

**CITY OF NEW LONDON
NEW LONDON, MINNESOTA
ANNUAL FINANCIAL REPORT
YEAR ENDED
DECEMBER 31, 2014**

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, 2014**

		<u>TERM EXPIRES</u>
Bill Gossman	Mayor	12/31/14
John Bergman	Council Member	12/31/14
Loren Beck	Council Member	12/31/16
John Mack	Council Member	12/31/16
Craig Edwards	Council Member	12/31/14
Trudie Guptill	Clerk-Treasurer	Appointed

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the material 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015 on our consideration of the City of New London's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New London's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

WESTBERG EISCHENS, PLLP
Willmar, Minnesota

May 18, 2015

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 1,858,273	\$ 586,061	\$ 2,444,334
Restricted cash	-	248,804	248,804
Receivables			
Accounts	60,858	68,935	129,793
Delinquent taxes	20,606	133	20,739
Special assessments	356,259	396,823	753,082
Delinquent special assessments	212,644	-	212,644
Interest	2,880	-	2,880
Intergovernmental	22,316	-	22,316
Prepaid expenses	17,188	-	17,188
Capital assets			
Non-depreciable	630,903	1,000	631,903
Depreciable, net of accumulated depreciation	5,157,557	2,552,460	7,710,017
TOTAL ASSETS	8,339,484	3,854,216	12,193,700
LIABILITIES			
Accounts payable	6,683	46,412	53,095
Long-term liabilities			
Due within one year	230,959	125,000	355,959
Due in more than one year	3,373,921	2,018,001	5,391,922
TOTAL LIABILITIES	3,611,563	2,189,413	5,800,976
NET POSITION			
Net investment in capital assets	2,183,580	410,459	2,594,039
Restricted for:			
Debt service	286,158	645,627	931,785
Capital replacement	-	58,178	58,178
Unrestricted	2,258,183	550,539	2,808,722
TOTAL NET POSITION	\$ 4,727,921	\$ 1,664,803	\$ 6,392,724

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

**CITY OF NEW LONDON, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General government	\$ 375,375	\$ 27,225	\$ -	\$ -	\$ (348,150)	\$ -	\$ (348,150)
Public safety	396,523	266,131	41,641	-	(88,751)	-	(88,751)
Streets and highways	409,582	-	-	112,600	(296,982)	-	(296,982)
Culture and recreation	73,892	8,000	10,815	262,500	207,423	-	207,423
Economic development	32,947	-	-	-	(32,947)	-	(32,947)
Interest and fiscal charges on long term debt	<u>113,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113,073)</u>	<u>-</u>	<u>(113,073)</u>
Total Governmental Activities	<u>1,401,392</u>	<u>301,356</u>	<u>52,456</u>	<u>375,100</u>	<u>(672,480)</u>	<u>-</u>	<u>(672,480)</u>
Business-Type Activities:							
Water	287,094	293,317	-	7,299	-	13,522	13,522
Sewer	<u>486,631</u>	<u>452,732</u>	<u>-</u>	<u>12,025</u>	<u>-</u>	<u>(21,874)</u>	<u>(21,874)</u>
Total Business-Type Activities	<u>773,725</u>	<u>746,049</u>	<u>-</u>	<u>19,324</u>	<u>-</u>	<u>(8,352)</u>	<u>(8,352)</u>
TOTAL	<u>\$ 2,175,117</u>	<u>\$ 1,047,405</u>	<u>\$ 52,456</u>	<u>\$ 394,424</u>	<u>(672,480)</u>	<u>(8,352)</u>	<u>(680,832)</u>
General revenues:							
Property taxes levied for general purposes					185,912	-	185,912
Property taxes levied for debt service					176,142	9,968	186,110
Intergovernmental revenue not restricted to specific programs					308,695	-	308,695
Investment income					9,686	1,090	10,776
Miscellaneous					<u>253,435</u>	<u>324</u>	<u>253,759</u>
Total general revenues and transfers					<u>933,870</u>	<u>11,382</u>	<u>945,252</u>
Change in net assets					261,390	3,030	264,420
Net Position - Beginning					<u>4,466,531</u>	<u>1,661,773</u>	<u>6,128,304</u>
Net Position - Ending					<u>\$ 4,727,921</u>	<u>\$ 1,664,803</u>	<u>\$ 6,392,724</u>

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

**CITY OF NEW LONDON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014**

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
ASSETS							
Cash and investments	\$ 671,069	\$ 376,517	\$ 103,354	\$ 284,611	\$ 90,128	\$ 332,594	\$ 1,858,273
Receivables							
Accounts	-	6,050	54,808	-	-	-	60,858
Delinquent taxes	11,280	-	-	9,326	-	-	20,606
Special assessments	-	-	-	356,259	-	-	356,259
Delinquent special assessments	-	-	-	212,644	-	-	212,644
Interest	2,880	-	-	-	-	-	2,880
Intergovernmental	18,950	3,366	-	-	-	-	22,316
Due from other funds	479	-	-	-	-	-	479
Advance to other funds	-	-	-	4,000	-	-	4,000
Prepaid expenses	6,642	4,864	5,682	-	-	-	17,188
TOTAL ASSETS	\$ 711,300	\$ 390,797	\$ 163,844	\$ 866,840	\$ 90,128	\$ 332,594	\$ 2,555,503
LIABILITIES							
Accounts payable	\$ 3,420	\$ 2,130	\$ 1,133	\$ -	\$ -	\$ -	\$ 6,683
Due to other funds	-	82	397	-	-	-	479
Advance from other funds	-	-	-	-	-	4,000	4,000
TOTAL LIABILITIES	3,420	2,212	1,530	-	-	4,000	11,162
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	9,793	-	-	8,289	-	-	18,082
Unavailable revenue - special assessments	-	-	-	527,767	-	-	527,767
Unavailable revenue - notes	-	3,366	-	-	-	-	3,366
TOTAL DEFERRED INFLOWS OF RESOURCES	9,793	3,366	-	536,056	-	-	549,215
FUND BALANCES							
Nonspendable	6,642	4,864	5,682	4,000	-	-	21,188
Restricted	-	-	-	286,158	-	292,634	578,792
Committed	-	40,651	-	-	-	31,029	71,680
Assigned	380,798	339,704	156,632	-	90,128	23,281	990,543
Unassigned	310,647	-	-	40,626	-	(18,350)	332,923
TOTAL FUND BALANCES	698,087	385,219	162,314	330,784	90,128	328,594	1,995,126
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 711,300	\$ 390,797	\$ 163,844	\$ 866,840	\$ 90,128	\$ 332,594	\$ 2,555,503

