

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

DECEMBER 31, 2011

WESTBERG EISCHENS, PLLP
Certified Public Accountants
Willmar, Minnesota 56201

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**CITY OF NEW LONDON, MINNESOTA
CITY COUNCIL AND ADMINISTRATIVE OFFICIALS
December 31, 2011**

		<u>TERM EXPIRES</u>
Bill Gossman	Mayor	12/31/12
Chad Kluver	Council Member	12/31/14
John Bergman	Council Member	12/31/14
Loren Beck	Council Member	12/31/12
John Mack	Council Member	12/31/12
Trudie Guphill	Clerk-Treasurer	Appointed

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, 2011, 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.

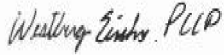
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New London, Minnesota, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the City of New London adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. Adoption of the provisions of this statement results in significant changes to the classifications of the components of fund balance.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2012 on compliance and on internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. 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 internal control over financial reporting or 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.

The required supplementary information, listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). 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. The City of New London has not presented Management's Discussion and Analysis that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of New London's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and also is not a required part of the financial statements of the City of New London. The supplementary schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



WESTBERG EISCHENS, PLLP
Willmar, Minnesota

May 1, 2012

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,665,152	\$ 382,800	\$ 2,047,952
Restricted assets	-	153,690	153,690
Receivables			
Accounts	69,669	98,329	167,998
Delinquent taxes	18,150	-	18,150
Special assessments	656,522	507,483	1,164,005
Delinquent special assessments	213,808	-	213,808
Interest	2,880	-	2,880
Due from other governments	9,334	-	9,334
Prepaid expenses	13,606	-	13,606
Capital assets			
Non-depreciable	1,020,704	2,169,798	3,190,502
Depreciable, net	<u>4,364,245</u>	<u>453,028</u>	<u>4,817,273</u>
TOTAL ASSETS	<u>\$ 8,034,070</u>	<u>\$ 3,765,128</u>	<u>\$ 11,799,198</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 33,991	\$ 74,462	\$ 108,453
Contract payable	9,974	105,257	115,231
Long-term liabilities			
Due within one year	287,928	48,035	335,963
Due in more than one year	<u>3,389,956</u>	<u>2,015,506</u>	<u>5,405,462</u>
Total Liabilities	<u>3,721,849</u>	<u>2,243,260</u>	<u>5,965,109</u>
Net Assets			
Invested in capital assets, net of related debt	1,707,065	559,285	2,266,350
Restricted for:			
Debt service	496,866	593,173	1,090,039
Capital replacement	-	50,799	50,799
Unrestricted	<u>2,108,290</u>	<u>318,611</u>	<u>2,426,901</u>
Total Net Assets	<u>4,312,221</u>	<u>1,521,868</u>	<u>5,834,089</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,034,070</u>	<u>\$ 3,765,128</u>	<u>\$ 11,799,198</u>

See notes to financial statements.

**CITY OF NEW LONDON, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General government	\$ 180,598	\$ 44,870	\$ -	\$ -	\$ (135,728)	\$ -	\$ (135,728)
Public safety	423,207	291,400	27,994	-	(103,813)	-	(103,813)
Streets and highways	340,033	-	-	195,658	(144,375)	-	(144,375)
Culture and recreation	47,618	-	-	-	(47,618)	-	(47,618)
Economic development	43,573	-	-	-	(43,573)	-	(43,573)
Interest and fiscal charges on long term debt	124,345	-	-	-	(124,345)	-	(124,345)
Total Governmental Activities	<u>1,159,374</u>	<u>336,270</u>	<u>27,994</u>	<u>195,658</u>	<u>(599,452)</u>	<u>-</u>	<u>(599,452)</u>
Business-Type Activities:							
Water	242,403	287,501	-	201,354	-	246,452	246,452
Sewer	475,838	436,201	-	391,819	-	352,182	352,182
Total Business-Type Activities	<u>718,241</u>	<u>723,702</u>	<u>-</u>	<u>593,173</u>	<u>-</u>	<u>598,634</u>	<u>598,634</u>
TOTAL	<u>\$ 1,877,615</u>	<u>\$ 1,059,972</u>	<u>\$ 27,994</u>	<u>\$ 788,831</u>	<u>(599,452)</u>	<u>598,634</u>	<u>(818)</u>
General revenues:							
Property taxes levied for general purposes					224,589	-	224,589
Property taxes levied for debt service					210,641	-	210,641
Intergovernmental revenue not restricted to specific programs					288,229	-	288,229
Investment income					6,554	2,134	8,688
Miscellaneous					24,370	20,412	44,782
Transfers - internal activity					-	-	-
Total general revenues and transfers					<u>754,383</u>	<u>22,546</u>	<u>776,929</u>
Change in net assets					154,931	621,180	776,111
Net Assets - Beginning					<u>4,157,290</u>	<u>900,688</u>	<u>5,057,978</u>
Net Assets - Ending					<u>\$ 4,312,221</u>	<u>\$ 1,521,868</u>	<u>\$ 5,834,089</u>

See notes to financial statements.

**CITY OF NEW LONDON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
ASSETS							
Cash and cash equivalents	\$ 618,864	\$ 271,794	\$ 137,024	\$ 495,403	\$ 100,315	\$ 41,752	\$ 1,665,152
Receivables							
Accounts	607	4,723	64,339	-	-	-	69,669
Delinquent taxes	9,325	-	-	8,825	-	-	18,150
Deferred special assessments	-	-	-	656,522	-	-	656,522
Delinquent special assessments	-	-	-	213,808	-	-	213,808
Interest	2,880	-	-	-	-	-	2,880
Due from other governments	-	9,334	-	-	-	-	9,334
Advance to other funds	-	-	-	5,000	-	-	5,000
Prepaid expenses	4,871	4,812	3,923	-	-	-	13,606
TOTAL ASSETS	<u>\$ 636,547</u>	<u>\$ 290,663</u>	<u>\$ 205,286</u>	<u>\$ 1,379,558</u>	<u>\$ 100,315</u>	<u>\$ 41,752</u>	<u>\$ 2,654,121</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 5,924	\$ 7,570	\$ 1,585	\$ 200	\$ -	\$ 18,712	\$ 33,991
Contract payable	-	-	-	-	9,974	-	9,974
Advance from other funds	-	-	-	-	-	5,000	5,000
Deferred revenue	7,529	9,334	-	877,492	-	-	894,355
Total Liabilities	<u>13,453</u>	<u>16,904</u>	<u>1,585</u>	<u>877,692</u>	<u>9,974</u>	<u>23,712</u>	<u>943,320</u>
FUND BALANCES							
Nonspendable	4,871	4,812	3,923	5,000	-	-	18,606
Restricted	-	-	-	496,866	-	20,039	516,905
Committed	30,000	-	-	-	-	-	30,000
Assigned	317,496	268,947	199,778	-	90,341	3,421	879,983
Unassigned	270,727	-	-	-	-	(5,420)	265,307
Total Fund Balances	<u>623,094</u>	<u>273,759</u>	<u>203,701</u>	<u>501,866</u>	<u>90,341</u>	<u>18,040</u>	<u>1,710,801</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 636,547</u>	<u>\$ 290,663</u>	<u>\$ 205,286</u>	<u>\$ 1,379,558</u>	<u>\$ 100,315</u>	<u>\$ 41,752</u>	<u>\$ 2,654,121</u>

See notes to financial statements.

