

**CITY OF NEW LONDON
NEW LONDON, MINNESOTA
ANNUAL FINANCIAL REPORT
YEAR ENDED
DECEMBER 31, 2015**

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, 2015**

		<u>TERM EXPIRES</u>
Bill Gossman	Mayor	12/31/16
John Bergman	Council Member	12/31/18
Loren Beck	Council Member	12/31/16
John Mack	Council Member	12/31/16
Craig Edwards	Council Member	12/31/18
Trudie Guptill	Clerk-Treasurer	Appointed

INDEPENDENT AUDITOR'S REPORT

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents as pages 33 through 35 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 April 5, 2016 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

April 5, 2016

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 1,753,350	\$ 713,285	\$ 2,466,635
Restricted cash	-	268,146	268,146
Receivables			
Accounts	37,007	71,159	108,166
Delinquent taxes	22,435	174	22,609
Special assessments	158,149	349,066	507,215
Delinquent special assessments	178,703	888	179,591
Interest	2,880	-	2,880
Intergovernmental	2,240	-	2,240
Prepaid expenses	17,202	-	17,202
Capital assets			
Non-depreciable	190,567	1,000	191,567
Depreciable, net of accumulated depreciation	5,617,385	2,459,548	8,076,933
TOTAL ASSETS	7,979,918	3,863,266	11,843,184
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	25,502	3,983	29,485
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,502	3,983	29,485
LIABILITIES			
Accounts payable	39,691	58,579	98,270
Long-term liabilities			
Due within one year	268,921	125,000	393,921
Due in more than one year	3,210,000	1,893,000	5,103,000
Net pension liability	161,347	25,225	186,572
TOTAL LIABILITIES	3,679,959	2,101,804	5,781,763
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	8,135	1,269	9,404
TOTAL DEFERRED INFLOWS OF RESOURCES	8,135	1,269	9,404
NET POSITION			
Net investment in capital assets	2,329,031	442,548	2,771,579
Restricted for:			
Debt service	286,158	645,627	931,785
Capital replacement	-	58,178	58,178
Unrestricted	1,702,137	617,823	2,319,960
TOTAL NET POSITION	\$ 4,317,326	\$ 1,764,176	\$ 6,081,502

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, 2015**

	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	\$ 392,259	\$ 18,663	\$ -	\$ -	\$ (373,596)	\$ -	\$ (373,596)
Public safety	430,359	275,836	62,238	-	(92,285)	-	(92,285)
Streets and highways	376,562	-	19,639	39,571	(317,352)	-	(317,352)
Culture and recreation	221,803	8,256	-	-	(213,547)	-	(213,547)
Economic development	57,970	-	12,088	-	(45,882)	-	(45,882)
Interest and fiscal charges on long term debt	113,020	-	-	-	(113,020)	-	(113,020)
Total Governmental Activities	<u>1,591,973</u>	<u>302,755</u>	<u>93,965</u>	<u>39,571</u>	<u>(1,155,682)</u>	<u>-</u>	<u>(1,155,682)</u>
Business-Type Activities:							
Water	299,834	315,986	-	5,306	-	21,458	21,458
Sewer	477,343	549,949	-	13,331	-	85,937	85,937
Total Business-Type Activities	<u>777,177</u>	<u>865,935</u>	<u>-</u>	<u>18,637</u>	<u>-</u>	<u>107,395</u>	<u>107,395</u>
TOTAL	<u>\$ 2,369,150</u>	<u>\$ 1,168,690</u>	<u>\$ 93,965</u>	<u>\$ 58,208</u>	<u>(1,155,682)</u>	<u>107,395</u>	<u>(1,048,287)</u>
General revenues:							
Property taxes levied for general purposes					266,819	-	266,819
Property taxes levied for debt service					200,792	10,056	210,848
Intergovernmental revenue not restricted to specific programs					313,473	-	313,473
Investment income					12,257	2,920	15,177
Gain on sale of asset					3,900	-	3,900
Miscellaneous					84,119	287	84,406
Total general revenues and transfers					<u>881,360</u>	<u>13,263</u>	<u>894,623</u>
Change in net position					(274,322)	120,658	(153,664)
Net Position - Beginning					<u>4,591,648</u>	<u>1,643,518</u>	<u>6,235,166</u>
Net Position - Ending					<u>\$ 4,317,326</u>	<u>\$ 1,764,176</u>	<u>\$ 6,081,502</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, 2015

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
ASSETS							
Cash and investments	\$ 792,889	\$ 389,522	\$ 165,485	\$ 194,607	\$ 2,220	\$ 208,627	\$ 1,753,350
Receivables							
Accounts	2,058	350	27,628	-	-	6,971	37,007
Delinquent taxes	11,971	-	-	10,464	-	-	22,435
Special assessments	-	-	-	158,149	-	-	158,149
Delinquent special assessments	-	-	-	178,703	-	-	178,703
Interest	2,880	-	-	-	-	-	2,880
Intergovernmental	-	2,240	-	-	-	-	2,240
Due from other funds	160	-	-	-	-	-	160
Prepaid expenses	5,505	5,240	6,457	-	-	-	17,202
TOTAL ASSETS	\$ 815,463	\$ 397,352	\$ 199,570	\$ 541,923	\$ 2,220	\$ 215,598	\$ 2,172,126
LIABILITIES							
Accounts payable	\$ 18,330	\$ 896	\$ 4,852	\$ -	\$ 15,613	\$ -	\$ 39,691
Due to other funds	-	32	128	-	-	-	160
TOTAL LIABILITIES	18,330	928	4,980	-	15,613	-	39,851
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	8,688	-	-	7,862	-	-	16,550
Unavailable revenue - special assessments	-	-	-	336,106	-	-	336,106
Unavailable revenue - notes	-	2,240	-	-	-	-	2,240
TOTAL DEFERRED INFLOWS OF RESOURCES	8,688	2,240	-	343,968	-	-	354,896
FUND BALANCES							
Nonspendable	5,505	5,240	6,457	-	-	-	17,202
Restricted	-	-	-	197,955	-	187,628	385,583
Committed	-	-	-	-	-	26,535	26,535
Assigned	383,079	388,944	188,133	-	-	18,481	978,637
Unassigned	399,861	-	-	-	(13,393)	(17,046)	369,422
TOTAL FUND BALANCES	788,445	394,184	194,590	197,955	(13,393)	215,598	1,777,379
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 815,463	\$ 397,352	\$ 199,570	\$ 541,923	\$ 2,220	\$ 215,598	\$ 2,172,126