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

**CITY OF NEW LONDON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014**

Total Fund Balances-Governmental Funds	\$ 1,995,126
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
Governmental capital assets	9,020,774
Less: accumulated depreciation	(3,232,314)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Property taxes and special assessments receivable	549,215
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	(3,541,961)
Capital leases	<u>(62,919)</u>
Total Net Position-Governmental Activities	<u>\$ 4,727,921</u>

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2014

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
REVENUES							
General property tax	\$ 250,881	\$ -	\$ -	\$ 176,142	\$ -	\$ 38,012	\$ 465,035
Special assessments	-	-	-	112,600	-	-	112,600
License and permits	64,221	-	-	-	-	-	64,221
Intergovernmental	350,336	-	-	-	-	273,315	623,651
Charges for services	12,100	93,930	195,326	-	-	-	301,356
Fines and forfeits	1,104	-	-	-	-	-	1,104
Interest income	5,720	2,437	216	1,007	268	38	9,686
Miscellaneous revenues	110,680	7,262	4,528	-	62,613	3,027	188,110
Total Revenues	795,042	103,629	200,070	289,749	62,881	314,392	1,765,763
EXPENDITURES							
Current							
General government	303,094	-	-	-	-	600	303,694
Public safety	99,014	106,120	188,268	-	-	813	394,215
Streets and highways	154,975	-	-	-	600	-	155,575
Culture and recreation	41,203	-	-	-	-	27,280	68,483
Economic development	-	-	-	-	-	32,947	32,947
Capital outlay							
Streets and highways	23,924	-	-	-	734,787	-	758,711
Debt service							
Principal	-	20,039	-	205,000	-	-	225,039
Interest	-	2,888	-	96,155	-	-	99,043
Bond fees	-	-	-	1,590	12,440	-	14,030
Total Expenditures	622,210	129,047	188,268	302,745	747,827	61,640	2,051,737
EXCESS (DEFICIENCY) OF REVENUES							
OVER (UNDER) EXPENDITURES	172,832	(25,418)	11,802	(12,996)	(684,946)	252,752	(285,974)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	8,234	518,766	-	527,000
Transfer from other funds	-	60,568	-	-	30,000	40,000	130,568
Transfer to other funds	(130,568)	-	-	-	-	-	(130,568)
NET CHANGE IN FUND BALANCE	42,264	35,150	11,802	(4,762)	(136,180)	292,752	241,026
FUND BALANCE JANUARY 1	655,823	350,069	150,512	335,546	226,308	35,842	1,754,100
FUND BALANCE DECEMBER 31	\$ 698,087	\$ 385,219	\$ 162,314	\$ 330,784	\$ 90,128	\$ 328,594	\$ 1,995,126

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

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, 2014

Net Change in Fund Balances-Governmental Funds	\$ 241,026
Amounts reported for governmental activities in the statement of activities are different because:	
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	745,222
Depreciation expense	(319,916)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred inflows of resources, December 31, 2013	549,215
Deferred inflows of resources, December 31, 2012	(652,196)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any on net position	
Principal retirement of long-term debt	225,039
Debt issued	<u>(527,000)</u>
Change in Net Position-Governmental Activities	<u>\$ 261,390</u>

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 390,324	\$ 195,737	\$ 586,061
Receivables			
Accounts receivable	68,030	905	68,935
Taxes - delinquent	-	133	133
Total Current Assets	458,354	196,775	655,129
Noncurrent Assets			
Cash restricted for debt service	140,029	108,775	248,804
Special assessments receivable	134,912	261,911	396,823
Capital assets			
Non-depreciable	-	1,000	1,000
Depreciable assets	1,682,479	2,333,949	4,016,428
Less accumulated depreciation	(735,789)	(728,179)	(1,463,968)
Total capital assets, net	946,690	1,606,770	2,553,460
Total Noncurrent Assets	1,221,631	1,977,456	3,199,087
TOTAL ASSETS	1,679,985	2,174,231	3,854,216
LIABILITIES			
Current Liabilities			
Accounts payable	16,583	29,829	46,412
Current portion bonds payable	41,000	84,000	125,000
Total Current Liabilities	57,583	113,829	171,412
Noncurrent Liabilities			
Bonds payable	660,000	1,358,001	2,018,001
Total Noncurrent Liabilities	660,000	1,358,001	2,018,001
TOTAL LIABILITIES	717,583	1,471,830	2,189,413
NET POSITION			
Net investment in capital assets	245,690	164,769	410,459
Restricted			
Debt service	274,941	370,686	645,627
Capital replacement	-	63,110	63,110
Unrestricted	441,771	103,836	545,607
TOTAL NET POSITION	\$ 962,402	\$ 702,401	\$ 1,664,803

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2014

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Sales and charges for services	\$ 293,317	\$ 452,732	\$ 746,049
Total Operating Revenues	293,317	452,732	746,049
OPERATING EXPENSES			
Personal services	13,954	10,465	24,419
Payroll taxes and benefits	2,079	1,560	3,639
Contract services	193,583	378,649	572,232
Materials and supplies	5,127	7,265	12,392
Repairs and maintenance	19,566	13,515	33,081
Professional fees	1,046	246	1,292
Occupancy	-	1,954	1,954
Permits	6,709	2,334	9,043
Other expenses	225	-	225
Depreciation	37,302	55,609	92,911
Total Operating Expenses	279,591	471,597	751,188
Operating Income (Loss)	13,726	(18,865)	(5,139)
NON-OPERATING REVENUES (EXPENSES)			
Property taxes	-	9,968	9,968
Special assessments	7,299	12,025	19,324
Billing fees	-	324	324
Interest income	853	237	1,090
Interest expense	(7,503)	(15,034)	(22,537)
Total Non-Operating Revenues (Expenses)	649	7,520	8,169
Change in Net Position	14,375	(11,345)	3,030
NET POSITION, JANUARY 1	948,027	713,746	1,661,773
NET POSITION, DECEMBER 31	\$ 962,402	\$ 702,401	\$ 1,664,803