**CITY OF NEW LONDON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011**

Total Fund Balances-Governmental Funds		\$ 1,710,801
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	7,811,589	
Less: Accumulated Depreciation	<u>(2,426,640)</u>	5,384,949
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred special assessments		894,355
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in governmental funds.		
General obligation bonds	(3,555,000)	
Capital leases	<u>(122,884)</u>	<u>(3,677,884)</u>
Total Net Assets-Governmental Activities		<u>\$ 4,312,221</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2011

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
REVENUES							
General property tax	\$ 180,773	\$ -	\$ -	\$ 176,647	\$ -	\$ 43,816	\$ 401,236
Special assessments	-	-	-	94,026	-	-	94,026
License and permits	31,184	-	-	-	-	-	31,184
Intergovernmental	308,908	-	-	5,236	-	2,079	316,223
Charges for services	9,385	86,557	204,843	-	-	-	300,785
Fines and forfeits	4,301	-	-	-	-	-	4,301
Interest income	2,763	2,541	515	-	562	173	6,554
Miscellaneous revenues	7,511	12,513	2,276	-	48,750	2,070	73,120
Total Revenues	<u>544,825</u>	<u>101,611</u>	<u>207,634</u>	<u>275,909</u>	<u>49,312</u>	<u>48,138</u>	<u>1,227,429</u>
EXPENDITURES							
Current							
General government	155,452	-	-	1,136	-	230	156,818
Public safety	94,628	99,828	175,460	-	-	1,062	370,978
Streets and highways	156,538	-	-	-	-	-	156,538
Culture and recreation	40,894	-	-	-	-	-	40,894
Economic development	-	-	-	-	-	43,573	43,573
Debt service							
Principal	-	27,928	-	260,000	-	-	287,928
Interest	-	7,130	-	115,934	-	-	123,064
Bond fees	-	-	-	1,281	-	-	1,281
Capital outlay							
General government	29,669	-	-	-	-	-	29,669
Public safety	-	8,165	-	-	-	-	8,165
Streets and highways	-	-	-	-	672,793	-	672,793
Total Expenditures	<u>477,181</u>	<u>143,051</u>	<u>175,460</u>	<u>378,351</u>	<u>672,793</u>	<u>44,865</u>	<u>1,891,701</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	67,644	(41,440)	32,174	(102,442)	(623,481)	3,273	(664,272)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	520,000	-	520,000
Transfer from other funds	-	60,572	-	-	-	2,062	62,634
Transfer to other funds	(60,572)	-	-	(2,062)	-	-	(62,634)
NET CHANGE IN FUND BALANCE	7,072	19,132	32,174	(104,504)	(103,481)	5,335	(144,272)
FUND BALANCE JANUARY 1	616,022	254,627	171,527	606,370	193,822	12,705	1,855,073
FUND BALANCE DECEMBER 31	<u>\$ 623,094</u>	<u>\$ 273,759</u>	<u>\$ 203,701</u>	<u>\$ 501,866</u>	<u>\$ 90,341</u>	<u>\$ 18,040</u>	<u>\$ 1,710,801</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2011

