

**ANNUAL FINANCIAL REPORT
OF THE
CITY OF NEW LONDON, MINNESOTA**

For The Year Ended December 31, 2006

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council Members
City of New London, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New London, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New London's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City of New London prepares its financial statements on a modified accrual basis, which is a comprehensive basis of accounting principles generally accepted in the United States of America. Management's discussion and analysis required supplementary information, is not included in the financial statements. Also not included, are general fixed assets, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount of assets omitted are not known.

In our opinion, except for the effects on the financial statements of the omitted items described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified accrual basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New London, as of December 31, 2006 and the respective changes in financial position – modified accrual basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2007 on compliance and on internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

The required supplementary information, budgetary comparison information, on page 3 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. The accompanying fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Westberg Eischens, PLLP

WESTBERG EISCHENS, PLLP

March 23, 2007

CITY OF NEW LONDON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - MODIFIED ACCRUAL BASIS
GENERAL FUND
For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
General property tax	\$ 112,000	\$ 110,085	\$ 103,982	\$ (6,103)
License and permits	74,600	51,065	52,117	1,052
Intergovernmental	304,979	280,668	297,057	16,389
Charges for services	200	275	275	-
Fines and forfeits	1,200	1,100	1,264	164
Other revenues	<u>25,120</u>	<u>34,720</u>	<u>50,152</u>	<u>15,432</u>
Total Revenues	<u>518,099</u>	<u>477,913</u>	<u>504,847</u>	<u>26,934</u>
EXPENDITURES				
General government	163,157	188,091	175,748	12,343
Public safety	127,819	108,724	111,390	(2,666)
Public works	136,158	119,072	120,026	(954)
Culture and recreation	<u>49,488</u>	<u>45,245</u>	<u>44,976</u>	<u>269</u>
Total Expenditures	476,622	461,132	452,140	8,992
OTHER USES				
Transfer to other funds	<u>41,477</u>	<u>41,177</u>	<u>41,176</u>	<u>1</u>
Total Expenditures and Other Uses	<u>518,099</u>	<u>502,309</u>	<u>493,316</u>	<u>8,993</u>
NET INCREASE (DECREASE) IN FUND BALANCE	-	(24,396)	11,531	35,927
FUND BALANCE JANUARY 1	<u>469,261</u>	<u>469,261</u>	<u>469,261</u>	-
FUND BALANCE DECEMBER 31	<u>\$ 469,261</u>	<u>\$ 444,865</u>	<u>\$ 480,792</u>	<u>\$ 35,927</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET ASSETS - MODIFIED ACCRUAL BASIS
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and temporary investments	\$ 2,946,120	\$ 414,749	\$ 3,360,869
Receivables	864,113	49,558	913,671
Prepaid expenses	12,371	-	12,371
Capital assets, net of accumulated depreciation	-	525,386	525,386
TOTAL ASSETS	\$ 3,822,604	\$ 989,693	\$ 4,812,297
LIABILITIES			
Accounts payable	13,368	39,022	52,390
Deferred revenue	806,215	-	806,215
Long-term liabilities (Note 6)			-
Due within one year	252,428	-	252,428
Due in more than one year	4,142,247	-	4,142,247
Total Liabilities	\$ 5,214,258	\$ 39,022	\$ 5,253,280
NET ASSETS			
Invested in capital assets		525,386	525,386
Restricted for:			-
Debt service	(3,053,539)	-	(3,053,539)
Other purposes	1,469,568	425,285	1,894,853
Unrestricted	192,317	-	192,317
Total Net Assets	\$ (1,391,654)	\$ 950,671	\$ (440,983)

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS
For The Year Ended December 31, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants and Contributions Operating Capital	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
General government	\$ 188,059	\$ 53,381	\$ -	\$ (134,678)	\$ -	\$ (134,678)
Public safety	315,278	220,720	60,134	(34,424)	-	(34,424)
Public works	120,026	-	-	(120,026)	-	(120,026)
Community development	983,355	-	58,844	(924,511)	-	(924,511)
Culture and recreation	44,976	-	-	(44,976)	-	(44,976)
Interest and fiscal charges on long term debt	137,600	250,053	14,462	126,915	-	126,915
 Total governmental Activities	 1,789,294	 524,154	 133,440	 (1,131,700)	 -	 (1,131,700)
 Water	 227,316	 223,942	 -	 -	 (3,374)	 (3,374)
Sewer	356,685	369,024	-	-	12,339	12,339
 Total Business-Type Activities	 584,001	 592,966	 -	 -	 8,965	 8,965
 TOTAL	 \$ 2,373,295	 \$ 1,117,120	 \$ 133,440	 \$ (1,131,700)	 \$ 8,965	 \$ (1,122,735)
General revenues:						
Taxes				\$ 218,641	\$ -	\$ 218,641
Intergovernmental revenue not restricted to specific programs				260,203		260,203
Investment income				51,936		51,936
Miscellaneous				10,904	3,972	14,876
Transfers - internal activity				-	-	-
 Total general revenues and transfers				 541,684	 3,972	 545,656
 Change in net assets				 (590,016)	 12,937	 (577,079)
Net Assets - beginning				 (801,638)	 937,734	 136,096
Net Assets - ending				 \$ (1,391,654)	 \$ 950,671	 \$ (440,983)