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, 2015**

Total Fund Balances-Governmental Funds	\$ 1,777,379
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	9,317,095
Less: accumulated depreciation	(3,509,143)
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	354,896
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	25,502
Deferred inflows of resources related to pensions	(8,135)
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	(3,416,002)
Capital leases	(62,919)
Pension benefits payable	<u>(161,347)</u>
Total Net Position-Governmental Activities	<u>\$ 4,317,326</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, 2015

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
REVENUES							
General property tax	\$ 251,257	\$ -	\$ -	\$ 200,792	\$ -	\$ 47,466	\$ 499,515
Special assessments	-	-	-	39,571	-	-	39,571
License and permits	52,840	-	-	-	-	-	52,840
Intergovernmental	356,711	11,500	7,500	-	19,639	12,088	407,438
Charges for services	11,731	101,219	189,805	-	-	-	302,755
Fines and forfeits	2,609	-	-	-	-	-	2,609
Interest income	2,817	2,480	276	5,120	33	1,531	12,257
Miscellaneous revenues	14,371	71,265	20,209	-	-	85,240	191,085
Total Revenues	692,336	186,464	217,790	245,483	19,672	146,325	1,508,070
EXPENDITURES							
Current							
General government	221,992	-	-	-	-	800	222,792
Public safety	100,467	132,141	193,308	-	-	957	426,873
Streets and highways	112,960	-	-	-	800	-	113,760
Culture and recreation	45,927	-	-	-	-	169,195	215,122
Economic development	-	-	-	-	-	57,970	57,970
Capital outlay							
Public safety	-	92,277	97,206	-	-	-	189,483
Streets and highways	23,486	-	-	-	176,561	-	200,047
Culture and recreation	-	-	-	-	-	64,691	64,691
Debt service							
Principal	-	20,959	-	210,000	-	-	230,959
Interest	-	1,968	-	109,107	-	-	111,075
Bond fees	-	-	-	1,945	-	-	1,945
Total Expenditures	504,832	247,345	290,514	321,052	177,361	293,613	1,834,717
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	187,504	(60,881)	(72,724)	(75,569)	(157,689)	(147,288)	(326,647)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	105,000	-	-	-	105,000
Sale of assets	-	3,900	-	-	-	-	3,900
Transfer from other funds	-	65,946	-	-	54,168	34,292	154,406
Transfer to other funds	(97,146)	-	-	(57,260)	-	-	(154,406)
NET CHANGE IN FUND BALANCE	90,358	8,965	32,276	(132,829)	(103,521)	(112,996)	(217,747)
FUND BALANCE JANUARY 1	698,087	385,219	162,314	330,784	90,128	328,594	1,995,126
FUND BALANCE DECEMBER 31	\$ 788,445	\$ 394,184	\$ 194,590	\$ 197,955	\$ (13,393)	\$ 215,598	\$ 1,777,379

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, 2015

Net Change in Fund Balances-Governmental Funds \$ (217,747)

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	361,167
Depreciation expense	(341,675)

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, 2015	354,896
Deferred inflows of resources, December 31, 2014	(549,215)

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	230,959
Debt issued	(105,000)

In the Statement of Activities, pension expense is measured by the amount earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (7,707)

Change in Net Position-Governmental Activities \$ (274,322)

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 420,595	\$ 292,690	\$ 713,285
Receivables			
Accounts receivable	71,159	-	71,159
Taxes - delinquent	-	174	174
Total Current Assets	491,754	292,864	784,618
Noncurrent Assets			
Cash restricted for debt service	154,316	113,830	268,146
Special assessments receivable	118,110	230,956	349,066
Special assessments receivable -delinquent	-	888	888
Capital assets			
Non-depreciable	-	1,000	1,000
Depreciable assets	1,682,479	2,333,949	4,016,428
Less accumulated depreciation	(773,092)	(783,788)	(1,556,880)
Total capital assets, net	909,387	1,551,161	2,460,548
Total Noncurrent Assets	1,181,813	1,896,835	3,078,648
TOTAL ASSETS	1,673,567	2,189,699	3,863,266
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,276	1,707	3,983
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,276	1,707	3,983
LIABILITIES			
Current Liabilities			
Accounts payable	27,155	31,424	58,579
Current portion bonds payable	41,000	84,000	125,000
Total Current Liabilities	68,155	115,424	183,579
Noncurrent Liabilities			
Bonds payable	619,000	1,274,000	1,893,000
Net pension liability	14,414	10,811	25,225
Total Noncurrent Liabilities	633,414	1,284,811	1,918,225
TOTAL LIABILITIES	701,569	1,400,235	2,101,804
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	725	544	1,269
TOTAL DEFERRED INFLOWS OF RESOURCES	725	544	1,269
NET POSITION			
Net investment in capital assets	249,387	193,161	442,548
Restricted			
Debt service	272,426	344,786	617,212
Capital replacement	-	63,110	63,110
Unrestricted	451,736	189,570	641,306
TOTAL NET POSITION	\$ 973,549	\$ 790,627	\$ 1,764,176

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, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Sales and charges for services	\$ 315,986	\$ 549,949	\$ 865,935
Total Operating Revenues	<u>315,986</u>	<u>549,949</u>	<u>865,935</u>
OPERATING EXPENSES			
Personal services	17,459	13,094	30,553
Payroll taxes and benefits	3,345	2,510	5,855
Contract services	198,646	362,711	561,357
Materials and supplies	3,412	8,930	12,342
Repairs and maintenance	25,607	15,324	40,931
Professional fees	359	134	493
Occupancy	-	2,118	2,118
Permits	6,442	2,492	8,934
Other expenses	250	-	250
Depreciation	<u>37,304</u>	<u>55,610</u>	<u>92,914</u>
Total Operating Expenses	<u>292,824</u>	<u>462,923</u>	<u>755,747</u>
Operating Income	23,162	87,026	110,188
NON-OPERATING REVENUES (EXPENSES)			
Property taxes	-	10,056	10,056
Special assessments	5,306	13,331	18,637
Billing fees	-	287	287
Interest income	1,852	1,068	2,920
Interest expense	<u>(7,010)</u>	<u>(14,420)</u>	<u>(21,430)</u>
Total Non-Operating Revenues (Expenses)	<u>148</u>	<u>10,322</u>	<u>10,470</u>
Change in Net Position	23,310	97,348	120,658
NET POSITION, JANUARY 1	<u>950,239</u>	<u>693,279</u>	<u>1,643,518</u>
NET POSITION, DECEMBER 31	<u>\$ 973,549</u>	<u>\$ 790,627</u>	<u>\$ 1,764,176</u>

