010
Net difference between projected and actual earnings on plan investments	1,108	-
Changes in proportion	13,415	58,536
Contributions to PEPFF subsequent to the measurement date	7,498	-
Total	\$ 135,547	\$ 201,113

Deferred outflows of resources totaling \$7,498 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	\$ (11,767)
2019	1,556
2020	(8,825)
2021	(19,691)
2022	(34,337)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF was projected to be available to make all projected future benefit payments of current plan members. 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:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 3,237,940	\$ 2,087,546	\$ 1,145,740
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	\$ 152,560	\$ 81,007	\$ 21,936

H. Pension Plan Fiduciary Net Position

Detailed information about each 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.

Note 5: Defined Benefit Pension Plan - Fire Relief Association

A. Plan Description

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

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

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

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)

B. Funding Policy

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

Annual pension cost	\$	23,463
Contributions made		
City (required)		450
State aid		23,013
Actuarial valuation date		12/31/17
Actuarial cost method		Entry age normal
Amortization method		Level dollar closed
Remaining amortization period		
Normal cost		20 years
Prior service cost		10 years
Asset valuation method		Market
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/17	\$ 23,463	100.0 %	\$ -
12/31/16	23,596	100.0	-
12/31/15	25,794	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
12/31/17	\$ 319,413	\$ 274,824	\$ 44,589	116.2 %	\$ 1,200
12/31/16	282,045	252,432	29,613	111.7	1,200
12/31/15	241,861	227,256	14,605	106.4	1,200
12/31/14	240,881	197,560	43,321	121.9	1,000

City of New Richland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

B. Contingent Liabilities

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

C. Maintenance Contract

The City has contracted for the maintenance of its Water and Sewer plants with People Service. The maintenance agreement commenced on January 1, 2013 and will remain in effect for 5 years. Monthly payments under the agreement are currently \$10,087. These payments are adjusted annually on January 1 in relation to the consumer price index.

D. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2017, the City is under the legal debt margin.

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 2017 was \$387,839. This accounted for 39.8 percent of General fund revenue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of New Richland, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2017

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

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
06/30/17	0.0325 %	\$ 2,087,546	\$ 26,206	\$ 2,113,752	\$ 2,134,705	97.8 %	75.9 %
06/30/16	0.0321	2,606,390	34,124	2,640,514	2,097,876	124.2	68.9
06/30/15	0.0328	1,699,866	-	1,699,866	1,952,320	87.1	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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

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)
12/31/17	\$ 160,345	\$ 160,345	\$ -	\$ 2,139,080	7.5 %
12/31/16	157,993	157,993	-	2,106,566	7.5
12/31/15	129,230	129,230	-	1,946,147	6.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of New Richland, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2017

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

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
06/30/17	0.0060 %	\$ 81,007	\$ -	\$ 81,007	\$ 63,105	128.4 %	85.4 %
06/30/16	0.0100	401,317	-	\$ 401,317	100,264	400.3	63.9
06/30/15	0.0100	113,623	-	113,623	88,932	127.8	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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

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)
12/31/17	\$ 12,603	\$ 12,603	\$ -	\$ 77,799	16.2 %
12/31/16	12,679	12,679	-	78,265	16.2
12/31/15	15,724	15,724	-	97,061	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Notes to the Required Supplementary Information – Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NEW RICHLAND
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of New Richland, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 169,108	\$ 396,011	\$ 565,119
Receivables			
Accounts	2,840	-	2,840
Advances to other funds	-	29,632	29,632
	<u>\$ 171,948</u>	<u>\$ 425,643</u>	<u>\$ 597,591</u>
Liabilities			
Accounts payable	\$ 985	\$ -	\$ 985
Advances from other funds	267,201	-	267,201
Total Liabilities	<u>268,186</u>	<u>-</u>	<u>268,186</u>
Fund Balances			
Restricted			
Future capital outlay	-	352,473	352,473
Fire protection	-	-	-
Assigned			
Fire protection	170,959	-	170,959
Future capital outlay	-	72,639	72,639
Renovation	-	531	531
Unassigned	(267,197)	-	(267,197)
Total Fund Balances	<u>(96,238)</u>	<u>425,643</u>	<u>329,405</u>
	<u>\$ 171,948</u>	<u>\$ 425,643</u>	<u>\$ 597,591</u>
Total Liabilities and Fund Balances	<u>\$ 171,948</u>	<u>\$ 425,643</u>	<u>\$ 597,591</u>