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Receipts from customers	\$ 298,371	\$ 483,861	\$ 782,232
Payments to suppliers	(226,228)	(432,502)	(658,730)
Payments to employees	<u>(16,033)</u>	<u>(12,025)</u>	<u>(28,058)</u>
NET CASH PROVIDED BY			
OPERATING ACTIVITIES	<u>56,110</u>	<u>39,334</u>	<u>95,444</u>
CASH FLOWS FROM NON CAPITAL			
FINANCING ACTIVITIES			
Non operating revenue	<u>853</u>	<u>561</u>	<u>1,414</u>
NET CASH PROVIDED BY NON CAPITAL			
FINANCING ACTIVITIES	<u>853</u>	<u>561</u>	<u>1,414</u>
CASH FLOWS FROM CAPITAL AND			
RELATED FINANCING ACTIVITIES			
Special assessments received	17,000	40,378	57,378
Principal paid on long-term debt	(40,605)	(82,771)	(123,376)
Interest paid on long-term debt	<u>(7,503)</u>	<u>(15,034)</u>	<u>(22,537)</u>
NET CASH USED IN CAPITAL AND			
RELATED FINANCING ACTIVITIES	<u>(31,108)</u>	<u>(57,427)</u>	<u>(88,535)</u>
NET INCREASE IN CASH	25,855	(17,532)	8,323
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>504,498</u>	<u>322,044</u>	<u>826,542</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 530,353</u>	<u>\$ 304,512</u>	<u>\$ 834,865</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 13,726	\$ (18,865)	\$ (5,139)
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	37,302	55,609	92,911
Change in assets and liabilities			
Decrease (increase) in receivables	5,054	31,129	36,183
Increase (decrease) in accounts payable	<u>28</u>	<u>(28,539)</u>	<u>(28,511)</u>
NET CASH PROVIDED BY			
OPERATING ACTIVITIES	<u>\$ 56,110</u>	<u>\$ 39,334</u>	<u>\$ 95,444</u>
RECONCILIATION OF OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 390,324	\$ 195,737	\$ 586,061
Restricted	<u>140,029</u>	<u>108,775</u>	<u>248,804</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 530,353</u>	<u>\$ 304,512</u>	<u>\$ 834,865</u>

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

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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 position 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 position, 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 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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (continued)

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.

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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, Deferred Inflows of Resources, and Net Position/Fund Balance

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, 2014, 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 2014 were \$9,277.

3. Receivables

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2014. All receivables are shown net of an allowance for uncollectible accounts.

Property taxes are levied by the City Council in October of each year and are certified to Kandiyohi County for collection in the following year. The property taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The County collects the taxes and periodically remits them to the City. The majority of these remittances are made in June and November.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from delinquent property taxes not collected within 60 days of year-end is deferred in the fund financial statements because they are not known to be available to finance the operations of the City in the current year.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (continued)

3. Receivables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become available in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are offset by a deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (continued)

7. Deferred Inflows of Resources

The statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources; taxes, special assessments and notes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types 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 Position/Fund Balances

The government-wide and business-type activities financial statements use a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets - 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 position - 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 position - This category represents net position of the City, not restricted for any project or other purpose.

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (continued)

9. Net Position/Fund Balances (continued)

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.

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, 2014 consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund	PIR Fund	NonMajor Funds	Totals
FUND BALANCES							
Nonspendable	\$ 6,642	\$ 4,864	\$ 5,682	\$ 4,000	\$ -	\$ -	\$ 21,188
Restricted							
Debt service	-	-	-	286,158	-	-	286,158
Tax increment financing	-	-	-	-	-	43,423	43,423
ArtPlace America	-	-	-	-	-	249,211	249,211
Committed							
Sesquicentennial	-	-	-	-	-	18,444	18,444
Economic development	-	-	-	-	-	12,585	12,585
Truck replacement	-	40,651	-	-	-	-	40,651
Assigned							
Working capital	317,719	84,022	89,971	-	-	-	491,712
Public safety	-	255,682	66,661	-	-	257	322,600
Community improvement	-	-	-	-	-	23,024	23,024
Capital projects	-	-	-	-	90,128	-	90,128
Contingencies	63,079	-	-	-	-	-	63,079
Unassigned	<u>310,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,350)</u>	<u>292,297</u>
 Total Fund Balances	 <u>\$ 698,087</u>	 <u>\$ 385,219</u>	 <u>\$ 162,314</u>	 <u>\$ 290,158</u>	 <u>\$ 90,128</u>	 <u>\$ 328,594</u>	 <u>\$ 1,954,500</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, 2014**

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, 2014, 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;

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments (continued)

(4) bankers' acceptances of United States banks;

(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, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

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

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 190,567	\$ -	\$ -	\$ 190,567
Construction in progress	<u>167,525</u>	<u>440,336</u>	<u>167,525</u>	<u>440,336</u>
Total capital assets not being depreciated	<u>358,092</u>	<u>440,336</u>	<u>167,525</u>	<u>630,903</u>
Capital assets being depreciated				
Buildings and structures	504,705	461,540	-	966,245
Infrastructure and improvements	6,295,168	7,359	-	6,302,527
Machinery and equipment	339,781	3,512	-	343,293
Office furniture and fixtures	3,003	-	-	3,003
Automotive equipment	<u>774,803</u>	<u>-</u>	<u>-</u>	<u>774,803</u>
Total capital assets being depreciated	<u>7,917,460</u>	<u>472,411</u>	<u>-</u>	<u>8,389,871</u>
Less accumulated depreciation for:				
Buildings and structures	355,818	14,161	-	369,979
Infrastructure and improvements	1,889,050	249,469	-	2,138,519
Machinery and equipment	228,360	13,581	-	241,941
Office furniture and fixtures	3,003	20	-	3,023
Automotive equipment	<u>436,167</u>	<u>42,685</u>	<u>-</u>	<u>478,852</u>
Total accumulated depreciation	<u>2,912,398</u>	<u>319,916</u>	<u>-</u>	<u>3,232,314</u>
Total capital assets being depreciated, net	<u>5,005,062</u>	<u>152,495</u>	<u>-</u>	<u>5,157,557</u>
Governmental activities capital assets, net	<u>\$ 5,363,154</u>	<u>\$ 592,831</u>	<u>\$ 167,525</u>	<u>\$ 5,788,460</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