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, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 312,857	\$ 550,854	\$ 863,711
Payments to suppliers	(224,144)	(390,114)	(614,258)
Payments to employees	<u>(20,105)</u>	<u>(15,079)</u>	<u>(35,184)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>68,608</u>	<u>145,661</u>	<u>214,269</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Non-operating revenue	<u>1,852</u>	<u>1,355</u>	<u>3,207</u>
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>1,852</u>	<u>1,355</u>	<u>3,207</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Special assessments received	22,108	53,413	75,521
Principal paid on long-term debt	(41,000)	(84,001)	(125,001)
Interest paid on long-term debt	<u>(7,010)</u>	<u>(14,420)</u>	<u>(21,430)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,902)</u>	<u>(45,008)</u>	<u>(70,910)</u>
NET INCREASE IN CASH	44,558	102,008	146,566
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>530,353</u>	<u>304,512</u>	<u>834,865</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 574,911</u>	<u>\$ 406,520</u>	<u>\$ 981,431</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 23,162	\$ 87,026	\$ 110,188
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	37,304	55,610	92,914
Change in assets and liabilities			
Decrease (increase) in receivables	(3,129)	905	(2,224)
Increase in accounts payable	10,572	1,595	12,167
Increase in deferred outflows	(1,748)	(1,311)	(3,059)
Increase in pension liabilities	1,722	1,292	3,014
Increase in deferred inflows	<u>725</u>	<u>544</u>	<u>1,269</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 68,608</u>	<u>\$ 145,661</u>	<u>\$ 214,269</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 420,595	\$ 292,690	\$ 713,285
Restricted	<u>154,316</u>	<u>113,830</u>	<u>268,146</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 574,911</u>	<u>\$ 406,520</u>	<u>\$ 981,431</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, 2015**

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, 2015. 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, 2015**

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 non-major 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 major 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, 2015**

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange 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, 2015, 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 2015 was \$15,176.

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 2015. 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, 2015**

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 fifty hours of paid time off annually.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City of New London has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in government-wide statement of net position and proprietary statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that times. The City of New London has one item that qualifies for reporting in this category under full accrual basis of accounting. Accordingly, the item, deferred inflow is reported in the government-wide statement of financial position and proprietary statement of net position. A deferred inflow relating to pension activity is a result of the net difference between projected and actual earning on plan investments. The City of New London also has one item that qualifies for reporting in this category under modified accrual basis of accounting. 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. Pensions

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

The City has not adopted GASB 68 as it relates to the New London Fire Department Relief Association pension plan. Therefore, neither a net pension asset nor a net pension liability has been recognized in the financial statements. Plan contributions are recorded as expenses in the period paid.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. 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.

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Position/Fund Balances (continued)

Fund balances at December 31, 2015 consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund	PIR Fund	Non-Major Funds
FUND BALANCES						
Nonspendable						
Prepaid	\$ 5,505	\$ 5,240	\$ 6,457	\$ -	\$ -	\$ -
Restricted						
Debt service	-	-	-	197,955	-	-
Tax increment financing	-	-	-	-	-	47,076
ArtPlace America	-	-	-	-	-	140,552
Committed						
City hall project	100,000	-	-	-	-	-
Economic development	-	-	-	-	-	13,000
Truck replacement	-	15,181	19,758	-	-	-
Assigned						
Working capital	317,150	85,000	90,000	-	-	-
Public safety	-	288,763	78,375	-	-	1,900
Community improvement	-	-	-	-	-	16,581
Economic development	-	-	-	-	-	13,535
Contingencies	63,122	-	-	-	-	-
Unassigned	<u>302,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,393)</u>	<u>(17,046)</u>
 Total Fund Balances	 <u>\$ 788,445</u>	 <u>\$ 394,184</u>	 <u>\$ 194,590</u>	 <u>\$ 197,955</u>	 <u>\$ (13,393)</u>	 <u>\$ 215,598</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.

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, the City's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

1. Deposits and Investments (continued)

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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2015 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>440,336</u>	<u>123,193</u>	<u>563,529</u>	<u>-</u>
Total capital assets not being depreciated	<u>630,903</u>	<u>123,193</u>	<u>563,529</u>	<u>190,567</u>
Capital assets being depreciated				
Buildings and structures	504,705	-	-	504,705
Infrastructure and improvements	6,756,708	563,529	-	7,320,237
Machinery and equipment	347,140	87,838	-	434,978
Office furniture and fixtures	6,515	-	-	6,515
Automotive equipment	<u>774,803</u>	<u>150,136</u>	<u>64,846</u>	<u>860,093</u>
Total capital assets being depreciated	<u>8,389,871</u>	<u>801,503</u>	<u>64,846</u>	<u>9,126,528</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and structures	369,979	13,828	-	383,807
Infrastructure and improvements	2,138,519	256,513	-	2,395,032
Machinery and equipment	241,942	19,585	-	261,527
Office furniture and fixtures	3,023	234	-	3,257
Automotive equipment	<u>478,851</u>	<u>51,515</u>	<u>64,846</u>	<u>465,520</u>
Total accumulated depreciation	<u>3,232,314</u>	<u>341,675</u>	<u>64,846</u>	<u>3,509,143</u>
 Total capital assets being depreciated, net	 <u>5,157,557</u>	 <u>459,828</u>	 <u>-</u>	 <u>5,617,385</u>
 Governmental activities capital assets, net	 <u>\$ 5,788,460</u>	 <u>\$ 583,021</u>	 <u>\$ 563,529</u>	 <u>\$ 5,807,952</u>
 Business-type activities	 Ending Balance	 Increases	 Decreases	 Ending Balance
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
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>4,016,428</u>	<u>-</u>	<u>-</u>	<u>4,016,428</u>
Less accumulated depreciation for:				
Infrastructure and improvements	1,319,936	79,787	-	1,399,723
Machinery and equipment	126,419	9,887	-	136,306
Office furniture and fixtures	6,377	3,240	-	9,617
Automotive equipment	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>11,234</u>
Total accumulated depreciation	<u>1,463,966</u>	<u>92,914</u>	<u>-</u>	<u>1,556,880</u>
 Total capital assets being depreciated, net	 <u>2,552,462</u>	 <u>(92,914)</u>	 <u>-</u>	 <u>2,459,548</u>
 Business-type activities capital assets, net	 <u>\$ 2,553,462</u>	 <u>\$ (92,914)</u>	 <u>\$ -</u>	 <u>\$ 2,460,548</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