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

Total Net Change in Fund Balances-Governmental Funds		\$ (144,272)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	682,191	
Depreciation expense	<u>(237,792)</u>	444,399
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred revenue, December 31, 2011	894,355	
Deferred revenue, December 31, 2010	<u>(807,479)</u>	86,876
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal retirement of long-term debt	287,928	
Bond proceeds	<u>(520,000)</u>	<u>(232,072)</u>
Change in Net Assets-Governmental Activities		<u>\$ 154,931</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 260,256	\$ 122,544	\$ 382,800
Receivables			
Accounts receivable	<u>64,586</u>	<u>33,743</u>	<u>98,329</u>
Total Current Assets	<u>324,842</u>	<u>156,287</u>	<u>481,129</u>
Noncurrent Assets			
Cash restricted for debt service	74,810	78,880	153,690
Deferred special assessments receivable	172,544	334,939	507,483
Capital Assets			
Non-depreciable	740,081	1,429,717	2,169,798
Depreciable assets, net	<u>326,710</u>	<u>126,318</u>	<u>453,028</u>
Total capital assets, net	<u>1,066,791</u>	<u>1,556,035</u>	<u>2,622,826</u>
Total Noncurrent Assets	<u>1,314,145</u>	<u>1,969,854</u>	<u>2,776,516</u>
TOTAL ASSETS	<u>\$ 1,638,987</u>	<u>\$ 2,126,141</u>	<u>\$ 3,257,645</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 16,021	\$ 58,441	\$ 74,462
Contract payable	35,551	69,706	105,257
Current portion bonds payable	<u>17,825</u>	<u>30,210</u>	<u>48,035</u>
Total Current Liabilities	<u>69,397</u>	<u>158,357</u>	<u>227,754</u>
Noncurrent Liabilities			
Bonds payable	<u>686,705</u>	<u>1,328,801</u>	<u>2,015,506</u>
Total Noncurrent Liabilities	<u>686,705</u>	<u>1,328,801</u>	<u>2,015,506</u>
Total Liabilities	<u>756,102</u>	<u>1,487,158</u>	<u>2,243,260</u>
NET ASSETS			
Invested in capital assets, net of related debt	362,261	197,024	559,285
Restricted			
Debt service	201,354	391,819	593,173
Capital replacement	-	50,799	50,799
Unrestricted	<u>319,270</u>	<u>(659)</u>	<u>318,611</u>
Total Net Assets	<u>882,885</u>	<u>638,983</u>	<u>1,521,868</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,638,987</u>	<u>\$ 2,126,141</u>	<u>\$ 3,765,128</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Sales and charges for services	\$ 287,501	\$ 436,201	\$ 723,702
Total Operating Revenues	<u>287,501</u>	<u>436,201</u>	<u>723,702</u>
OPERATING EXPENSES			
Personal services	6,819	6,819	13,638
Payroll taxes and benefits	1,016	1,016	2,032
Contract services	184,087	430,155	614,242
Materials and supplies	3,760	5,749	9,509
Repairs and maintenance	3,561	4,047	7,608
Occupancy	-	1,789	1,789
Permits	8,234	-	8,234
Other expenses	1,647	4,860	6,507
Depreciation	<u>33,279</u>	<u>21,403</u>	<u>54,682</u>
Total Operating Expenses	<u>242,403</u>	<u>475,838</u>	<u>718,241</u>
Operating Income (Loss)	45,098	(39,637)	5,461
NON-OPERATING REVENUES (EXPENSES)			
Special assessments	201,354	391,819	593,173
Billing fees	-	44,394	44,394
Billing expenses	-	(23,983)	(23,983)
Interest income	<u>1,440</u>	<u>694</u>	<u>2,134</u>
Total Non-Operating Revenues (Expenses)	<u>202,794</u>	<u>412,924</u>	<u>615,718</u>
Income (Loss) Before Transfers	247,892	373,287	621,179
TRANSFERS			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	247,892	373,287	621,179
NET ASSETS, JANUARY 1	<u>634,993</u>	<u>265,696</u>	<u>900,689</u>
NET ASSETS, DECEMBER 31	<u>\$ 882,885</u>	<u>\$ 638,983</u>	<u>\$ 1,521,868</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Receipts from customers	\$ 278,637	\$ 436,034	\$ 714,671
Payments to suppliers	(165,255)	(387,391)	(552,646)
Payments to employees	<u>(7,835)</u>	<u>(7,835)</u>	<u>(15,670)</u>
NET CASH PROVIDED BY			
OPERATING ACTIVITIES	<u>105,547</u>	<u>40,808</u>	<u>146,355</u>
CASH FLOWS FROM NON CAPITAL			
FINANCING ACTIVITIES			
Non operating revenue	<u>30,250</u>	<u>77,986</u>	<u>108,236</u>
NET CASH PROVIDED BY NON CAPITAL			
FINANCING ACTIVITIES	<u>30,250</u>	<u>77,986</u>	<u>108,236</u>
CASH FLOWS FROM CAPITAL AND			
RELATED FINANCING ACTIVITIES			
Proceeds from bond issuance	704,530	1,359,011	2,063,541
Purchase of capital assets	<u>(740,081)</u>	<u>(1,428,717)</u>	<u>(2,168,798)</u>
NET CASH USED IN CAPITAL AND			
RELATED FINANCING ACTIVITIES	<u>(35,551)</u>	<u>(69,706)</u>	<u>(105,257)</u>
NET INCREASE IN CASH	100,246	49,088	149,334
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>234,820</u>	<u>152,336</u>	<u>387,156</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 335,066</u>	<u>\$ 201,424</u>	<u>\$ 536,490</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 45,098	\$ (39,637)	\$ 5,461
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	33,279	21,403	54,682
Change in assets and liabilities			
Decrease (increase) in receivables	(8,864)	(167)	(9,031)
Increase (decrease) in accounts payable	483	(10,497)	(10,014)
Increase (decrease) in contracts payable	<u>35,551</u>	<u>69,706</u>	<u>105,257</u>
NET CASH PROVIDED BY			
OPERATING ACTIVITIES	<u>\$ 105,547</u>	<u>\$ 40,808</u>	<u>\$ 146,355</u>
RECONCILIATION OF OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 260,256	\$ 122,544	\$ 382,800
Restricted	<u>74,810</u>	<u>78,880</u>	<u>153,690</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 335,066</u>	<u>\$ 201,424</u>	<u>\$ 536,490</u>

See notes to financial statements.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New London's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

New London was established in 1889 pursuant to applicable Minnesota laws and statutes. The governing body consists of a four member council, and mayor elected by eligible voters of the City. Two members are elected every two years for a four year term. The Mayor's office is for two years. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

1. Related Organization

The New London Fire Relief Association (the "Association") is organized as a non-profit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Board of Directors is appointed by the membership of the Association and not by City Council. All relief funding is conducted in accordance with Minnesota Statutes whereby state aid flows to the Association, tax levies are determined by the Association and are only reviewed by the City, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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 to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns:

(a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (continued)

1. Government-Wide Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and its business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental and proprietary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed in a separate column in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

a. Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt and capital leases. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds.

Permanent Improvement Fund

The Permanent Improvement Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purpose or designated to finance particular functions or activities of the City. The City reports two Special Revenue Funds; Ambulance Fund and Fire Department Fund.

b. Enterprise Funds

The City reports the following major enterprise funds:

Water and Sewer Funds

The Water and Sewer Funds account for activities of the public trust in providing water and sewer services to the public.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. City considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

D. Assets, Liabilities, and Net Assets/Fund Balances

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2011 were \$8,688.

3. Receivables

All receivables are shown net of an allowance for uncollectibles.

Property tax levies are set by the City in December and certified to Kandiyohi County, Minnesota, for collection in the following year. The County remits a majority of the collections in June and November. Taxes receivable are recognized at the time of levy. Assessments receivable represent assessments which will be collected by the County for the City in years after 2011.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets/Fund Balances (continued)

3. Receivables (continued)

Taxes and special assessments that remain unpaid are classified as delinquent receivables. Delinquent taxes and special assessments represent the past two years of uncollected tax years. Revenue from delinquent property taxes and special assessments not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the City in the current year. No allowances for uncollectible taxes and special assessments have been provided; as such amounts are not expected to be material.

4. Prepaid Items

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

5. Capital Assets

The City includes capital assets applicable to the governmental and business-type activities in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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. During the current period, the City did not have any capitalized interest.

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

<u>Assets</u>	<u>Years</u>
Buildings and structures	12 – 50
System infrastructure and improvements	10 – 40
Machinery, equipment, and vehicles	5 – 20

6. Compensated Absences

Full time employees are granted from seventeen to twenty-seven days of paid time off (PTO) per year depending on years of employment. Full time employees may carry over up to a maximum of forty hours of paid time off annually.

7. Deferred Revenue

All City funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets/Fund Balances (continued)

8. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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.

9. Net Assets/Fund Balances

The government-wide and business-type activities financial statements use a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets, net of related debt - This category includes all capital assets, net of accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted net assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This category represents net assets of the City, not restricted for any project or other purpose.

The City of New London adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. This standard changed fund balance classifications within the governmental fund level statements.

In the governmental 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 governmental funds. These classifications are as follows.

Nonspendable – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Council.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets/Fund Balances (continued)

9. Net Assets/Fund Balances (continued)

Assigned – consists of amounts intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

Unassigned – is the residual classification for the General Fund.