City of New Richland, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Tax increment	\$ 21,042	\$ -	\$ 21,042
Intergovernmental	1,373	-	1,373
Charges for services	49,806	-	49,806
Investment earnings	38	1,277	1,315
Miscellaneous	1,015	4,907	5,922
Total Revenues	73,274	6,184	79,458
Expenditures			
Current			
Public safety	28,836	-	28,836
Economic development	150	308	458
Capital outlay			
Public safety	4,881	-	4,881
Total Expenditures	33,867	308	34,175
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,407	5,876	45,283
Other Financing Sources (Uses)			
Transfers in	-	300	300
Transfers out	(85,130)	-	(85,130)
Total Other Financing Sources (Uses)	(85,130)	300	(84,830)
Net Changes in Fund Balances	(45,723)	6,176	(39,547)
Fund Balances, January 1	(50,515)	419,467	368,952
Fund Balances, December 31	\$ (96,238)	\$ 425,643	\$ 329,405

City of New Richland, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2017

	203	201	216	405	
	Rural Fire	2010 Flood	2016 Flood	TIF District 1-1 Homestake Subdivision	Total
Assets					
Cash and temporary investments	\$ 169,104	\$ -	\$ -	\$ 4	\$ 169,108
Receivables					
Accounts	2,840	-	-	-	2,840
Total Assets	<u>\$ 171,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 171,948</u>
Liabilities					
Accounts payable	\$ 985	\$ -	\$ -	\$ -	\$ 985
Advances from other funds	-	-	-	267,201	267,201
Total Liabilities	<u>985</u>	<u>-</u>	<u>-</u>	<u>267,201</u>	<u>268,186</u>
Fund Balances					
Assigned					
Fire protection	170,959	-	-	-	170,959
Unassigned	-	-	-	(267,197)	(267,197)
Total Fund Balances	<u>170,959</u>	<u>-</u>	<u>-</u>	<u>(267,197)</u>	<u>(96,238)</u>
Total Liabilities and Fund Balances	<u>\$ 171,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 171,948</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, 2017

	203	201	216	405	
	Rural Fire	2010 Flood	2016 Flood	TIF District 1-1 Homestake Subdivision	Total
Revenues					
Tax increment	\$ -	\$ -	\$ -	\$ 21,042	\$ 21,042
Intergovernmental					
Federal aids	-	-	1,373	-	1,373
Charges for services	49,806	-	-	-	49,806
Investment earnings	38	-	-	-	38
Miscellaneous					
Refunds and reimbursements	840	-	-	-	840
Contributions and donations	175	-	-	-	175
Total Revenues	50,859	-	1,373	21,042	73,274
Expenditures					
Current					
Public safety	28,836	-	-	-	28,836
Economic development	-	-	-	150	150
Capital outlay					
Public safety	4,881	-	-	-	4,881
Total Expenditures	33,717	-	-	150	33,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,142	-	1,373	20,892	39,407
Other Financing Sources (Uses)					
Transfers out	-	(14,412)	(1,893)	(68,825)	(85,130)
Net Change in Fund Balances	17,142	(14,412)	(520)	(47,933)	(45,723)
Fund Balances, January 1	153,817	14,412	520	(219,264)	(50,515)
Fund Balances, December 31	\$ 170,959	\$ -	\$ -	\$ (267,197)	\$ (96,238)