Business-type activities	<u>Ending Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital assets being depreciated				
Infrastructure and improvements	3,718,302	-	-	3,718,302
Machinery and equipment	269,146	-	-	269,146
Office furniture and fixtures	17,746	-	-	17,746
Automotive equipment	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>11,234</u>
Total capital assets being depreciated	<u>3,886,914</u>	<u>-</u>	<u>-</u>	<u>4,016,428</u>
Less accumulated depreciation for:				
Infrastructure and improvements	1,240,153	79,786	-	1,319,939
Machinery and equipment	116,533	9,885	-	126,418
Office furniture and fixtures	3,137	3,240	-	6,377
Automotive equipment	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>11,234</u>
Total accumulated depreciation	<u>1,262,685</u>	<u>92,911</u>	<u>-</u>	<u>1,463,968</u>
Total capital assets being depreciated, net	<u>2,624,229</u>	<u>(92,911)</u>	<u>-</u>	<u>2,552,460</u>
Business-type activities capital assets, net	<u>\$ 2,625,229</u>	<u>\$ (92,911)</u>	<u>\$ -</u>	<u>\$ 2,553,460</u>

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

Governmental activities		
General government		\$ 8,824
Public safety		51,676
Public works		254,007
Culture and recreation		<u>5,409</u>
Total depreciation expense - governmental activities		<u>\$ 319,916</u>
Business-type activities		
Water		\$ 37,302
Sewer		<u>55,609</u>
Total depreciation expense - business-type activities		<u>\$ 92,911</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transfers

1. Interfund Transfers

Transfer from	Transfer to		
	Fire Fund	Capital Projects Fund	NonMajor Funds
General fund	\$ 60,568	\$ 30,000	\$ 40,000

Transfers from the General Fund to the Fire Fund occur annually to fund the City's share of fire protection.

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. Capital Leases

The City has entered into various lease agreements as lessee for financing acquisition of property and equipment for the fire department.

Description	Issue Date	Maturity Date	Interest Rate	Original Amount	Outstanding Balance at Year End
Pumper truck and equipment	2007	2017	4.59%	182,800	\$ 42,880

The future minimum lease obligations are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2015	\$ 20,959	\$ 1,968	\$ 22,927
2016	21,921	1,006	22,927
Total	\$ 42,880	\$ 2,974	\$ 45,854

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt

General Obligation Bonds – The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

General obligation improvement bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and from ad valorem tax levies.

Description	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Outstanding Balance at Year End
G.O. Permanent Improvement Revolving Fund Bond Series 2008A	2008	2019	3.92%	\$ 350,000	\$ 190,000
G.O. Improvement Refunding Bond Series 2009A	2009	2016	1.15-2.85%	680,000	165,000
G. O. Improvement Bonds, Series 2011A	2011	2026	4.00%	520,000	460,000
G.O. Permanent Improvement Revolving Advance Refunding Bond Series 2012B	2012	2038	1.00-3.75%	2,350,000	2,220,000
G.O. Obligation Tax Abatement Bonds, Series 2014A	2014	2030	3.75%	527,000	<u>527,000</u>
Total General Obligation Bonds					<u>\$ 3,562,000</u>

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2015	\$ 210,000	\$ 109,448	\$ 319,448
2016	247,000	105,082	352,082
2017	173,000	99,335	272,335
2018	179,000	94,213	273,213
2019	180,000	88,977	268,977
2020-2024	767,000	375,561	1,142,561
2025-2029	747,000	251,770	998,770
2030-2034	569,000	146,114	715,114
2035-2038	<u>490,000</u>	<u>46,521</u>	<u>536,521</u>
Total	<u>\$ 3,562,000</u>	<u>\$ 1,317,021</u>	<u>\$ 4,879,021</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

General obligation revenue bonds

These bonds were issued to finance capital improvements to the Water and Sewer funds. These bonds will be primarily retired from net revenue of these enterprise funds and special assessments.

Description	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Outstanding Balance at Year End
G.O. Water Improvement Note of 2011B	2011	2030	1.00%	\$ 850,825	\$ 701,000
G.O. Sewer Improvement Note of 2011C	2011	2030	1.00%	1,668,210	<u>1,442,000</u>
Total General Obligation Revenue Bonds					<u>\$ 2,143,000</u>

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

Year Ending December 31	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 125,000	\$ 21,430	\$ 146,430
2016	125,000	20,180	145,180
2017	126,000	18,930	144,930
2018	128,000	17,670	145,670
2019	129,000	16,390	145,390
2020-2024	667,000	62,270	729,270
2025-2029	699,000	28,320	727,320
2030	<u>144,000</u>	<u>1,440</u>	<u>145,440</u>
Total	<u>\$ 2,143,000</u>	<u>\$ 186,630</u>	<u>\$ 2,329,630</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. PIR Bond, 2008A	\$ 225,000	\$ -	\$ 35,000	\$ 190,000	\$ 35,000
G.O. Improvement Refunding Bond, 2009A	250,000	-	85,000	165,000	80,000
G.O. Improvement Bonds, 2011A	490,000	-	30,000	460,000	30,000
G.O. PIR Advance Refunding Bonds, Series 2012B	2,275,000	-	55,000	2,220,000	65,000
G.O. Tax Abatement Bonds, Series 2014A	-	527,000	-	527,000	-
Capital Leases Pumper truck	62,919	-	20,039	42,880	20,959
Total governmental activities	<u>\$ 3,302,919</u>	<u>\$ 527,000</u>	<u>\$ 225,039</u>	<u>\$ 3,604,880</u>	<u>\$ 230,959</u>
Business-type activities					
G.O. Water Improvement Note of 2011B	\$ 741,605	\$ -	\$ 40,605	\$ 701,000	\$ 41,000
G.O. Sewer Improvement Note of 2011C	1,524,771	-	82,771	1,442,000	84,000
Total business-type activities	<u>\$ 2,266,376</u>	<u>\$ -</u>	<u>\$ 123,376</u>	<u>\$ 2,143,000</u>	<u>\$ 125,000</u>
Conduit debt					
Green Lake Sewer and Water System General Obligation Sewer Bonds	<u>\$ 1,550,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 1,460,000</u>	<u>\$ 90,000</u>