Fund balances at December 31, 2011 consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Svc Fund	PIR Fund	NonMajor Funds
FUND BALANCES						
Nonspendable	\$ 4,871	\$ 4,812	\$ 3,923	\$ 5,000	\$ -	\$ -
Restricted						
Debt service	-	-	-	496,866	-	-
Tax increment financing	-	-	-	-	-	20,039
Committed						
Sesquicentennial	10,000	-	-	-	-	-
Economic development	20,000	-	-	-	-	-
Assigned						
Working capital	273,594	120,512	85,764	-	-	-
Public safety	-	148,435	114,014	-	-	1,143
Community improvement	-	-	-	-	-	2,278
Capital projects	-	-	-	-	90,341	-
Contingencies	43,902	-	-	-	-	-
Unassigned	<u>270,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,420)</u>
Total Fund Balances	<u>\$ 623,094</u>	<u>\$ 273,759</u>	<u>\$ 203,701</u>	<u>\$ 501,866</u>	<u>\$ 90,341</u>	<u>\$ 18,040</u>

The City of New London uses 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 balances when expenditures are made.

10. Use of Estimates

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City Clerk submits an annual budget to the City Council for the General Fund. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy that collateral or bonds will be required for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. At December 31, 2011, the City's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments (continued)

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City has no policy related to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The City's policy is that brokers may hold City investments only to the extent that there is SIPC and excess SIPC coverage available.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. It is the City's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 155,567	\$ -	\$ -	\$ 155,567
Construction in progress	202,996	672,793	10,652	865,137
Total	<u>358,563</u>	<u>672,793</u>	<u>10,652</u>	<u>1,020,704</u>
Capital assets being depreciated				
Buildings and structures	488,894	11,861	-	500,755
Infrastructure and improvements	5,219,979	-	-	5,219,979
Machinery and equipment	231,285	8,187	-	239,472
Office furniture and fixtures	3,003	-	-	3,003
Automotive equipment	827,676	-	-	827,676
Total	<u>6,770,837</u>	<u>20,048</u>	<u>-</u>	<u>6,790,885</u>
Less accumulated depreciation for:				
Buildings and structures	311,500	16,321	-	327,821
Infrastructure and improvements	1,257,034	174,833	-	1,431,867
Machinery and equipment	200,428	6,863	-	207,291
Office furniture and fixtures	1,717	429	-	2,146
Automotive equipment	418,169	39,346	-	457,515
	<u>2,188,848</u>	<u>237,792</u>	<u>-</u>	<u>2,426,640</u>
Net property and equipment	<u>\$ 4,940,552</u>	<u>\$ 455,049</u>	<u>\$ 10,652</u>	<u>\$ 5,384,949</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

Business-Type Activities

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	-	2,168,798	-	2,168,798
Total	<u>1,000</u>	<u>2,168,798</u>	<u>-</u>	<u>2,169,798</u>
Capital assets being depreciated				
Infrastructure and improvements	1,320,967	-	-	1,320,967
Machinery and equipment	262,027	-	-	262,027
Office furniture and fixtures	1,545	-	-	1,545
Automotive equipment	11,234	-	-	11,234
Total	<u>1,595,773</u>	<u>-</u>	<u>-</u>	<u>1,595,773</u>
Less accumulated depreciation for:				
Infrastructure and improvements	986,985	45,508	-	1,032,493
Machinery and equipment	88,299	9,174	-	97,473
Office furniture and fixtures	1,545	-	-	1,545
Automotive equipment	11,234	-	-	11,234
Total	<u>1,088,063</u>	<u>54,682</u>	<u>-</u>	<u>1,142,745</u>
Net property and equipment	<u>\$ 508,710</u>	<u>\$ 2,114,116</u>	<u>\$ -</u>	<u>\$ 2,622,826</u>

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

Governmental Activities	
General government	\$ 3,507
Public safety	44,066
Streets and highways	183,495
Culture and recreation	<u>6,724</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 237,792</u>
Business-Type Activities	
Water	\$ 33,279
Sewer	<u>21,403</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 54,682</u>
Total Depreciation Expense	<u>\$ 292,474</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transfers

1. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of a transfer of \$60,572 from the General Fund to the Fire Fund and a transfer of \$2,062 from the Debt Service Fund to the NonMajor Fund, TIF1-12.

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amount provided as subsidies or matching funds for various grant programs.

D. Liabilities

1. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current period and prepayments that have been received but not earned. Deferred revenue at December 31, 2011 is summarized below by fund:

Fund	<u>Taxes</u>	<u>Special Assessments</u>	<u>Fire Contract</u>	<u>Total</u>
General	\$ 7,529	\$ -	\$ -	\$ 7,529
Fire	-	-	9,334	9,334
Debt Service	<u>7,160</u>	<u>870,332</u>	<u>-</u>	<u>877,492</u>
Total	<u>\$ 14,689</u>	<u>\$ 870,332</u>	<u>\$ 9,334</u>	<u>\$ 894,355</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Liabilities (continued)

2. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2011</u>
General Obligation Bonds				
Permanent Improvement Revolving				
Fund Bond Series 2006A	2026	4.00% to 4.3%	\$ 2,420,000	\$ 2,205,000
Permanent Improvement Revolving				
Fund Bond Series 2008A	2019	3.92%	350,000	290,000
Improvement Refunding Bond Series 2009A	2016	1.15%-2.85%	680,000	540,000
Improvement Bonds Series 2011A	2026	4.00%	520,000	520,000
Capital Leases				
Fire Department Building Loan	2013	5.22%	123,500	22,486
Pumper Truck Loan	2017	4.59%	<u>182,800</u>	<u>100,398</u>
Total Governmental Activities			<u>\$ 4,276,300</u>	<u>\$ 3,677,884</u>
 General Obligation Revenue Bonds				
Clean Water Revolving Fund Note, 2011C	2030	1.00%	\$ 1,668,210 *	\$ 1,359,011
Drinking Water Revolving Fund Note, 2011B	2030	1.00%	<u>850,825 **</u>	<u>704,530</u>
Total Business-Type Activities			<u>\$ 2,519,035</u>	<u>\$ 2,063,541</u>
***General Obligation Sewer Revenue Bonds, Series 2002	2042	4.37%	<u>\$ 1,884,800</u>	<u>\$ 1,704,000</u>

* Includes undrawn proceeds of \$309,199 for the Clean Water Revolving Fund Note, 2011C

** Includes undrawn proceeds of \$146,295 for the Drinking Water Revolving Fund Note, 2011B

*** Conduit Debt - The City is an agent for the Green Lake Sewer and Water System bonds, The City is responsible for remitting bond payments and is reimbursed by the Green Lake Water and Sewer District.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Liabilities (continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Governmental Activities

General Obligation Bonds	Year Ending December 31	Principal	Interest
	2012	\$ 270,000	\$ 131,607
	2013	340,000	121,216
	2014	330,000	110,204
	2015	365,000	97,657
	2016	305,000	85,334
	2017-2021	1,115,000	277,932
	2022-2026	<u>830,000</u>	<u>84,083</u>
	Totals	<u>\$ 3,555,000</u>	<u>\$ 908,033</u>