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, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues				
Charges for service	45,548	45,548	49,806	\$ 4,258
Investment earnings	-	-	38	38
Miscellaneous				
Refunds and reimbursements	-	-	840	840
Contributions and donations	-	-	175	175
Total Revenues	<u>45,548</u>	<u>45,548</u>	<u>50,859</u>	<u>5,311</u>
Expenditures				
Current				
Public Safety				
Personal service	2,458	2,458	2,477	(19)
Supplies	13,700	13,700	7,902	5,798
Other service and charges	20,236	20,236	18,457	1,779
Capital outlay				
Public safety	-	-	4,881	(4,881)
Total Expenditures	<u>36,394</u>	<u>36,394</u>	<u>33,717</u>	<u>2,677</u>
Net Changes in Fund Balances	9,154	9,154	17,142	7,988
Fund Balances, January 1	<u>153,817</u>	<u>153,817</u>	<u>153,817</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 162,971</u>	<u>\$ 162,971</u>	<u>\$ 170,959</u>	<u>\$ 7,988</u>

City of New Richland, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 For the Year Ended December 31, 2017

	401	411	412	
	Capital	2014 Street	Oddfellows	Total
	Improvement	Reconstruction	Building	
Assets				
Cash and Temporary Investments	\$ 43,007	\$ 352,473	\$ 531	\$ 396,011
Receivables				
Advances to other funds	29,632	-	-	29,632
Total Assets	<u><u>\$ 72,639</u></u>	<u><u>\$ 352,473</u></u>	<u><u>\$ 531</u></u>	<u><u>\$ 425,643</u></u>
Fund Balances				
Restricted For				
Future capital outlay	\$ -	\$ 352,473	\$ -	\$ 352,473
Assigned				
Future capital outlay	72,639	-	-	72,639
Renovation	-	-	531	531
Total Fund Balances	<u><u>\$ 72,639</u></u>	<u><u>\$ 352,473</u></u>	<u><u>\$ 531</u></u>	<u><u>\$ 425,643</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, 2017

	401	411	412	
	Capital Improvement	2014 Street Reconstruction	Oddfellows Building	Total
Revenues				
Investment earnings	\$ 1,027	\$ 250	\$ -	\$ 1,277
Miscellaneous				
Contributions and donations	4,906	-	-	4,906
Refunds and reimbursements	-	-	1	1
Total Revenues	<u>5,933</u>	<u>250</u>	<u>1</u>	<u>6,184</u>
Expenditures				
Current				
Economic development				
Other services and charges	-	-	308	308
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,933	250	(307)	5,876
Other Financing Sources				
Transfers in	-	-	300	300
Net Change in Fund Balances	5,933	250	(7)	6,176
Fund Balances, January 1	<u>66,706</u>	<u>352,223</u>	<u>538</u>	<u>419,467</u>
Fund Balances, December 31	<u>\$ 72,639</u>	<u>\$ 352,473</u>	<u>\$ 531</u>	<u>\$ 425,643</u>

City of New Richland, Minnesota
 General Fund
 Comparative Balance Sheets
 December 31, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 856,802	\$ 937,792
Receivables		
Delinquent taxes	13,660	12,853
Accounts	99,615	52,656
Special assessments	3,475	3,723
Intergovernmental	3,416	6,306
Advances to other funds	297,201	249,266
Prepaid items	7,546	-
	\$ 1,281,715	\$ 1,262,596
Liabilities		
Accounts payable	\$ 11,245	\$ 11,345
Accrued salaries payable	11,399	8,690
Total Liabilities	22,644	20,035
Deferred Inflows of Resources		
Unavailable revenue - property taxes	13,660	12,853
Unavailable revenue - special assessments	3,475	3,723
Total Deferred Inflows of Resources	17,135	16,576
Fund Balances		
Nonspendable		
Advances to other funds	297,201	249,266
Prepaid items	7,546	-
Assigned		
Capital outlay	204,531	242,161
Unassigned	732,658	734,558
Total Fund Balances	1,241,936	1,225,985
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 1,281,715	 \$ 1,262,596