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

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 General Employees Retirement Fund (GERF) which is a cost sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs.353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. Contribution rates will increase on January 1, 2015 for the Coordinated Plan, 6.5% for members and 7.5% for employers, and the Police and Fire Fund, 10.8% for members and 16.2% for employers.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy (continued)

The City was required to contribute the following percentages of annual covered payroll in 2014:

	2014
Public Employee Retirement Fund	
Basic Plan Members	11.78%
Coordinated Plan Members	7.25%

The City's contributions for the years ending December 31, 2014, 2013, and 2012, for the Public Employees Retirement Fund were:

	2014	2013	2012
Public Employee Retirement Fund			
City contributions	<u>\$ 13,710</u>	<u>\$ 13,355</u>	<u>\$ 12,377</u>

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

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

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 December 31, 2014, 2013, and 2012 were as follows:

	2014	2013	2012
Required contribution	<u>\$ 1,883</u>	<u>\$ 6,837</u>	<u>\$ 7,595</u>
Actual contribution	<u>\$ 8,400</u>	<u>\$ 8,400</u>	<u>\$ 8,400</u>

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 but 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 2014.

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, 2014**

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>
1-12	Housing	December 17, 2003		December 31, 2030
1-13	Redevelopment	June 5, 2013		December 31, 2040

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 18, 2015 the date the financial statements were available to be issued.

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**CITY OF NEW LONDON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property tax	\$ 250,015	\$ 253,587	\$ 250,881	\$ (2,706)
License and permits	26,120	63,835	64,221	386
Intergovernmental	348,695	350,336	350,336	-
Charges for services	9,370	12,100	12,100	-
Fines and forfeits	3,000	1,104	1,104	-
Interest income	2,000	1,500	5,720	4,220
Miscellaneous revenues	<u>1,000</u>	<u>108,326</u>	<u>110,680</u>	<u>2,354</u>
 Total Revenues	 <u>640,200</u>	 <u>790,788</u>	 <u>795,042</u>	 <u>4,254</u>
EXPENDITURES				
Current				
General government	205,212	304,168	303,094	(1,074)
Public safety	99,540	99,364	99,014	(350)
Streets and highways	156,610	160,904	154,975	(5,929)
Culture and recreation	40,073	41,052	41,203	151
Capital outlay				
Streets and highways	<u>34,952</u>	<u>25,000</u>	<u>23,924</u>	<u>(1,076)</u>
 Total Expenditures	 <u>536,387</u>	 <u>630,488</u>	 <u>622,210</u>	 <u>(8,278)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 103,813	 160,300	 172,832	 12,532
 OTHER FINANCING SOURCES (USES)				
Transfer to other funds	<u>(75,569)</u>	<u>(75,569)</u>	<u>(130,568)</u>	<u>54,999</u>
 NET CHANGE IN FUND BALANCE	 28,244	 84,731	 42,264	 (42,467)
 FUND BALANCE JANUARY 1	 <u>655,823</u>	 <u>655,823</u>	 <u>655,823</u>	 <u>-</u>
 FUND BALANCE DECEMBER 31	 <u>\$ 684,067</u>	 <u>\$ 740,554</u>	 <u>\$ 698,087</u>	 <u>\$ (42,467)</u>

See notes to required supplementary information.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014**

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
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2014**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 303,521	\$ 29,073	\$ 332,594
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 303,521</u>	<u>\$ 29,073</u>	<u>\$ 332,594</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Advance from other funds	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Total Liabilities	<u>-</u>	<u>4,000</u>	<u>4,000</u>
 FUND BALANCES			
Restricted	249,211	43,423	292,634
Committed	31,936	-	31,936
Assigned	<u>22,374</u>	<u>(18,350)</u>	<u>4,024</u>
Total Fund Balances	<u>303,521</u>	<u>25,073</u>	<u>328,594</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 303,521</u>	 <u>\$ 29,073</u>	 <u>\$ 332,594</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2014

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Taxes			
Tax increments	\$ -	\$ 38,012	\$ 38,012
Intergovernmental revenue	10,815	-	10,815
Miscellaneous revenue			
Grants and contributions	265,527	-	265,527
Interest	<u>2</u>	<u>36</u>	<u>38</u>
TOTAL REVENUES	<u>276,344</u>	<u>38,048</u>	<u>314,392</u>
EXPENDITURES			
Current			
Public safety	813	-	813
Culture and recreation	27,280	-	27,280
Economic development			
Professional fees	-	9,895	9,895
Tax increments	-	16,892	16,892
Administrative costs	-	298	298
Other expenses	<u>6,462</u>	<u>-</u>	<u>6,462</u>
TOTAL EXPENDITURES	<u>34,555</u>	<u>27,085</u>	<u>61,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	241,789	10,963	252,752
OTHER FINANCING USES			
Transfer in	<u>40,000</u>	<u>-</u>	<u>40,000</u>
NET CHANGE IN FUND BALANCE	281,789	10,963	292,752
FUND BALANCE (DEFICIT), JANUARY 1	<u>21,732</u>	<u>14,110</u>	<u>35,842</u>
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ 303,521</u>	<u>\$ 25,073</u>	<u>\$ 328,594</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
December 31, 2014**

	Connected Communities Fund	Firefighter/ EMT Fund	Neer Park Fund	ArtPlace America Fund	City Anniversary Fund	Economic Development Authority	All School Reunion Fund	Totals
ASSETS								
Cash and cash equivalents	\$ 688	\$ 257	\$ 21,429	\$ 249,211	\$ 18,444	\$ 12,585	\$ 907	\$ 303,521
Accounts receivable	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 688</u>	<u>\$ 257</u>	<u>\$ 21,429</u>	<u>\$ 249,211</u>	<u>\$ 18,444</u>	<u>\$ 12,585</u>	<u>\$ 907</u>	<u>\$ 303,521</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Restricted	-	-	-	249,211	-	-	-	249,211
Committed	-	-	-	-	18,444	12,585	907	31,936
Assigned	688	257	21,429	-	-	-	-	22,374
TOTAL FUND BALANCES	<u>688</u>	<u>257</u>	<u>21,429</u>	<u>249,211</u>	<u>18,444</u>	<u>12,585</u>	<u>907</u>	<u>303,521</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 688</u>	<u>\$ 257</u>	<u>\$ 21,429</u>	<u>\$ 249,211</u>	<u>\$ 18,444</u>	<u>\$ 12,585</u>	<u>\$ 907</u>	<u>\$ 303,521</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2014