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
BALANCE SHEET - MODIFIED ACCRUAL BASIS
GOVERNMENTAL FUNDS
December 31, 2006

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and temporary investments	\$ 479,741	\$ 273,460	\$ 1,295,110	\$ 897,809	\$ 2,946,120
Accounts receivable	530	48,887	45,480	-	49,417
Interest receivable	1,021	-	-	-	1,021
Assessments receivable	-	-	802,858	-	802,858
Taxes receivable	4,921	-	5,896	-	10,817
Prepaid items	4,964	7,407	-	-	12,371
TOTAL ASSETS	<u>\$ 491,177</u>	<u>\$ 329,754</u>	<u>\$ 2,149,344</u>	<u>\$ 897,809</u>	<u>\$ 3,822,604</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 7,328	\$ 990	\$ 5,050	\$ 45,480	\$ 13,368
Deferred revenue	3,057	-	803,158	-	806,215
Total Liabilities	<u>10,385</u>	<u>990</u>	<u>808,208</u>	<u>45,480</u>	<u>819,583</u>
FUND BALANCES					
Reserved	288,475	-	-	-	288,475
Designated	-	328,764	1,341,136	852,329	2,522,229
Unreserved/Undesignated	192,317	-	-	-	192,317
Total Fund Balances	<u>480,792</u>	<u>328,764</u>	<u>1,341,136</u>	<u>852,329</u>	<u>3,003,021</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 491,177</u>	<u>\$ 329,754</u>	<u>\$ 2,149,344</u>	<u>\$ 897,809</u>	<u>\$ 3,822,604</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
MODIFIED ACCRUAL BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
General property tax	\$ 103,982	\$ -	\$ 114,659	\$ 55,600	\$ 274,241
Special assessments	-	-	250,053	-	250,053
License and permits	52,117	-	-	-	52,117
Intergovernmental	297,057	-	14,462	3,244	314,763
Charges for services	-	220,720	-	-	220,720
Fines and forfeits	1,264	-	-	-	1,264
Other revenues	50,427	34,862	-	831	86,120
	<u>504,847</u>	<u>255,582</u>	<u>379,174</u>	<u>59,675</u>	<u>1,199,278</u>
Total Revenues	504,847	255,582	379,174	59,675	1,199,278
OTHER FINANCING SOURCES					
Bond issue proceeds	-	-	-	2,385,085	2,385,085
Transfer from other funds	-	41,176	-	-	41,176
	<u>-</u>	<u>41,176</u>	<u>-</u>	<u>-</u>	<u>41,176</u>
Total Revenues and Other Sources	<u>504,847</u>	<u>296,758</u>	<u>379,174</u>	<u>2,444,760</u>	<u>3,625,539</u>
EXPENDITURES					
General government	150,000	-	-	12,311	162,311
Public safety	111,390	196,867	-	-	308,257
Public works	120,026	-	-	-	120,026
Culture and recreation	44,976	-	-	-	44,976
Capital outlay	25,748	7,021	-	983,355	1,016,124
Debt service	-	39,104	283,964	25,604	348,672
	<u>-</u>	<u>39,104</u>	<u>283,964</u>	<u>25,604</u>	<u>348,672</u>
Total Expenditures	452,140	242,992	283,964	1,021,270	2,000,366
OTHER USES					
Transfer to other funds	41,176	-	-	-	41,176
	<u>41,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,176</u>
Total Expenditures and Other Uses	<u>493,316</u>	<u>242,992</u>	<u>283,964</u>	<u>1,021,270</u>	<u>2,041,542</u>
NET INCREASE (DECREASE)					
IN FUND BALANCE	11,531	53,766	95,210	1,423,490	1,583,997
FUND BALANCE JANUARY 1	<u>469,261</u>	<u>274,998</u>	<u>1,245,926</u>	<u>(571,161)</u>	<u>1,419,024</u>
FUND BALANCE DECEMBER 31	<u>\$ 480,792</u>	<u>\$ 328,764</u>	<u>\$ 1,341,136</u>	<u>\$ 852,329</u>	<u>\$ 3,003,021</u>

See notes to financial statements.