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, 2017
 With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues					
Taxes					
Property taxes	\$ 390,861	\$ 390,861	\$ 264,700	\$ (126,161)	\$ 244,978
Payment in lieu of taxes	7,000	7,000	10,456	3,456	6,995
Franchise taxes	19,500	19,500	19,592	92	19,602
Total taxes	<u>417,361</u>	<u>417,361</u>	<u>294,748</u>	<u>(122,613)</u>	<u>271,575</u>
Special assessments	-	-	450	450	1,424
Licenses and permits	<u>23,610</u>	<u>23,610</u>	<u>22,694</u>	<u>(916)</u>	<u>24,324</u>
Intergovernmental					
State					
Local government aid	386,750	386,750	387,839	1,089	386,750
Property tax credits and aids	-	-	-	-	914
Fire aid	24,000	24,000	23,013	(987)	23,506
Police state aid	7,500	7,500	12,679	5,179	15,724
Other state aids	3,878	3,878	16,226	12,348	3,222
Total state	<u>422,128</u>	<u>422,128</u>	<u>439,757</u>	<u>17,629</u>	<u>430,116</u>
Local					
Other local aids	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total intergovernmental	<u>427,128</u>	<u>427,128</u>	<u>444,757</u>	<u>17,629</u>	<u>435,116</u>
Charges for services					
Public safety	113,092	113,092	140,543	27,451	161,411
Streets and highways	500	500	1,548	1,048	3,017
Culture and recreation	3,000	3,000	2,910	(90)	3,350
Total charges for services	<u>116,592</u>	<u>116,592</u>	<u>145,001</u>	<u>28,409</u>	<u>167,778</u>
Fines and forfeits	<u>2,800</u>	<u>2,800</u>	<u>1,291</u>	<u>(1,509)</u>	<u>2,684</u>
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>6,888</u>	<u>2,888</u>	<u>5,465</u>
Miscellaneous					
Other	-	-	10,222	10,222	9,707
Rents	1,800	1,800	1,908	108	1,739
Contributions and donations	-	-	25,889	25,889	51,673
Refunds and reimbursements	2,175	2,175	16,528	14,353	13,113
Total miscellaneous	<u>3,975</u>	<u>3,975</u>	<u>54,547</u>	<u>50,572</u>	<u>76,232</u>
Total Revenues	<u>995,466</u>	<u>995,466</u>	<u>970,376</u>	<u>(25,090)</u>	<u>984,598</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, 2017
 With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 10,298	\$ 10,298	\$ 9,113	\$ 1,185	\$ 9,438
Supplies	-	-	-	-	(479)
Other services and charges	1,215	1,215	1,225	(10)	694
Total Mayor and Council	<u>11,513</u>	<u>11,513</u>	<u>10,338</u>	<u>1,175</u>	<u>9,653</u>
Administration					
Personal services	113,051	113,051	106,704	6,347	105,659
Supplies	9,400	9,400	13,129	(3,729)	12,105
Other services and charges	20,694	20,694	17,856	2,838	15,592
Total administration	<u>143,145</u>	<u>143,145</u>	<u>137,689</u>	<u>5,456</u>	<u>133,356</u>
Election					
Personal services	-	-	-	-	920
Supplies	500	500	1,087	(587)	53
Other services and charges	-	-	1	(1)	312
Total election	<u>500</u>	<u>500</u>	<u>1,088</u>	<u>(588)</u>	<u>1,285</u>
Total general government	<u>155,158</u>	<u>155,158</u>	<u>149,115</u>	<u>6,043</u>	<u>144,294</u>
Public safety					
Police					
Personal services	165,249	165,249	148,614	16,635	149,184
Supplies	13,600	13,600	16,134	(2,534)	12,663
Other services and charges	29,159	29,159	25,604	3,555	25,952
Total police	<u>208,008</u>	<u>208,008</u>	<u>190,352</u>	<u>17,656</u>	<u>187,799</u>
Ambulance					
Personal services	66,025	66,025	53,708	12,317	55,416
Supplies	24,950	24,950	28,777	(3,827)	22,136
Other services and charges	40,913	40,913	74,712	(33,799)	78,243
Total ambulance	<u>131,888</u>	<u>131,888</u>	<u>157,197</u>	<u>(25,309)</u>	<u>155,795</u>
Fire					
Personal services	26,908	26,908	25,940	968	27,299
Supplies	11,700	11,700	8,419	3,281	13,536