	Connected Communities Fund	Firefighter/ EMT Fund	Neer Park Fund	ArtPlace America Fund	City Anniversary Fund	Economic Development Authority	All School Reunion Fund	Total
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ 10,815	\$ -	\$ -	\$ -	\$ 10,815
Miscellaneous revenue								
Grants and contributions	-	500	-	263,000	-	-	2,027	265,527
Interest income	-	-	2	-	-	-	-	2
TOTAL REVENUES	<u>-</u>	<u>500</u>	<u>2</u>	<u>273,815</u>	<u>-</u>	<u>-</u>	<u>2,027</u>	<u>276,344</u>
EXPENDITURES								
Current								
Public safety	-	813	-	-	-	-	-	813
Culture and recreation	-	-	-	24,604	1,556	-	1,120	27,280
Economic development	-	-	-	-	-	6,462	-	6,462
TOTAL EXPENDITURES	<u>-</u>	<u>813</u>	<u>-</u>	<u>24,604</u>	<u>1,556</u>	<u>6,462</u>	<u>1,120</u>	<u>34,555</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(313)	2	249,211	(1,556)	(6,462)	907	241,789
OTHER FINANCING USES								
Transfer in	-	-	20,000	-	5,000	15,000	-	40,000
NET CHANGE IN FUND BALANCE	-	(313)	20,002	249,211	3,444	8,538	907	281,789
FUND BALANCES, JANUARY 1	<u>688</u>	<u>570</u>	<u>1,427</u>	<u>-</u>	<u>15,000</u>	<u>4,047</u>	<u>-</u>	<u>21,732</u>
FUND BALANCES, DECEMBER 31	<u>\$ 688</u>	<u>\$ 257</u>	<u>\$ 21,429</u>	<u>\$ 249,211</u>	<u>\$ 18,444</u>	<u>\$ 12,585</u>	<u>\$ 907</u>	<u>\$ 303,521</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
December 31, 2014**

	<u>TIF District 1-11</u>	<u>TIF District 1-12</u>	<u>TIF District 1-13</u>	<u>TIF District 1-14</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 908	\$ 43,423	\$ (7,665)	\$ (7,593)	\$ 29,073
TOTAL ASSETS	<u>908</u>	<u>43,423</u>	<u>(7,665)</u>	<u>(7,593)</u>	<u>29,073</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Advance from other funds	4,000	-	-	-	4,000
Total Liabilities	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
FUND BALANCES					
Restricted	-	43,423	-	-	43,423
Committed	-	-	-	-	-
Unassigned	(3,092)	-	(7,665)	(7,593)	(18,350)
Total Fund Balances	<u>(3,092)</u>	<u>43,423</u>	<u>(7,665)</u>	<u>(7,593)</u>	<u>25,073</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 908</u>	<u>\$ 43,423</u>	<u>\$ (7,665)</u>	<u>\$ (7,593)</u>	<u>\$ 29,073</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2014

	TIF District 1-11	TIF District 1-12	TIF District 1-13	TIF District 1-14	Total
REVENUES					
Taxes					
Tax increments	\$ -	\$ 38,012	\$ -	\$ -	\$ 38,012
Miscellaneous Revenue					
Interest	<u>1</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>36</u>
TOTAL REVENUES	<u>1</u>	<u>38,047</u>	<u>-</u>	<u>-</u>	<u>38,048</u>
EXPENDITURES					
Economic development					
Professional fees	-	2,600	-	7,295	9,895
Tax increments	-	16,892	-	-	16,892
Administrative costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>298</u>
TOTAL EXPENDITURES	<u>-</u>	<u>19,492</u>	<u>-</u>	<u>7,593</u>	<u>27,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1	18,555	-	(7,593)	10,963
OTHER FINANCING USES					
Transfers in	-	-	-	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1	18,555	-	(7,593)	10,963
FUND BALANCE (DEFICIT), JANUARY 1	<u>(3,093)</u>	<u>24,868</u>	<u>(7,665)</u>	<u>-</u>	<u>14,110</u>
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ (3,092)</u>	<u>\$ 43,423</u>	<u>\$ (7,665)</u>	<u>\$ (7,593)</u>	<u>\$ 25,073</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2014**

	Debt Service Reserve Fund	G.O. PIR Bond - 2008A	G.O. Improvement Refunding Bond - 2009A	G.O. Improvement Bond - 2011A	G.O. PIR Adv Refunding Bond - 2012B	G.O. Improvement Bond - 2014	Totals
ASSETS							
Cash and cash equivalents	\$ 831,364	\$ (159,775)	\$ 16,210	\$ 22,193	\$ (433,615)	\$ 8,234	\$ 284,611
Receivables							
Delinquent taxes	863	260	5,794	285	2,124	-	9,326
Special assessments	53,119	161,948	-	98,834	42,358	-	356,259
Delinquent assessments	38,631	169,244	-	371	4,398	-	212,644
Advance to other funds	4,000	-	-	-	-	-	4,000
TOTAL ASSETS	\$ 927,977	\$ 171,677	\$ 22,004	\$ 121,683	\$ (384,735)	\$ 8,234	\$ 866,840
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	863	230	5,267	164	1,765	-	8,289
Unavailable revenue - special assessments	51,124	331,193	-	98,962	46,488	-	527,767
TOTAL DEFERRED INFLOWS OF RESOURCES	51,987	331,423	5,267	99,126	48,253	-	536,056
FUND BALANCES							
Nonspendable	4,000	-	-	-	-	-	4,000
Restricted	871,990	(159,746)	16,737	22,557	(432,988)	8,234	326,784
TOTAL FUND BALANCES	875,990	(159,746)	16,737	22,557	(432,988)	8,234	330,784
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 927,977	\$ 171,677	\$ 22,004	\$ 121,683	\$ (384,735)	\$ 8,234	\$ 866,840