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

Governmental activities		
General government	\$	9,038
Public safety		64,906
Public works		261,050
Culture and recreation		<u>6,681</u>
Total depreciation expense - governmental activities	\$	<u>341,675</u>
 Business-type activities		
Water	\$	37,304
Sewer		<u>55,610</u>
Total depreciation expense - business-type activities	\$	<u>92,914</u>

C. Interfund Receivables, Payables and Transfers

1. Interfund Transfers

	Transfer to	
Transfer from	Fire Fund	Non-Major Funds
General Fund	\$ 65,946	\$ 15,000

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	\$ 21,921

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Leases (continued)

The future minimum lease obligations are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2016	\$ 21,921	\$ 1,006	\$ 22,927
Total	<u>\$ 21,921</u>	<u>\$ 1,006</u>	<u>\$ 22,927</u>

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	\$ 155,000
G.O. Improvement Refunding Bond Series 2009A	2009	2016	1.15-2.85%	680,000	85,000
G.O. Improvement Bonds, Series 2011A	2011	2026	4.00%	520,000	430,000
G.O. Permanent Improvement Revolving Advance Refunding Bond Series 2012B	2012	2038	1.00-3.75%	2,350,000	2,155,000
G.O. Obligation Tax Abatement Bonds, Series 2014A	2014	2030	3.75%	527,000	<u>527,000</u>
Total General Obligation Bonds					<u>\$ 3,352,000</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
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	146,000	84,087	230,087
2021-2025	789,000	351,792	1,140,792
2026-2030	723,000	227,980	950,980
2031-2035	540,000	127,726	667,726
2036-2038	375,000	28,381	403,381
Total	<u>\$ 3,352,000</u>	<u>\$ 1,207,573</u>	<u>\$ 4,559,573</u>

General obligation equipment certificates

The following bond was issued for the purchase of an ambulance and will be repaid from property tax levies.

Description	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Outstanding Balance at Year End
G.O. Equipment Certificate Bonds, Series 2015A	2015	2023	2.45%	\$ 105,000	\$ 105,000

The annual debt service requirements to maturity for general obligation equipment certificates are as follows:

December 31	Principal	Interest	Total
2016	\$ -	\$ 2,851	\$ 2,851
2017	14,000	2,401	16,401
2018	14,000	2,058	16,058
2019	15,000	1,703	16,703
2020	15,000	1,336	16,336
2021-2023	47,000	1,751	48,751
Total	<u>\$ 105,000</u>	<u>\$ 12,100</u>	<u>\$ 117,100</u>

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

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	\$ 660,000
G.O. Sewer Improvement Note of 2011C	2011	2030	1.00%	1,668,210	<u>1,358,000</u>
Total General Obligation Revenue Bonds					<u>\$ 2,018,000</u>

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

December 31	Principal	Interest	Total
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	131,000	15,100	146,100
2021-2025	673,000	55,600	728,600
2026-2030	<u>706,000</u>	<u>21,330</u>	<u>727,330</u>
Total	<u>\$ 2,018,000</u>	<u>\$ 165,200</u>	<u>\$ 2,183,200</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. PIR Bond, 2008A	\$ 190,000	\$ -	\$ 35,000	\$ 155,000	\$ 35,000
G.O. Improvement Refunding Bond, 2009A	165,000	-	80,000	85,000	85,000
G.O. Improvement Bonds, 2011A	460,000	-	30,000	430,000	30,000
G.O. PIR Advance Refunding Bonds, Series 2012B	2,220,000	-	65,000	2,155,000	70,000
G.O. Tax Abatement Bonds, Series 2014A	527,000	-	-	527,000	27,000
Capital Leases Pumper truck	42,880	-	20,959	21,921	21,921
G.O. Equipment Certificate 2015A	-	105,000	-	105,000	-
Total governmental activities	<u>\$ 3,604,880</u>	<u>\$ 105,000</u>	<u>\$ 230,959</u>	<u>\$ 3,478,921</u>	<u>\$ 268,921</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Water Improvement Note of 2011B	\$ 701,000	\$ -	\$ 41,000	\$ 660,000	\$ 41,000
G.O. Sewer Improvement Note of 2011C	<u>1,442,000</u>	<u>-</u>	<u>84,000</u>	<u>1,358,000</u>	<u>84,000</u>
Total business-type activities	<u>\$ 2,143,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 2,018,000</u>	<u>\$ 125,000</u>
Conduit debt					
Green Lake Sewer and Water System					
General Obligation Sewer Bonds	<u>\$ 1,460,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 1,370,000</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.

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City of New London are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

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

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

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

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (continued)

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equals 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

B. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City of New London was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City of New London's contributions to the GERF for the year ended December 31, 2015, was \$16,963. The City of New London's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

At December 31, 2015, the City of New London reported a liability of \$186,571 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of New London's proportion of the net pension liability was based on the City of New London's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City of New London's proportion was .0036%.

For the year ended December 31, 2015, the City of New London recognized pension expense of \$24,869 for its proportionate share of the GERF's pension expense.