Other services and charges	20,236	20,236	23,631	(3,395)	21,476
Total fire	<u>58,844</u>	<u>58,844</u>	<u>57,990</u>	<u>854</u>	<u>62,311</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, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			2016	
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Building inspection					
Supplies	\$ -	\$ -	\$ -	\$ -	\$ 330
Other services and charges	17,789	17,789	21,090	(3,301)	15,946
Total building inspection	<u>17,789</u>	<u>17,789</u>	<u>21,090</u>	<u>(3,301)</u>	<u>16,276</u>
Total public safety	<u>416,529</u>	<u>416,529</u>	<u>426,629</u>	<u>(10,100)</u>	<u>422,181</u>
Streets and highways					
Personal services	78,875	78,875	92,146	(13,271)	81,764
Supplies	35,916	35,916	37,065	(1,149)	38,117
Other services and charges	30,207	30,207	31,479	(1,272)	29,992
Total streets and highways	<u>144,998</u>	<u>144,998</u>	<u>160,690</u>	<u>(15,692)</u>	<u>149,873</u>
Sanitation and waste removal					
Personal services	-	-	-	-	1,054
Other services and charges	3,600	3,600	3,414	186	1,188
Total sanitation and waste removal	<u>3,600</u>	<u>3,600</u>	<u>3,414</u>	<u>186</u>	<u>2,242</u>
Culture and recreation					
Recreation - Legion Field					
Personal services	3,000	3,000	3,161	(161)	188
Supplies	1,900	1,900	4,213	(2,313)	881
Other services and charges	7,566	7,566	5,642	1,924	6,980
Total recreation - Legion Field	<u>12,466</u>	<u>12,466</u>	<u>13,016</u>	<u>(550)</u>	<u>8,049</u>
Parks - St. Olaf Park					
Personal services	16,038	16,038	13,445	2,593	11,003
Supplies	4,312	4,312	9,221	(4,909)	2,961
Other services and charges	6,318	6,318	6,426	(108)	6,354
Total parks - St. Olaf Park	<u>26,668</u>	<u>26,668</u>	<u>29,092</u>	<u>(2,424)</u>	<u>20,318</u>
Senior citizens' bus					
Other services and charges	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Library					
Supplies	2,000	2,000	1,120	880	835
Other services and charges	6,065	6,065	2,882	3,183	6,439
Total library	<u>8,065</u>	<u>8,065</u>	<u>4,002</u>	<u>4,063</u>	<u>7,274</u>
Total culture and recreation	<u>50,199</u>	<u>50,199</u>	<u>46,110</u>	<u>4,089</u>	<u>35,641</u>
Economic development					
Other services and charges	12,000	12,000	4,800	7,200	4,800
Total current	<u>782,484</u>	<u>782,484</u>	<u>790,758</u>	<u>(8,274)</u>	<u>759,031</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, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)					
Capital outlay					
General government	\$ 1,500	\$ 1,500	\$ -	\$ 1,500	\$ 3,829
Public safety	10,100	10,100	11,986	(1,886)	44,046
Streets and highways	64,600	64,600	140,500	(75,900)	111,732
Culture and recreation	-	-	20,084	(20,084)	-
Total capital outlay	<u>76,200</u>	<u>76,200</u>	<u>172,570</u>	<u>(96,370)</u>	<u>159,607</u>
Total Expenditures	<u>858,684</u>	<u>858,684</u>	<u>963,328</u>	<u>(104,644)</u>	<u>918,638</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>136,782</u>	<u>136,782</u>	<u>7,048</u>	<u>(129,734)</u>	<u>65,960</u>
Other Financing Sources (Uses)					
Sale of assets	-	-	4,169	4,169	2,107
Transfers in	-	-	16,305	16,305	-
Transfers out	(300)	(300)	(11,571)	(11,271)	(300)
Total Other Financing Uses	<u>(300)</u>	<u>(300)</u>	<u>8,903</u>	<u>9,203</u>	<u>1,807</u>
Net Change in Fund Balances	136,482	136,482	15,951	(120,531)	67,767
Fund Balances, January 1	<u>1,225,985</u>	<u>1,225,985</u>	<u>1,225,985</u>	<u>-</u>	<u>1,158,218</u>
Fund Balances, December 31	<u>\$ 1,362,467</u>	<u>\$ 1,362,467</u>	<u>\$ 1,241,936</u>	<u>\$ (120,531)</u>	<u>\$ 1,225,985</u>