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For The Year Ended December 31, 2014

	Debt Service Reserve Fund	G.O. PIR Bond - 2008A	G.O. Improvement Refunding Bond - 2009A	G.O. Improvement Bond - 2011A	G.O. PIR Adv Refunding Bond - 2012B	G.O. Improvement Bond - 2014	Totals
REVENUES							
General property tax	\$ 517	\$ 5,356	\$ 89,536	\$ 20,262	\$ 60,471	\$ -	\$ 176,142
Special assessments	74,847	-	-	11,577	26,176	-	112,600
Interest income	1,004	-	3	-	-	-	1,007
Total Revenues	<u>76,368</u>	<u>5,356</u>	<u>89,539</u>	<u>31,839</u>	<u>86,647</u>	<u>-</u>	<u>289,749</u>
EXPENDITURES							
Debt service							
Principal	-	35,000	85,000	30,000	55,000	-	205,000
Interest	-	8,134	5,438	19,000	63,583	-	96,155
Bond fees	175	-	425	-	990	-	1,590
Total Expenditures	<u>175</u>	<u>43,134</u>	<u>90,863</u>	<u>49,000</u>	<u>119,573</u>	<u>-</u>	<u>302,745</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76,193	(37,778)	(1,324)	(17,161)	(32,926)	-	(12,996)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	8,234	8,234
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,234</u>	<u>8,234</u>
NET CHANGE IN FUND BALANCE	76,193	(37,778)	(1,324)	(17,161)	(32,926)	8,234	(4,762)
FUND BALANCE JANUARY 1	<u>799,797</u>	<u>(121,968)</u>	<u>18,061</u>	<u>39,718</u>	<u>(400,062)</u>	<u>-</u>	<u>335,546</u>
FUND BALANCE DECEMBER 31	<u>\$ 875,990</u>	<u>\$ (159,746)</u>	<u>\$ 16,737</u>	<u>\$ 22,557</u>	<u>\$ (432,988)</u>	<u>\$ 8,234</u>	<u>\$ 330,784</u>

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, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

	Final Budget	2014 Actual Amounts	Over(Under) Final Budget	2013 Actual Amounts
REVENUES				
Taxes				
General property taxes	\$ 253,587	\$ 250,881	\$ (2,706)	\$ 241,157
License and permits	<u>63,835</u>	<u>64,221</u>	<u>386</u>	<u>65,095</u>
Total Taxes	<u>317,422</u>	<u>315,102</u>	<u>(2,320)</u>	<u>306,252</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	308,292	308,292	-	274,860
PERA aid	403	403	-	403
Fire relief aid	<u>41,641</u>	<u>41,641</u>	<u>-</u>	<u>41,534</u>
Total Intergovernmental Revenue	<u>350,336</u>	<u>350,336</u>	<u>-</u>	<u>316,797</u>
Charges for Services				
General government	4,100	4,100	-	3,630
Culture and recreation	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>5,950</u>
Total Charges for Services	<u>12,100</u>	<u>12,100</u>	<u>-</u>	<u>9,580</u>
Fines and forfeits	<u>1,104</u>	<u>1,104</u>	<u>-</u>	<u>823</u>
Miscellaneous Revenues				
Investment income	1,500	5,720	4,220	5,527
Other	<u>108,326</u>	<u>110,680</u>	<u>2,354</u>	<u>14,527</u>
Total Miscellaneous Revenues	<u>109,826</u>	<u>116,400</u>	<u>6,574</u>	<u>20,054</u>
TOTAL REVENUES	790,788	795,042	4,254	653,506
OTHER SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER SOURCES	<u>790,788</u>	<u>795,042</u>	<u>4,254</u>	<u>653,506</u>

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, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

	2014		Over(Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES				
General Government				
Governing Board				
Salaries	8,640	8,640	-	8,545
Payroll taxes and benefits	661	661	-	654
Other expenses	<u>30</u>	<u>1,692</u>	<u>1,662</u>	<u>30</u>
Total Governing Board	<u>9,331</u>	<u>10,993</u>	<u>1,662</u>	<u>9,229</u>
Administration and Finance				
Salaries	89,827	89,827	-	84,793
Payroll taxes and benefits	<u>25,983</u>	<u>25,985</u>	<u>2</u>	<u>25,235</u>
Total Administration and Finance	<u>115,810</u>	<u>115,812</u>	<u>2</u>	<u>110,028</u>
Government Buildings				
Salaries	10,445	10,465	20	10,851
Payroll taxes and benefits	1,556	1,560	4	1,617
Occupancy	11,050	11,022	(28)	10,261
Repairs and maintenance	1,600	1,633	33	1,516
Other expenses	<u>1,662</u>	<u>-</u>	<u>(1,662)</u>	<u>1,389</u>
Total Government Buildings	<u>26,313</u>	<u>24,680</u>	<u>(1,633)</u>	<u>25,634</u>
Other General Government				
Salaries	225	225	-	75
Payroll taxes and benefits	17	17	-	6
Supplies	5,600	5,352	(248)	5,921
Occupancy	1,800	1,653	(147)	1,534
Insurance	14,000	13,591	(409)	7,802
Elections	1,247	1,247	-	-
Assessor	6,630	6,630	-	6,920
Professional services	11,265	10,912	(353)	12,155
Other expenses	<u>111,930</u>	<u>111,982</u>	<u>52</u>	<u>15,837</u>
Total Other General Government	<u>152,714</u>	<u>151,609</u>	<u>(1,105)</u>	<u>50,250</u>
Total General Government	<u>304,168</u>	<u>303,094</u>	<u>(1,074)</u>	<u>195,141</u>
Public Safety				
Police Department				
Contracted services	<u>18,168</u>	<u>18,168</u>	<u>-</u>	<u>17,640</u>
Fire Department				
Fire Relief Association	<u>41,641</u>	<u>41,641</u>	<u>-</u>	<u>41,534</u>
Other Protection				
Building inspection	38,955	38,746	(209)	36,815
Animal control	<u>600</u>	<u>459</u>	<u>(141)</u>	<u>150</u>
Total Other Protection	<u>39,555</u>	<u>39,205</u>	<u>(350)</u>	<u>36,965</u>
Total Public Safety	<u>99,364</u>	<u>99,014</u>	<u>(350)</u>	<u>96,139</u>