At December 31, 2015, the City of New London reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Pension Costs (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 17,662	\$ -
Differences between expected and actual economic experience	-	9,406
Changes in proportion and differences between contributions made and City's proportionate share of contributions	3,523	-
City's contributions to GERS subsequent to the measurement date	<u>8,300</u>	<u>-</u>
Totals	<u>\$ 29,485</u>	<u>\$ 9,406</u>

\$8,300 reported as deferred outflows of resources related to pensions resulting from City of New London contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2016	\$ 2,455
2017	\$ 2,455
2018	\$ 2,454
2019	\$ 4,415

D. Actuarial Assumptions

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

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERS was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

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

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Actuarial Assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

E. Discount Rate

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

F. Pension Liability Sensitivity

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

F. Pension Liability Sensitivity (continued)

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
City's proportionate share of the GERP net pension liability	\$ 239,355	\$ 186,571	\$ 98,383

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 5 DEFINED BENEFIT LUMP-SUM SERVICE PENSION PLAN

A. Plan Description

The members of the New London Fire Department participate in the New London Fire Department Relief Association pension plan, a single employer lump-sum defined benefit pension plan administered by the New London Fire Department Relief Association. The plan covers the volunteer firefighters of the municipal fire department. As of December 31, 2015, the plan covered 23 active firefighters and 2 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 69.051 and 69.80 and Chapter 424.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT LUMP-SUM SERVICE PENSION PLAN (CONTINUED)

B. Benefits Provided

The plan provides lump-sum retirement, disability, death and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit at December 31, 2015 was \$1,600 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%

C. Contributions

The plan is funded by fire state aid, investment earnings and if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$43,238 in fire state aid to the plan on behalf of the New London Fire Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions and voluntary contributions to the plan for the year ended December 31, 2015 were \$-0- and \$10,400, respectively.

D. Pension Costs

For the year ended December 31, 2015, the City recognized pension expense of \$53,638. This amount was equal to the contribution provided by the State of Minnesota and the voluntary City contributions.

E. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position as of December 31, 2015, is available in a separately issued financial report prepared in accordance with Minnesota Statutes. That report may be obtained by writing the plan at New London Fire Department Relief Association, PO Box 252, New London, Minnesota 56273.

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 2015.

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, 2015**

NOTE 8 TAX INCREMENT FINANCING

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

District No.	Type of District	Established	Modified	Termination Date
1-12	Housing	December 17, 2003		December 31, 2030
1-13	Redevelopment	June 5, 2013		December 31, 2040
1-14	Redevelopment	August 24, 2014		December 31, 2024

NOTE 9 PRIOR PERIOD ADJUSTMENT

At December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This implementation allows the City to report its proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees less the pension plan's fiduciary net position on the financial statements.

The beginning net position of the governmental and business-type activities has been adjusted to reflect a change in accounting principle.

	Governmental-Wide Statement	
	Governmental	Proprietary
Net position beginning, as previously reported	\$ 4,727,921	\$ 1,664,803
Change in accounting principle	<u>(136,273)</u>	<u>(21,285)</u>
Net position beginning, as restated	<u>\$ 4,591,648</u>	<u>\$ 1,643,518</u>
	Proprietary-Wide Statement	
	Water	Sewer
Net position beginning, as previously reported	\$ 962,402	\$ 702,401
Change in accounting principle	<u>(12,163)</u>	<u>(9,122)</u>
Net position beginning, as restated	<u>\$ 950,239</u>	<u>\$ 693,279</u>

NOTE 10 SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 5, 2016 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property tax	\$ 248,815	\$ 248,815	\$ 251,257	\$ 2,442
License and permits	27,780	52,169	52,840	671
Intergovernmental	353,473	356,711	356,711	-
Charges for services	9,370	11,731	11,731	-
Fines and forfeits	3,000	3,000	2,609	(391)
Interest income	2,000	2,000	2,817	817
Miscellaneous revenues	<u>1,000</u>	<u>12,187</u>	<u>14,371</u>	<u>2,184</u>
Total Revenues	<u>645,438</u>	<u>686,613</u>	<u>692,336</u>	<u>5,723</u>
EXPENDITURES				
Current				
General government	215,771	222,517	221,992	(525)
Public safety	101,029	100,842	100,467	(375)
Streets and highways	159,797	114,280	112,960	(1,320)
Culture and recreation	40,494	45,971	45,927	(44)
Capital outlay				
Streets and highways	<u>37,400</u>	<u>39,993</u>	<u>23,486</u>	<u>(16,507)</u>
Total Expenditures	<u>554,491</u>	<u>523,603</u>	<u>504,832</u>	<u>(18,771)</u>
EXCESS OF REVENUES OVER EXPENDITURES	90,947	163,010	187,504	24,494
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	<u>(80,946)</u>	<u>(80,946)</u>	<u>(97,146)</u>	<u>16,200</u>
NET CHANGE IN FUND BALANCE	10,001	82,064	90,358	8,294
FUND BALANCE JANUARY 1	<u>698,087</u>	<u>698,087</u>	<u>698,087</u>	<u>-</u>
FUND BALANCE DECEMBER 31	<u>\$ 708,088</u>	<u>\$ 780,151</u>	<u>\$ 788,445</u>	<u>\$ 8,294</u>

See notes to required supplementary information.

**CITY OF NEW LONDON, MINNESOTA
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND**

Schedule of Proportionate Share of Net Pension Liability

<u>Fiscal Year Ending</u>	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0036%	\$ 186,571	\$ 207,639	89.9%	78.2%

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2015	\$ 16,963	\$ 16,963	\$ -	\$ 226,171	7.50%

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

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, 2015**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 185,568	\$ 23,059	\$ 208,627
Accounts receivable	-	6,971	6,971
TOTAL ASSETS	\$ 185,568	\$ 30,030	\$ 215,598
 FUND BALANCES			
Restricted	\$ 140,552	\$ 47,076	\$ 187,628
Committed	13,000	-	13,000
Assigned	32,016	-	32,016
Unassigned	-	(17,046)	(17,046)
Total Fund Balances	185,568	30,030	215,598
 TOTAL FUND BALANCES	\$ 185,568	\$ 30,030	\$ 215,598

**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, 2015**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Taxes			
Tax increments	\$ -	\$ 47,466	\$ 47,466
Intergovernmental revenue	12,088	-	12,088
Miscellaneous revenue			
Grants and contributions	85,240	-	85,240
Interest	<u>1,500</u>	<u>31</u>	<u>1,531</u>
TOTAL REVENUES	<u>98,828</u>	<u>47,497</u>	<u>146,325</u>
EXPENDITURES			
Current			
Public safety	957	-	957
Culture and recreation	169,195	-	169,195
Economic development			
Professional fees	-	13,119	13,119
Tax increments	-	32,324	32,324
Administrative costs	-	189	189
Other expenses	<u>13,138</u>	<u>-</u>	<u>13,138</u>
Capital outlay			
Culture and recreation	64,691	-	64,691
Economic development	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>247,981</u>	<u>45,632</u>	<u>293,613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(149,153)	1,865	(147,288)
OTHER FINANCING USES			
Transfer in	<u>31,200</u>	<u>3,092</u>	<u>34,292</u>
NET CHANGE IN FUND BALANCE	(117,953)	4,957	(112,996)
FUND BALANCE, JANUARY 1	<u>303,521</u>	<u>25,073</u>	<u>328,594</u>
FUND BALANCE, DECEMBER 31	<u>\$ 185,568</u>	<u>\$ 30,030</u>	<u>\$ 215,598</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
December 31, 2015**