Leases	Year Ending December 31	Principal	Interest
	2012	\$ 29,276	\$ 5,782
	2013	30,689	4,369
	2014	20,039	2,888
	2015	20,956	1,968
	2016	<u>21,924</u>	<u>1,006</u>
	Totals	<u>\$ 122,884</u>	<u>\$ 16,013</u>

Business-Type Activities

General Obligation Revenue Bonds	Year Ending December 31	Principal	Interest
	2012	\$ 48,035	\$ 26,780
	2013	126,000	24,710
	2014	127,000	23,450
	2015	128,000	22,180
	2016	130,000	20,900
	2017-2021	670,000	84,730
	2022-2026	701,000	50,630
	2027-2030	<u>589,000</u>	<u>14,810</u>
	Totals	<u>\$ 2,519,035</u>	<u>\$ 268,190</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Liabilities (continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Permanent Improvement Revolving Bond, 2006A	\$ 2,295,000	\$ -	\$ 90,000	\$ 2,205,000	\$ 95,000
G.O. Permanent Improvement Revolving Bond, 2008A	320,000	-	30,000	290,000	30,000
G.O. Improvement Refunding Bond, 2009A	680,000	-	140,000	540,000	145,000
G.O. Improvement Bonds, 2011A	-	520,000	-	520,000	-
Capital Lease - Fire Dept Building	32,899	-	10,413	22,486	10,957
Capital Lease - Pumper Truck	117,913	-	17,515	100,398	18,319
Total Governmental Activities	<u>\$ 3,445,812</u>	<u>\$ 520,000</u>	<u>\$ 287,928</u>	<u>\$ 3,677,884</u>	<u>\$ 299,276</u>
G.O. Revenue Bond, Clean Water Revolving Note 2011C	\$ -	\$ 1,359,011	\$ -	\$ 1,359,011	\$ 30,210
G.O. Revenue Bond, Water Revolving Note, 2011B	-	704,530	-	704,530	17,825
Total Business-Type Activities	<u>\$ -</u>	<u>\$ 2,063,541</u>	<u>\$ -</u>	<u>\$ 2,063,541</u>	<u>\$ 48,035</u>
Green Lake Sewer and Water System General Obligation Sewer Bonds	<u>\$ 1,730,000</u>	<u>\$ -</u>	<u>\$ 26,000</u>	<u>\$ 1,704,000</u>	<u>\$ 27,000</u>

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund which is a cost sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs.353 and 356. Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (continued)

Two methods are used to compute benefits for 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 year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement. The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2011.

The City is required to contribute the following percentages of annual covered payroll in 2011 and 2012:

	2011	2012
Public Employee Retirement Fund		
Basic Plan Members	11.78 %	11.78 %
Coordinated Plan Members	7.25 %	7.25 %

The City's contributions for the years ending December 31, 2011, 2010, and 2009, for the Public Employees Retirement Fund were:

2011	\$ 12,383
2010	\$ 11,449
2009	\$ 10,154

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 DEFINED BENEFIT LUMP SUM SERVICE PENSION PLAN – VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

The City contributes to the New London Fire Department Relief Association (the "Association"), a single employer defined benefit pension plan. The plan provides retirement, disability and death benefits to volunteer firefighters of the City. Pension benefits are determined by multiplying the accrued liability, as set forth in *Minnesota Statutes* 69.772, Subd. 2, by the ratio of the lump sum service pension amount provided in the bylaws of the Association to a service pension of \$100 per year of service.

The Association's Board of Trustees has the authority to establish and amend benefit provisions in limited instances without municipality approval. Benefit provisions are also subject to enabling state statutes; therefore, any amendments to benefit provisions are reviewed by the Office of the State Auditor. The Association issues a publicly available audited financial statement. That report may be obtained by writing the plan at New London Fire Department Relief Association, PO Box 335, New London, Minnesota 56273.

B. Funding Policy and Annual Pension Cost

The State of Minnesota annually provides a statutory contribution to the plan. Municipalities are also required by state statutes to contribute an amount annually certified by the Association. The City's annual contribution for 2011 and 2012 are as follows:

	<u>2011</u>	<u>2012</u>
Required Contribution:	\$ 8,309	\$ 8,940
Actual Contribution:	\$ 8,400	

NOTE 6 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. This 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 by not reported claims.

The workers' compensation policy is a retrospectively rated policy with premiums that accrue based on the ultimate cost of the experience to date. There is no way to estimate what the change in premium may be. Generally, it has been minimal. There were no claims in 2011.

NOTE 7 COMMITMENTS AND CONTINGENCIES

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

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 2011, the City entered into a construction contract for \$2,757,734. At December 31, 2011, the City had paid \$2,304,624 on the contract with the remaining portion of \$453,110 outstanding.

NOTE 8 TAX INCREMENT FINANCING

The City of New London is the administering authority for the following tax increment financed districts:

<u>District No.</u>	<u>Type of District</u>	<u>Established</u>	<u>Modified</u>	<u>Termination Date</u>
1-10	Economic Development	November 7, 2001		December 31, 2012
1-11	Economic Development	May 7, 2003		December 31, 2013
1-12	Housing	December 17, 2003		December 31, 2030

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 1, 2012, the date the financial statements were available to be issued.

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Over (Under) Final Budget
REVENUES				
Taxes				
General property taxes	\$ 198,000	\$ 179,494	\$ 180,773	\$ 1,279
License and permits	20,770	28,741	31,184	2,443
Total Taxes	<u>218,770</u>	<u>208,235</u>	<u>211,957</u>	<u>3,722</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	315,869	274,860	274,860	-
Residential market value credit	11,220	5,722	5,651	(71)
PERA aid	403	403	403	-
Fire relief aid	28,000	27,994	27,994	-
Total Intergovernmental Revenue	<u>355,492</u>	<u>308,979</u>	<u>308,908</u>	<u>(71)</u>
Charges for Services				
Miscellaneous charges	920	1,810	1,810	-
Rents	6,900	7,550	7,575	25
Total Charges for Services	<u>7,820</u>	<u>9,360</u>	<u>9,385</u>	<u>25</u>
Fines and forfeits	2,500	4,300	4,301	1
Miscellaneous Revenues				
Investment income	5,000	1,700	2,763	1,063
Donations	-	-	-	-
Grants	-	-	-	-
Other	500	7,510	7,511	1
Total Miscellaneous Revenues	<u>5,500</u>	<u>9,210</u>	<u>10,274</u>	<u>1,064</u>
TOTAL REVENUES	590,082	540,084	544,825	4,741
OTHER SOURCES				
Transfers in	-	-	-	-
TOTAL REVENUES AND OTHER SOURCES	<u>590,082</u>	<u>540,084</u>	<u>544,825</u>	<u>4,741</u>