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, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

	2014		Over(Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
Streets and Highways				
Street Maintenance				
Salaries	20,891	20,931	40	21,702
Payroll taxes and benefits	15,450	15,457	7	15,834
Supplies	12,225	11,936	(289)	10,721
Occupancy	2,650	2,493	(157)	2,382
Repairs and maintenance	10,302	10,277	(25)	5,447
Other expenses	7,386	7,226	(160)	7,494
Capital outlay	25,000	23,924	(1,076)	48,124
Total Street Maintenance	<u>93,904</u>	<u>92,244</u>	<u>(1,660)</u>	<u>111,704</u>
Snow and Ice Removal				
Contract services	65,000	58,909	(6,091)	53,186
Total Snow and Ice Removal	<u>65,000</u>	<u>58,909</u>	<u>(6,091)</u>	<u>53,186</u>
Street Lighting	27,000	27,746	746	26,788
Total Streets and Highways	<u>185,904</u>	<u>178,899</u>	<u>(7,005)</u>	<u>191,678</u>
Culture and Recreation				
Parks and Recreation				
Salaries	13,927	13,954	27	14,468
Payroll taxes and benefits	2,075	2,079	4	2,156
Occupancy	1,600	2,145	545	1,369
Repairs and maintenance	5,000	4,577	(423)	2,354
Total Parks and Recreation	<u>22,602</u>	<u>22,755</u>	<u>153</u>	<u>20,347</u>
Community Education	10,500	10,500	-	10,500
Library				
Occupancy	7,950	7,948	(2)	7,926
Total Culture and Recreation	<u>41,052</u>	<u>41,203</u>	<u>151</u>	<u>38,773</u>

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, 2014
With Comparative Actual Amounts For The Year Ended December 31, 2013

	Final Budget	2014 Actual Amounts	Over(Under) Final Budget	2013 Actual Amounts
TOTAL EXPENDITURES	<u>630,488</u>	<u>622,210</u>	<u>(8,278)</u>	<u>521,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	160,300	172,832	12,532	131,775
OTHER FINANCING USES				
Transfer out	<u>75,569</u>	<u>130,568</u>	<u>54,999</u>	<u>105,691</u>
NET CHANGE IN FUND BALANCE	84,731	42,264	<u>\$ (42,467)</u>	26,084
FUND BALANCE, JANUARY 1	<u>655,823</u>	<u>655,823</u>		<u>629,739</u>
FUND BALANCE, DECEMBER 31	<u>\$ 740,554</u>	<u>\$ 698,087</u>		<u>\$ 655,823</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FIRE DEPARTMENT FUND
For The Year Ended December 31, 2014
With Comparative Amounts For The Year Ended December 31, 2013

REVENUES	<u>2014</u>	<u>2013</u>
Charges for Services		
Fire contracts and calls	\$ 93,930	\$ 100,152
Total Charges for Services	<u>93,930</u>	<u>100,152</u>
Miscellaneous Revenues		
Interest income	2,437	2,338
Donations	<u>7,262</u>	<u>10,874</u>
Total Miscellaneous Revenues	<u>9,699</u>	<u>13,212</u>
TOTAL REVENUES	<u>103,629</u>	<u>113,364</u>
EXPENDITURES		
Current		
Salaries	31,708	24,610
Payroll taxes and benefits	10,826	10,283
Supplies	18,050	10,302
Occupancy	7,038	5,687
Repairs and maintenance	15,109	21,723
Insurance	12,017	12,445
Professional fees	6,136	6,520
Other expenses	5,236	201
Debt service		
Principal	20,039	30,689
Interest	<u>2,888</u>	<u>4,369</u>
TOTAL EXPENDITURES	<u>129,047</u>	<u>126,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,418)	(13,465)
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>60,568</u>	<u>60,691</u>
NET CHANGE IN FUND BALANCE	35,150	47,226
FUND BALANCE, JANUARY 1	<u>350,069</u>	<u>302,843</u>
FUND BALANCE, DECEMBER 31	<u>\$ 385,219</u>	<u>\$ 350,069</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AMBULANCE FUND
For The Year Ended December 31, 2014
With Comparative Amounts For The Year Ended December 31, 2013

REVENUES	<u>2014</u>	<u>2013</u>
Charges for Services		
Ambulance calls	\$ 195,326	\$ 171,057
Total Charges for Services	<u>195,326</u>	<u>171,057</u>
Miscellaneous Revenues		
Interest income	216	270
Donations	<u>4,528</u>	<u>817</u>
Total Miscellaneous Revenues	<u>4,744</u>	<u>1,087</u>
TOTAL REVENUES	<u>200,070</u>	<u>172,144</u>
EXPENDITURES		
Current		
Salaries	127,918	121,486
Payroll taxes and benefits	9,786	9,294
Supplies	17,335	16,308
Occupancy	1,522	1,625
Repairs and maintenance	4,365	2,457
Insurance	14,347	13,837
Professional fees	11,946	14,082
Other expenses	<u>1,049</u>	<u>853</u>
TOTAL EXPENDITURES	<u>188,268</u>	<u>179,942</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,802	(7,798)
FUND BALANCE, JANUARY 1	<u>150,512</u>	<u>158,310</u>
FUND BALANCE, DECEMBER 31	<u>\$ 162,314</u>	<u>\$ 150,512</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Council
City of New London, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of New London as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of New London's basic financial statements, and have issued our report thereon dated May 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of New London's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New London's internal control over financial reporting. Accordingly, we do not express an opinion on the City of New London's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operations 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the City of New London's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider finding 2007-002 described in the accompanying Schedule of Findings and Responses to be a material weakness. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance. We consider finding 2007-001 in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New London'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*.

Minnesota Legal Compliance

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

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

The City of New London's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Recommendations. The City of New London's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of New London's internal control over financial reporting or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City of New London's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

WESTBERG EISCHENS, PLLP
Willmar, Minnesota

May 18, 2015

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

FINANCIAL STATEMENT FINDINGS

Finding 2007-001

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 2007-001

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

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2007-002

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:

There is a risk that misstatements to the financial statements will not be prevented or detected.

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 2007-002

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