	Connected Communities Fund	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Totals
ASSETS						
Cash and cash equivalents	\$ 555	\$ 1,900	\$ 16,026	\$ 140,552	\$ 26,535	\$ 185,568
TOTAL ASSETS	<u>\$ 555</u>	<u>\$ 1,900</u>	<u>\$ 16,026</u>	<u>\$ 140,552</u>	<u>\$ 26,535</u>	<u>\$ 185,568</u>
FUND BALANCES						
Restricted	\$ -	\$ -	\$ -	\$ 140,552	\$ -	\$ 140,552
Committed	-	-	-	-	13,000	13,000
Assigned	<u>555</u>	<u>1,900</u>	<u>16,026</u>	<u>-</u>	<u>13,535</u>	<u>32,016</u>
TOTAL FUND BALANCES	<u>555</u>	<u>1,900</u>	<u>16,026</u>	<u>140,552</u>	<u>26,535</u>	<u>185,568</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 555</u>	<u>\$ 1,900</u>	<u>\$ 16,026</u>	<u>\$ 140,552</u>	<u>\$ 26,535</u>	<u>\$ 185,568</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, 2015

	Connected Communities Fund	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	City Anniversary Fund	Economic Development Authority	Deed Grant Fund	All School Reunion Fund	Total
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,088	\$ -	\$ 12,088
Miscellaneous revenue									
Grants and contributions	-	2,600	43,054	300	19,526	-	-	19,760	85,240
Interest income	-	-	34	1,466	-	-	-	-	1,500
TOTAL REVENUES	<u>-</u>	<u>2,600</u>	<u>43,088</u>	<u>1,766</u>	<u>19,526</u>	<u>-</u>	<u>12,088</u>	<u>19,760</u>	<u>98,828</u>
EXPENDITURES									
Current									
Public safety	-	957	-	-	-	-	-	-	957
Culture and recreation	133	-	-	110,425	37,970	-	-	20,667	169,195
Economic development	-	-	-	-	-	1,050	12,088	-	13,138
Capital outlay									
Culture and recreation	-	-	64,691	-	-	-	-	-	64,691
TOTAL EXPENDITURES	<u>133</u>	<u>957</u>	<u>64,691</u>	<u>110,425</u>	<u>37,970</u>	<u>1,050</u>	<u>12,088</u>	<u>20,667</u>	<u>247,981</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(133)	1,643	(21,603)	(108,659)	(18,444)	(1,050)	-	(907)	(149,153)
OTHER FINANCING USES									
Transfer in	-	-	16,200	-	-	15,000	-	-	31,200
NET CHANGE IN FUND BALANCE	(133)	1,643	(5,403)	(108,659)	(18,444)	13,950	-	(907)	(117,953)
FUND BALANCES, JANUARY 1	<u>688</u>	<u>257</u>	<u>21,429</u>	<u>249,211</u>	<u>18,444</u>	<u>12,585</u>	<u>-</u>	<u>907</u>	<u>303,521</u>
FUND BALANCES, DECEMBER 31	<u>\$ 555</u>	<u>\$ 1,900</u>	<u>\$ 16,026</u>	<u>\$ 140,552</u>	<u>\$ -</u>	<u>\$ 26,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,568</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 December 31, 2015**

	TIF District 1-12	TIF District 1-13	TIF District 1-14	Totals
ASSETS				
Cash and cash equivalents	\$ 40,105	\$ (5,453)	\$ (11,593)	\$ 23,059
Accounts receivable	6,971	-	-	6,971
TOTAL ASSETS	\$ 47,076	\$ (5,453)	\$ (11,593)	\$ 30,030
 FUND BALANCES				
Restricted	\$ 47,076	\$ -	\$ -	\$ 47,076
Unassigned	-	(5,453)	(11,593)	(17,046)
Total Fund Balances	47,076	(5,453)	(11,593)	30,030
 TOTAL LIABILITIES				
TOTAL FUND BALANCES	\$ 47,076	\$ (5,453)	\$ (11,593)	\$ 30,030

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, 2015

	<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>Total</u>
REVENUES					
Taxes					
Tax increments	\$ -	\$ 39,746	\$ 7,720	\$ -	\$ 47,466
Miscellaneous Revenue					
Interest	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
TOTAL REVENUES	<u>-</u>	<u>39,777</u>	<u>7,720</u>	<u>-</u>	<u>47,497</u>
EXPENDITURES					
Economic development					
Professional fees	-	3,800	5,319	4,000	13,119
Tax increments	-	32,324	-	-	32,324
Administrative costs	<u>-</u>	<u>-</u>	<u>189</u>	<u>-</u>	<u>189</u>
TOTAL EXPENDITURES	<u>-</u>	<u>36,124</u>	<u>5,508</u>	<u>4,000</u>	<u>45,632</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	3,653	2,212	(4,000)	1,865
OTHER FINANCING USES					
Transfers in	<u>3,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,092</u>
NET CHANGE IN FUND BALANCE	3,092	3,653	2,212	(4,000)	4,957
FUND BALANCE (DEFICIT), JANUARY 1	<u>(3,092)</u>	<u>43,423</u>	<u>(7,665)</u>	<u>(7,593)</u>	<u>25,073</u>
FUND BALANCE (DEFICIT), DECEMBER 31	<u>\$ -</u>	<u>\$ 47,076</u>	<u>\$ (5,453)</u>	<u>\$ (11,593)</u>	<u>\$ 30,030</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2015**