See notes to required supplementary information

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
EXPENDITURES				
General Government				
Governing Board				
Salaries	10,010	8,630	8,630	-
Payroll taxes and benefits	766	660	660	-
Other expenses	<u>1,020</u>	<u>600</u>	<u>600</u>	-
Total Governing Board	<u>11,796</u>	<u>9,890</u>	<u>9,890</u>	-
Administration and Finance				
Salaries	72,319	74,736	74,736	-
Payroll taxes and benefits	19,776	19,959	19,959	-
Supplies	<u>5,500</u>	<u>5,500</u>	<u>5,623</u>	<u>123</u>
Total Administration and Finance	<u>97,595</u>	<u>100,195</u>	<u>100,318</u>	<u>123</u>
Other General Government				
Salaries	500	275	275	-
Payroll taxes and benefits	38	21	21	-
Elections	500	477	477	-
Assessor	10,000	6,940	6,940	-
Professional services	8,000	11,500	10,382	(1,118)
Other expenses	7,650	6,942	6,784	(158)
Capital outlay	<u>36,337</u>	<u>29,669</u>	<u>29,669</u>	-
Total Other General Governmen	<u>63,025</u>	<u>55,824</u>	<u>54,548</u>	<u>(1,276)</u>
Total General Government	<u>172,416</u>	<u>165,909</u>	<u>164,756</u>	<u>(1,153)</u>
Public Safety				
Police Department				
Contracted services	<u>30,135</u>	<u>29,768</u>	<u>29,768</u>	-
Fire Department				
Fire Relief Association	<u>28,000</u>	<u>27,994</u>	<u>27,994</u>	-
Other Protection				
Building inspection	38,522	37,267	35,496	(1,771)
Animal control	<u>2,700</u>	<u>1,500</u>	<u>1,370</u>	<u>(130)</u>
Total Other Protection	<u>41,222</u>	<u>38,767</u>	<u>36,866</u>	<u>(1,901)</u>
Total Public Safety	<u>99,357</u>	<u>96,529</u>	<u>94,628</u>	<u>(1,901)</u>

See notes to required supplementary information

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
EXPENDITURES (Continued)				
Streets and Highways				
Street Maintenance				
Salaries	40,911	40,911	40,911	-
Payroll taxes and benefits	18,095	18,095	18,095	-
Supplies	12,100	11,800	10,138	(1,662)
Occupancy	10,700	9,925	9,592	(333)
Repairs and maintenance	12,700	9,200	8,848	(352)
Other expenses	4,500	4,050	4,050	-
Capital outlay	-	-	-	-
Total Street Maintenance	<u>99,006</u>	<u>93,981</u>	<u>91,634</u>	<u>(2,347)</u>
Snow and Ice Removal				
Contract services	<u>30,000</u>	<u>50,000</u>	<u>36,649</u>	<u>(13,351)</u>
Total Snow and Ice Removal	<u>30,000</u>	<u>50,000</u>	<u>36,649</u>	<u>(13,351)</u>
Street Lighting	<u>30,000</u>	<u>26,000</u>	<u>28,255</u>	<u>2,255</u>
Total Streets and Highways	<u>159,006</u>	<u>169,981</u>	<u>156,538</u>	<u>(13,443)</u>
Culture and Recreation				
Parks and Recreation				
Salaries	13,637	13,637	13,637	-
Payroll taxes and benefits	2,032	2,032	2,032	-
Supplies	-	-	-	-
Occupancy	1,400	1,300	1,842	542
Repairs and maintenance	4,000	3,500	3,378	(122)
Recreation allocation	8,000	12,000	12,000	-
Senior center	-	-	-	-
Other expenses	600	-	-	-
Capital outlay	-	-	-	-
Total Parks and Recreation	<u>29,669</u>	<u>32,469</u>	<u>32,889</u>	<u>420</u>
Library				
Communication	525	525	505	(20)
Rental	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total Library	<u>8,025</u>	<u>8,025</u>	<u>8,005</u>	<u>(20)</u>
Total Culture and Recreation	<u>37,694</u>	<u>40,494</u>	<u>40,894</u>	<u>400</u>

See notes to required supplementary information

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
EXPENDITURES (Continued)				
Miscellaneous Expenditures				
Unallocated				
Print and publish	2,700	2,200	2,217	17
Dues and subscriptions	1,800	1,413	1,413	-
Insurance	15,000	15,781	15,781	-
Miscellaneous	<u>1,000</u>	<u>890</u>	<u>954</u>	<u>64</u>
Total Miscellaneous Expenditures	<u>20,500</u>	<u>20,284</u>	<u>20,365</u>	<u>81</u>
TOTAL EXPENDITURES	<u>488,973</u>	<u>493,197</u>	<u>477,181</u>	<u>(16,016)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	101,109	46,887	67,644	20,757
OTHER FINANCING USES				
Transfer out	<u>60,572</u>	<u>60,572</u>	<u>60,572</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	40,537	(13,685)	7,072	<u>\$ 20,757</u>
FUND BALANCE, JANUARY 1	<u>616,022</u>	<u>616,022</u>	<u>616,022</u>	
FUND BALANCE, DECEMBER 31	<u>\$ 656,559</u>	<u>\$ 602,337</u>	<u>\$ 623,094</u>	

See notes to required supplementary information

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

NOTE 1 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City Clerk submits an annual budget to the City Council for the General Fund. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FIRE DEPARTMENT
For The Year Ended December 31, 2011

REVENUES

Charges for Services	
Fire contracts and calls	\$ 86,557
	<u>86,557</u>
Miscellaneous Revenues	
Interest income	2,541
Donations	12,513
Total Miscellaneous Revenues	<u>15,054</u>

TOTAL REVENUES 101,611

OTHER SOURCES

Transfers in	<u>60,572</u>
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TOTAL REVENUES AND OTHER SOURCES 162,183

EXPENDITURES

Current	
Salaries	35,971
Payroll taxes and benefits	2,752
Supplies	4,932
Occupancy	4,555
Repairs and maintenance	14,460
Insurance	12,237
Fire relief pension contribution	8,400
Other expenses	16,520
Debt service	
Principal	27,928
Interest	7,130
Capital outlay	8,165
TOTAL EXPENDITURES	<u>143,050</u>

EXCESS OF REVENUES OVER EXPENDITURES 19,133

OTHER FINANCING USES

Transfer out	<u>-</u>
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NET CHANGE IN FUND BALANCE 19,133

FUND BALANCE, JANUARY 1 254,627

FUND BALANCE, DECEMBER 31 \$ 273,760

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AMBULANCE
For The Year Ended December 31, 2011

REVENUES

Charges for Services	
Ambulance calls	\$ 204,843
	<u>204,843</u>
Miscellaneous Revenues	
Interest income	515
Donations	2,276
Total Miscellaneous Revenues	<u>2,791</u>

TOTAL REVENUES 207,634

OTHER SOURCES

Transfers in	<u>-</u>
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TOTAL REVENUES AND OTHER SOURCES 207,634