City of New Richland, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2017

	305 2009 G.O. Refunding	320 2007 G.O Improvement	314 2014 G.O Improvement	Total
Assets				
Cash and temporary investments	\$ -	\$ 164,230	\$ 45,726	\$ 209,956
Receivables				
Special assessments	61,124	60,218	224,136	345,478
Intergovernmental	-	271	6,598	6,869
	<u>61,124</u>	<u>164,501</u>	<u>230,734</u>	<u>345,478</u>
Total Assets	<u>\$ 61,124</u>	<u>\$ 224,719</u>	<u>\$ 276,460</u>	<u>\$ 562,303</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	\$ 61,124	\$ 60,218	\$ 224,136	\$ 345,478
Fund Balances				
Restricted for debt service	-	164,501	52,324	216,825
	<u>-</u>	<u>164,501</u>	<u>52,324</u>	<u>216,825</u>
Total Deferred Inflows of Resources And Fund Balances	<u>\$ 61,124</u>	<u>\$ 224,719</u>	<u>\$ 276,460</u>	<u>\$ 562,303</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, 2017

	305 2009 G.O. Refunding	320 2007 G.O. Improvement	314 2014 G.O. Improvement	Total
Revenues				
Property taxes	\$ -	\$ 27,000	\$ 107,631	\$ 134,631
Special assessments	15,400	18,418	36,196	70,014
Total Revenues	<u>15,400</u>	<u>45,418</u>	<u>143,827</u>	<u>204,645</u>
Expenditures				
Debt service				
Principal	70,000	44,500	100,000	214,500
Interest and other	14,225	6,338	38,225	58,788
Total Expenditures	<u>84,225</u>	<u>50,838</u>	<u>138,225</u>	<u>273,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,825)	(5,420)	5,602	(68,643)
Other Financing Sources (Uses) Transfers in	<u>68,825</u>	<u>-</u>	<u>-</u>	<u>68,825</u>
Net Change in Fund Balances	-	(5,420)	5,602	182
Fund Balances, January 1	<u>-</u>	<u>169,921</u>	<u>46,722</u>	<u>216,643</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 164,501</u>	<u>\$ 52,324</u>	<u>\$ 216,825</u>

City of New Richland, Minnesota
Discretely Presented Component Unit
Economic Development Authority
Governmental Fund Balance Sheet/
Statement of Net Position
December 31, 2017

Assets	
Cash and temporary investments	\$ 43,999
Receivables	
Loans, net of allowances	84,531
Due from primary government	<u>279,632</u>
Total Assets	<u><u>\$ 408,162</u></u>
Fund Balances	
Nonspendable	
Due from primary government	\$ 279,632
Loan receivables	84,531
Assigned	
Economic development	<u>43,999</u>
Total Fund Balances	<u><u>\$ 408,162</u></u>
Net Position	
Restricted	\$ 364,163
Unrestricted	<u>43,999</u>
Total Net Position - Governmental Activities	<u><u>\$ 408,162</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, 2017