	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	\$ 822,861	\$ (196,655)	\$ 24,336	\$ 8,379	\$ (462,887)	\$ (1,427)	\$ 194,607
Receivables							
Delinquent taxes	863	268	6,050	292	2,762	229	10,464
Special assessments	50,968	-	-	87,153	20,028	-	158,149
Delinquent assessments	38,631	137,829	-	335	1,908	-	178,703
TOTAL ASSETS	<u>\$ 913,323</u>	<u>\$ (58,558)</u>	<u>\$ 30,386</u>	<u>\$ 96,159</u>	<u>\$ (438,189)</u>	<u>\$ (1,198)</u>	<u>\$ 541,923</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	\$ 863	\$ 204	\$ 4,841	\$ 57	\$ 1,765	\$ 132	\$ 7,862
Unavailable revenue - special assessments	89,599	137,829	-	87,359	21,319	-	336,106
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>90,462</u>	<u>138,033</u>	<u>4,841</u>	<u>87,416</u>	<u>23,084</u>	<u>132</u>	<u>343,968</u>
FUND BALANCES							
Nonspendable	4,000	-	-	-	-	-	4,000
Restricted	818,861	(196,591)	25,545	8,743	(461,273)	(1,330)	193,955
TOTAL FUND BALANCES	<u>822,861</u>	<u>(196,591)</u>	<u>25,545</u>	<u>8,743</u>	<u>(461,273)</u>	<u>(1,330)</u>	<u>197,955</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 913,323</u>	<u>\$ (58,558)</u>	<u>\$ 30,386</u>	<u>\$ 96,159</u>	<u>\$ (438,189)</u>	<u>\$ (1,198)</u>	<u>\$ 541,923</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For The Year Ended December 31, 2015

	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	\$ 13	\$ 4,917	\$ 92,719	\$ 17,724	\$ 76,868	\$ 8,551	\$ 200,792
Special assessments	-	-	-	16,262	23,309	-	39,571
Interest income	<u>5,118</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,120</u>
Total Revenues	<u>5,131</u>	<u>4,917</u>	<u>92,721</u>	<u>33,986</u>	<u>100,177</u>	<u>8,551</u>	<u>245,483</u>
EXPENDITURES							
Debt service							
Principal	-	35,000	80,000	30,000	65,000	-	210,000
Interest	-	6,762	3,463	17,800	62,967	18,115	109,107
Bond fees	<u>1,000</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>495</u>	<u>-</u>	<u>1,945</u>
Total Expenditures	<u>1,000</u>	<u>41,762</u>	<u>83,913</u>	<u>47,800</u>	<u>128,462</u>	<u>18,115</u>	<u>321,052</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,131	(36,845)	8,808	(13,814)	(28,285)	(9,564)	(75,569)
OTHER FINANCING USES							
Transfer from other funds	<u>(57,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,260)</u>
Total Other Financing Uses	<u>(57,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,260)</u>
NET CHANGE IN FUND BALANCE	(53,129)	(36,845)	8,808	(13,814)	(28,285)	(9,564)	(132,829)
FUND BALANCE JANUARY 1	<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>
FUND BALANCE DECEMBER 31	<u>\$ 822,861</u>	<u>\$ (196,591)</u>	<u>\$ 25,545</u>	<u>\$ 8,743</u>	<u>\$ (461,273)</u>	<u>\$ (1,330)</u>	<u>\$ 197,955</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	Final Budget	2015 Actual Amounts	Over(Under) Final Budget	2014 Actual Amounts
REVENUES				
Taxes				
General property taxes	\$ 248,815	\$ 251,257	\$ 2,442	\$ 250,881
License and permits	52,169	52,840	671	64,221
Total Taxes	<u>300,984</u>	<u>304,097</u>	<u>3,113</u>	<u>315,102</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	313,070	313,070	-	308,292
PERA aid	403	403	-	403
Fire relief aid	43,238	43,238	-	41,641
Total Intergovernmental Revenue	<u>356,711</u>	<u>356,711</u>	<u>-</u>	<u>350,336</u>
Charges for Services				
General government	3,475	3,475	-	4,100
Culture and recreation	8,256	8,256	-	8,000
Total Charges for Services	<u>11,731</u>	<u>11,731</u>	<u>-</u>	<u>12,100</u>
Fines and Forfeits	<u>3,000</u>	<u>2,609</u>	<u>(391)</u>	<u>1,104</u>
Miscellaneous Revenues				
Investment income	2,000	2,817	817	5,720
Other	12,187	14,371	2,184	110,680
Total Miscellaneous Revenues	<u>14,187</u>	<u>17,188</u>	<u>3,001</u>	<u>116,400</u>
TOTAL REVENUES	<u>686,613</u>	<u>692,336</u>	<u>5,723</u>	<u>795,042</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015		Over(Under) Final Budget	2014
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES				
General Government				
Governing Board				
Salaries	9,895	9,895	-	8,640
Payroll taxes and benefits	757	757	-	661
Other expenses	30	30	-	1,692
Total Governing Board	<u>10,682</u>	<u>10,682</u>	<u>-</u>	<u>10,993</u>
Administration and Finance				
Salaries	95,719	109,519	13,800	89,827
Payroll taxes and benefits	30,393	16,593	(13,800)	25,985
Total Administration and Finance	<u>126,112</u>	<u>126,112</u>	<u>-</u>	<u>115,812</u>
Government Buildings				
Salaries	13,094	13,094	-	10,465
Payroll taxes and benefits	1,984	1,984	-	1,560
Occupancy	10,650	10,411	(239)	11,022
Repairs and maintenance	3,530	3,635	105	1,633
Other expenses	1,260	1,260	-	-
Total Government Buildings	<u>30,518</u>	<u>30,384</u>	<u>(134)</u>	<u>24,680</u>
Other General Government				
Salaries	200	200	-	225
Payroll taxes and benefits	15	15	-	17
Supplies	6,498	6,118	(380)	5,352
Occupancy	1,665	1,664	(1)	1,653
Insurance	13,209	13,209	-	13,591
Elections	-	-	-	1,247
Assessor	6,610	6,610	-	6,630
Professional services	12,939	12,687	(252)	10,912
Other expenses	14,069	14,311	242	111,982
Total Other General Government	<u>55,205</u>	<u>54,814</u>	<u>(391)</u>	<u>151,609</u>
Total General Government	<u>222,517</u>	<u>221,992</u>	<u>(525)</u>	<u>303,094</u>
Public Safety				
Police Department				
Contracted services	18,168	18,168	-	18,168
Fire Department				
Fire Relief Association	43,238	43,238	-	41,641
Other Protection				
Building inspection	39,236	38,902	(334)	38,746
Animal control	200	159	(41)	459
Total Other Protection	<u>39,436</u>	<u>39,061</u>	<u>(375)</u>	<u>39,205</u>
Total Public Safety	<u>100,842</u>	<u>100,467</u>	<u>(375)</u>	<u>99,014</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	2015		Over(Under) Final Budget	2014
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
Streets and Highways				
Street Maintenance				
Salaries	26,189	26,189	-	20,931
Payroll taxes and benefits	3,968	3,968	-	15,457
Supplies	9,100	9,001	(99)	11,936
Occupancy	2,440	2,461	21	2,493
Repairs and maintenance	8,983	8,891	(92)	10,277
Other expenses	7,000	7,047	47	7,226
Capital outlay	<u>39,993</u>	<u>23,486</u>	<u>(16,507)</u>	<u>23,924</u>
Total Street Maintenance	<u>97,673</u>	<u>81,043</u>	<u>(16,630)</u>	<u>92,244</u>
Snow and Ice Removal				
Contract services	<u>30,000</u>	<u>28,748</u>	<u>(1,252)</u>	<u>58,909</u>
Total Snow and Ice Removal	<u>30,000</u>	<u>28,748</u>	<u>(1,252)</u>	<u>58,909</u>
Street Lighting	<u>26,600</u>	<u>26,655</u>	<u>55</u>	<u>27,746</u>
Total Streets and Highways	<u>154,273</u>	<u>136,446</u>	<u>(17,827)</u>	<u>178,899</u>
Culture and Recreation				
Parks and Recreation				
Salaries	17,459	17,459	-	13,954
Payroll taxes and benefits	2,645	2,645	-	2,079
Occupancy	1,525	1,447	(78)	2,145
Repairs and maintenance	<u>5,900</u>	<u>5,935</u>	<u>35</u>	<u>4,577</u>
Total Parks and Recreation	<u>27,529</u>	<u>27,486</u>	<u>(43)</u>	<u>22,755</u>
Community Education	<u>10,500</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Library				
Occupancy	<u>7,942</u>	<u>7,941</u>	<u>(1)</u>	<u>7,948</u>
Total Culture and Recreation	<u>45,971</u>	<u>45,927</u>	<u>(44)</u>	<u>41,203</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	Final Budget	2015 Actual Amounts	Over(Under) Final Budget	2014 Actual Amounts
TOTAL EXPENDITURES	<u>523,603</u>	<u>504,832</u>	<u>(18,771)</u>	<u>622,210</u>
EXCESS OF REVENUES OVER EXPENDITURES	163,010	187,504	24,494	172,832
OTHER FINANCING USES				
Transfer out	<u>80,946</u>	<u>80,946</u>	<u>-</u>	<u>130,568</u>
NET CHANGE IN FUND BALANCE	82,064	106,558	<u>\$ 24,494</u>	42,264
FUND BALANCE, JANUARY 1	<u>698,087</u>	<u>698,087</u>		<u>655,823</u>
FUND BALANCE, DECEMBER 31	<u>\$ 780,151</u>	<u>\$ 804,645</u>		<u>\$ 698,087</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FIRE DEPARTMENT FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