EXPENDITURES

Current	
Salaries	116,003
Payroll taxes and benefits	8,874
Supplies	17,967
Occupancy	1,487
Repairs and maintenance	3,500
Insurance	11,102
Contract services	8,118
Other expenses	8,410
Capital outlay	-

TOTAL EXPENDITURES 175,461

EXCESS OF REVENUES OVER EXPENDITURES 32,173

OTHER FINANCING USES

Transfer out	<u>-</u>
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NET CHANGE IN FUND BALANCE 32,173

FUND BALANCE, JANUARY 1 171,527

FUND BALANCE, DECEMBER 31 \$ 203,700

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2011**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 3,421	\$ 38,331	\$ 41,752
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 3,421</u>	<u>\$ 38,331</u>	<u>\$ 41,752</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 18,712	\$ 18,712
Advance from other funds	-	<u>5,000</u>	<u>5,000</u>
Total Liabilities	<u>-</u>	<u>23,712</u>	<u>23,712</u>
 FUND BALANCES			
Restricted	-	14,619	14,619
Committed	-	-	-
Assigned	<u>3,421</u>	<u>-</u>	<u>3,421</u>
Total Fund Balances	<u>3,421</u>	<u>14,619</u>	<u>18,040</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,421</u>	<u>\$ 38,331</u>	<u>\$ 41,752</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2011

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Taxes			
Tax increments	\$ -	\$ 43,816	\$ 43,816
Intergovernmental revenue			
Market value credit	-	2,079	2,079
Miscellaneous Revenue			
Donations	2,070	-	2,070
Interest	<u>-</u>	<u>173</u>	<u>173</u>
TOTAL REVENUES	2,070	46,068	48,138
OTHER SOURCES			
Transfers in	<u>-</u>	<u>2,062</u>	<u>2,062</u>
TOTAL REVENUES AND OTHER SOURCES	<u>2,070</u>	<u>48,130</u>	<u>50,200</u>
EXPENDITURES			
General government	230	-	230
Public safety	1,062	-	1,062
Economic development			
Professional fees	-	1,138	1,138
Tax increments	-	39,435	39,435
Administrative costs	<u>-</u>	<u>3,000</u>	<u>3,000</u>
TOTAL EXPENDITURES	<u>1,292</u>	<u>43,573</u>	<u>44,865</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	778	4,557	5,335
OTHER FINANCING USES			
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	778	4,557	5,335
FUND BALANCE (DEFICIT), JANUARY 1	<u>2,643</u>	<u>10,062</u>	<u>12,705</u>
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ 3,421</u>	<u>\$ 14,619</u>	<u>\$ 18,040</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2011**

	<u>Connected Communities Fund</u>	<u>Firefighter/ EMT Fund</u>	<u>Neer Park Fund</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 1,270	\$ 1,143	\$ 1,008	\$ 3,421
TOTAL ASSETS	<u>\$ 1,270</u>	<u>\$ 1,143</u>	<u>\$ 1,008</u>	<u>\$ 3,421</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	1,270	1,143	1,008	3,421
Total Fund Balances	<u>1,270</u>	<u>1,143</u>	<u>1,008</u>	<u>3,421</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,270</u>	<u>\$ 1,143</u>	<u>\$ 1,008</u>	<u>\$ 3,421</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2011

	Connected Communities Fund	Firefighter/ EMT Fund	Neer Park Fund	Total
REVENUES				
Donations	\$ -	\$ 2,065	\$ 5	\$ 2,070
TOTAL REVENUES	<u>-</u>	<u>2,065</u>	<u>5</u>	<u>2,070</u>
EXPENDITURES				
Committee expenses	230	-	-	230
Event expenses	<u>-</u>	<u>1,062</u>	<u>-</u>	<u>1,062</u>
TOTAL EXPENDITURES	<u>230</u>	<u>1,062</u>	<u>-</u>	<u>1,292</u>
NET CHANGE IN FUND BALANCE	(230)	1,003	5	778
FUND BALANCE, JANUARY 1	<u>1,500</u>	<u>140</u>	<u>1,003</u>	<u>2,643</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,270</u>	<u>\$ 1,143</u>	<u>\$ 1,008</u>	<u>\$ 3,421</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 December 31, 2011**

	<u>TIF District 1-10</u>	<u>TIF District 1-11</u>	<u>TIF District 1-12</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 603	\$ 2,144	\$ 35,584	\$ 38,331
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 603</u>	<u>\$ 2,144</u>	<u>\$ 35,584</u>	<u>\$ 38,331</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,374	\$ 1,793	\$ 15,545	\$ 18,712
Advance from other funds	<u>1,000</u>	<u>4,000</u>	<u>-</u>	<u>5,000</u>
Total Liabilities	<u>2,374</u>	<u>5,793</u>	<u>15,545</u>	<u>23,712</u>
 FUND BALANCES				
Restricted	-	-	20,039	20,039
Unassigned	<u>(1,771)</u>	<u>(3,649)</u>	<u>-</u>	<u>(5,420)</u>
Total Fund Balances	<u>(1,771)</u>	<u>(3,649)</u>	<u>20,039</u>	<u>14,619</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 603</u>	 <u>\$ 2,144</u>	 <u>\$ 35,584</u>	 <u>\$ 38,331</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
For The Year Ended December 31, 2011

	<u>TIF District 1-10</u>	<u>TIF District 1-11</u>	<u>TIF District 1-12</u>	<u>Total</u>
REVENUES				
Taxes				
Tax increments	\$ 3,053	\$ 3,985	\$ 36,778	\$ 43,816
Intergovernmental Revenue				
Market value credit	-	-	2,079	2,079
Miscellaneous Revenue				
Interest	<u>3</u>	<u>8</u>	<u>162</u>	<u>173</u>
TOTAL REVENUES	3,056	3,993	39,019	46,068
OTHER SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>2,062</u>	<u>2,062</u>
TOTAL REVENUES AND OTHER SOURCES	<u>3,056</u>	<u>3,993</u>	<u>41,081</u>	<u>48,130</u>
EXPENDITURES				
Economic development				
Professional fees	-	-	1,138	1,138
Tax increments	2,748	3,587	33,100	39,435
Administrative costs	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
TOTAL EXPENDITURES	<u>2,748</u>	<u>3,587</u>	<u>37,238</u>	<u>43,573</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	308	406	3,843	4,557
OTHER FINANCING USES				
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	308	406	3,843	4,557
FUND BALANCE (DEFICIT), JANUARY 1	<u>(2,079)</u>	<u>(4,055)</u>	<u>16,196</u>	<u>10,062</u>
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ (1,771)</u>	<u>\$ (3,649)</u>	<u>\$ 20,039</u>	<u>\$ 14,619</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2011**