Revenues	
Intergovernmental	\$ 3,920
Payments from primary government	4,800
Investment earnings	1,120
Refunds and reimbursements	58
Miscellaneous	20,000
Total Revenues	29,898
Expenditures	
Current	
Economic development	14,911
Net Changes in Fund Balances/Net Position	14,987
Fund Balances/Net Position, January 1	393,175
Fund Balances/Net Position, December 31	\$ 408,162
Change in Net Position - Governmental Activities	\$ 14,987

City of New Richland, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 450,421	\$ 426,229	5.68 %
Special assessments	70,464	62,057	13.55
Licenses and permits	22,694	24,324	(6.70)
Intergovernmental	446,130	497,433	(10.31)
Charges for services	194,807	219,496	(11.25)
Fines and forfeits	1,291	2,684	(51.90)
Investment earnings	8,203	7,887	4.01
Miscellaneous	60,469	111,628	(45.83)
	<u>\$ 1,254,479</u>	<u>\$ 1,351,738</u>	(7.20) %
Total Revenues			
Per Capita	\$ 1,038	\$ 1,099	(5.58) %
Expenditures			
Current			
General government	\$ 149,115	\$ 144,294	3.34 %
Public safety	455,465	455,084	0.08
Streets and highways	160,690	149,873	7.22
Sanitation and waste removal	3,414	2,242	52.27
Culture and recreation	46,110	35,641	29.37
Economic development	5,258	5,256	0.04
Miscellaneous	-	49,704	(100.00)
Capital outlay			
General government	-	3,829	(100.00)
Public safety	16,867	49,274	(65.77)
Streets and highways	140,500	111,732	25.75
Culture and recreation	20,084	-	100.00
Debt Service			
Principal	214,500	209,500	2.39
Interest	58,788	63,047	(6.76)
	<u>\$ 1,270,791</u>	<u>\$ 1,279,476</u>	(0.68) %
Total Expenditures			
Per Capita	\$ 1,051	\$ 1,040	1.05 %
Total Long-Term Indebtedness	\$ 1,999,500	\$ 2,214,000	(9.69) %
Per Capita	1,654	1,800	(8.12)
General Fund Balance			
Unassigned Fund Balance - December 31	\$ 732,658	\$ 734,558	(0.26) %
Per Capita	606	597	1.47

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, 2017

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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, 2017, and the related notes to the financial statements and have issued our report thereon dated June 6, 2018.

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
Mankato, Minnesota
June 6, 2018



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, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 6, 2018. 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 2017-003 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 2017-001 and 2017-002 to be significant deficiencies.

Compliance and Other Matters

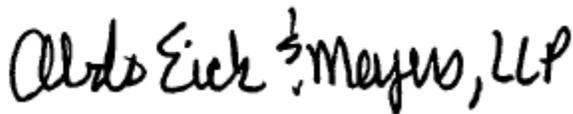
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 2017-001, 2017-002 and 2017-003. 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
Mankato, Minnesota
June 6, 2018

City of New Richland, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Finding Description

2017-001 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, 2017

Finding Description

2017-001 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. It was also recommended that the city reconcile the accounts receivable back to the ambulance collections reports from the collections service.

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, 2017

Finding Description

2017-001 Segregation of Duties (Continued)

Internal Control Over Utility Billing

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

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

Management Response:

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

Updated Response From Prior Year:

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

City of New Richland, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

Finding Description

2017-002 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, 2017

Finding Description

2017-003 Material Audit Adjustments

Condition: During our audit, material adjustments were needed to adjust accounts receivable, interfund loan activity, and debt activity.

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

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

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

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

Management Response:

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