REVENUES	<u>2015</u>	<u>2014</u>
Intergovernmental		
State grants	\$ 11,500	\$ -
Total Intergovernmental	<u>11,500</u>	<u>-</u>
Charges for Services		
Fire contracts and calls	<u>101,219</u>	<u>93,930</u>
Total Charges for Services	<u>101,219</u>	<u>93,930</u>
Miscellaneous Revenues		
Interest income	2,480	2,437
Donations	<u>71,265</u>	<u>7,262</u>
Total Miscellaneous Revenues	<u>73,745</u>	<u>9,699</u>
TOTAL REVENUES	<u>186,464</u>	<u>103,629</u>
EXPENDITURES		
Current		
Salaries	45,403	31,708
Payroll taxes and benefits	13,873	10,826
Supplies	32,419	18,050
Occupancy	4,768	7,038
Repairs and maintenance	9,600	15,109
Insurance	12,201	12,017
Professional fees	9,235	6,136
Other expenses	4,642	5,236
Capital outlay	92,277	-
Debt service		
Principal	20,959	20,039
Interest	<u>1,968</u>	<u>2,888</u>
TOTAL EXPENDITURES	<u>247,345</u>	<u>129,047</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(60,881)	(25,418)
OTHER FINANCING SOURCES		
Transfers in	65,946	60,568
Sale of assets	<u>3,900</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	8,965	35,150
FUND BALANCE, JANUARY 1	<u>385,219</u>	<u>350,069</u>
FUND BALANCE, DECEMBER 31	<u>\$ 394,184</u>	<u>\$ 385,219</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AMBULANCE FUND
For The Year Ended December 31, 2015
With Comparative Amounts For The Year Ended December 31, 2014

REVENUES	<u>2015</u>	<u>2014</u>
Intergovernmental		
State grants	\$ 7,500	\$ -
Total Intergovernmental	<u>7,500</u>	<u>-</u>
Charges for Services		
Ambulance calls	<u>189,805</u>	<u>195,326</u>
Total Charges for Services	<u>189,805</u>	<u>195,326</u>
Miscellaneous Revenues		
Interest income	276	216
Donations	<u>20,209</u>	<u>4,528</u>
Total Miscellaneous Revenues	<u>20,485</u>	<u>4,744</u>
TOTAL REVENUES	<u>217,790</u>	<u>200,070</u>
EXPENDITURES		
Current		
Salaries	133,430	127,918
Payroll taxes and benefits	10,207	9,786
Supplies	11,274	17,335
Occupancy	1,418	1,522
Repairs and maintenance	3,064	4,365
Insurance	14,721	14,347
Professional fees	13,162	11,946
Other expenses	6,032	1,049
Capital outlay	<u>97,206</u>	<u>-</u>
TOTAL EXPENDITURES	<u>290,514</u>	<u>188,268</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(72,724)	11,802
OTHER FINANCING SOURCES		
Bond proceeds	<u>105,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	32,276	11,802
FUND BALANCE, JANUARY 1	<u>162,314</u>	<u>150,512</u>
FUND BALANCE, DECEMBER 31	<u>\$ 194,590</u>	<u>\$ 162,314</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, 2015, 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 April 5, 2016.

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 Cities*, 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 Cities*. 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

April 5, 2016

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

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, 2015**

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