	Debt Service Reserve Fund	G.O. PIR Bond - 2006A	G.O. PIR Bond - 2008A	G.O. Improvement Refunding Bond - 2009A	G.O. Improvement Bond - 2011A	Totals
ASSETS						
Cash and cash equivalents	\$ 736,788	\$ (263,882)	\$ (63,863)	\$ 86,070	\$ 290	\$ 495,403
Receivables						
Delinquent taxes	1,616	1,525	248	5,436	-	8,825
Deferred assessments	139,057	107,056	269,411	14,610	126,388	656,522
Delinquent assessments	65,268	3,467	145,073	-	-	213,808
Advance to other funds	5,000	-	-	-	-	5,000
TOTAL ASSETS	\$ 947,729	\$ (151,834)	\$ 350,869	\$ 106,116	\$ 126,678	\$ 1,379,558
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 200
Deferred revenue	205,942	111,752	414,683	18,727	126,388	877,492
Total Liabilities	206,142	111,752	414,683	18,727	126,388	877,692
FUND BALANCES						
Nonspendable	5,000	-	-	-	-	5,000
Restricted	736,587	(263,586)	(63,814)	87,389	290	496,866
Total Fund Balances	741,587	(263,586)	(63,814)	87,389	290	501,866
TOTAL LIABILITIES AND FUND BALANCES	\$ 947,729	\$ (151,834)	\$ 350,869	\$ 106,116	\$ 126,678	\$ 1,379,558

CITY OF NEW LONDON, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For The Year Ended December 31, 2011

	Debt Service Reserve Fund	G.O. PIR Bond - 2006A	G.O. PIR Bond - 2008A	G.O. Improvement Refunding Bond - 2009A	G.O. Improvement Bond - 2011A	Totals
REVENUES						
General property tax	\$ 10,773	\$ 29,596	\$ 5,001	\$ 131,277	\$ -	\$ 176,647
Special assessments	58,789	31,838	2,833	276	290	94,026
Market value credit	-	930	157	4,149	-	5,236
	<u>69,562</u>	<u>62,364</u>	<u>7,991</u>	<u>135,702</u>	<u>290</u>	<u>275,909</u>
EXPENDITURES						
Current						
Professional fees	285	283	284	284	-	1,136
Debt service						
Principal	-	90,000	30,000	140,000	-	260,000
Interest	200	92,033	11,956	11,745	-	115,934
Bond fees	-	431	-	850	-	1,281
	<u>485</u>	<u>182,747</u>	<u>42,240</u>	<u>152,879</u>	<u>-</u>	<u>378,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	69,077	(120,383)	(34,249)	(17,177)	290	(102,442)
OTHER FINANCING SOURCES (USES)						
Transfer from other funds	-	-	-	-	-	-
Transfer to other funds	(2,062)	-	-	-	-	(2,062)
	<u>(2,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,062)</u>
NET CHANGE IN FUND BALANCE	67,015	(120,383)	(34,249)	(17,177)	290	(104,504)
FUND BALANCE JANUARY 1	<u>674,572</u>	<u>(143,203)</u>	<u>(29,565)</u>	<u>104,566</u>	<u>-</u>	<u>606,370</u>
FUND BALANCE DECEMBER 31	<u>\$ 741,587</u>	<u>\$ (263,586)</u>	<u>\$ (63,814)</u>	<u>\$ 87,389</u>	<u>\$ 290</u>	<u>\$ 501,866</u>

**CITY OF NEW LONDON, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2011**

<u>Federal Funding Source</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>State or Other Contract Number</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for for Clean Water State Revolving Funds	66.458	MPFA-11-0030-R-FY11	\$ 1,359,011
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-11-0034-R-FY11	<u>704,530</u>
Total Expended					<u>\$ 2,063,541</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of New London and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements

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

Mayor and City Council
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, 2011, and have issued our report thereon dated May 1, 2012.. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of New London's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other 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 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 correct on a timely basis. We consider finding 2007-2 described in the accompanying Schedule of Findings and Recommendations 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 finding 2007-1 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The City of New London's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of New London's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Westberg Eischens PLLP

WESTBERG EISCHENS, PLLP
Willmar, Minnesota

May 1, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Council
City of New London, Minnesota

Compliance

We have audited the City of New London, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of New London's major federal programs for the year ended December 31, 2011. The City of New London's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of New London's management. Our responsibility is to express an opinion on the City of New London's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New London's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of New London's compliance with those requirements.

In our opinion, the City of New London complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of New London's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of New London's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities is not intended to be and should not be used by anyone other than these specified parties.



WESTBERG EISCHENS, PLLP
Willmar, Minnesota

May 1, 2012

AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Mayor and City Council
New London, Minnesota


We have audited the basic financial statements of the City of New London, Minnesota, for the year ended December 31, 2011 and have issued our report thereon dated May 1, 2012.

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

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

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

This report is intended solely for the use of the management and City Council of the City of New London, Minnesota, and is not intended to be, and should not be, used by anyone other than those specified parties.


WESTBERG EISCHENS, PLLP
Willmar, Minnesota

May 1, 2012

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2011**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Significant deficiency (ies) identified? X yes no

Significant deficiency (ies) identified that are
considered to be material weaknesses? X yes none reported

Noncompliance material to financial statement noted? yes X no

Federal Awards

Internal control over major programs:

Significant deficiency (ies) identified? yes X no

Significant deficiency (ies) identified that are
considered to be material weakness (es)? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
<u>66.468</u>	<u>Capitalization Grants for Drinking Water State Revolving Funds</u>

Dollar threshold used to distinguish between type A
and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011**

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2007-1

Criteria:

Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition:

The City has lack of segregation of duties.

Questioned Costs:

None

Effect:

The City is unable to maintain separation of incompatible duties.

Cause:

The small size of its business office staff and limited resources precludes proper separation of duties.

Recommendation:

We recommend that the City continue to separate incompatible duties as best it can within the limits of what the City considers to be cost beneficial.

CORRECTIVE ACTION PLAN (CAP)

Finding 2007-1

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011**

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2007-2

Criteria:

Generally, a system of internal control includes the ability to understand and prepare the City's financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition:

The City relies on the auditor to prepare the financial statements and related disclosures in accordance with GAAP.

Questioned Costs:

None

Effect:

The City is unable to prepare GAAP basis financial statements.

Cause:

The small size and resources of its business office staff precludes the City from preparing its own financial statements.

Recommendation:

We recommend that the City continue to review the auditor prepared financial statements with the intention of understanding and acceptance of responsibility for reporting under GAAP.

CORRECTIVE ACTION PLAN (CAP)

Finding 2007-2

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will continue to review auditor prepared financial statements with the intention of understanding and acceptance of responsibility for reporting under GAAP.

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011**

SECTION III: MAJOR FEDERAL AWARDS FINDINGS

None

SECTION IV: PRIOR YEAR FINDINGS

None