

**CITY OF NEW LONDON  
NEW LONDON, MINNESOTA  
ANNUAL FINANCIAL REPORT  
YEAR ENDED  
DECEMBER 31, 2016**

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, 2016**

		<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 Gupthill	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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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, Minnesota's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2017 on our consideration of the City of New London, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New London's internal control over financial reporting and compliance.

*Westberg Eischens, PLLP*

Westberg Eischens, PLLP  
Willmar, Minnesota

May 11, 2017

**CITY OF NEW LONDON, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,464,110	\$ 748,785	\$ 2,212,895
Restricted cash	-	354,629	354,629
Receivables			
Accounts	32,148	74,898	107,046
Delinquent taxes	20,893	295	21,188
Special assessments	536,518	303,160	839,678
Delinquent special assessments	140,224	774	140,998
Interest	2,880	-	2,880
Intergovernmental	1,351	-	1,351
Internal balances	590,000	(590,000)	-
Prepaid expenses	18,291	-	18,291
Unamortized bond discount	12,083	-	12,083
Capital assets			
Non-depreciable	931,582	591,000	1,522,582
Depreciable, net of accumulated depreciation	<u>5,300,604</u>	<u>2,366,636</u>	<u>7,667,240</u>
<b>TOTAL ASSETS</b>	<u>9,050,684</u>	<u>3,850,177</u>	<u>12,900,861</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>112,616</u>	<u>17,582</u>	<u>130,198</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>112,616</u>	<u>17,582</u>	<u>130,198</u>
<b>LIABILITIES</b>			
Accounts payable	49,064	52,104	101,168
Long-term liabilities			
Due within one year	178,000	126,000	304,000
Due in more than one year	4,007,000	1,767,000	5,774,000
Net pension liability	<u>259,825</u>	<u>40,597</u>	<u>300,422</u>
<b>TOTAL LIABILITIES</b>	<u>4,493,889</u>	<u>1,985,701</u>	<u>6,479,590</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>20,957</u>	<u>3,271</u>	<u>24,228</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>20,957</u>	<u>3,271</u>	<u>24,228</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,047,186	474,636	2,521,822
Restricted for:			
Debt service	164,056	587,617	751,673
Capital replacement	-	70,946	70,946
Unrestricted	<u>2,437,212</u>	<u>745,588</u>	<u>3,182,800</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,648,454</u>	<u>\$ 1,878,787</u>	<u>\$ 6,527,241</u>

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, 2016**

	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
<b>FUNCTIONS/PROGRAMS</b>							
Governmental Activities:							
General government	\$ 261,299	\$ 135,786	\$ -	\$ -	\$ (125,513)	\$ -	\$ (125,513)
Public safety	467,171	262,114	103,829	-	(101,228)	-	(101,228)
Streets and highways	400,626	-	-	411,750	11,124	-	11,124
Culture and recreation	175,643	8,000	-	-	(167,643)	-	(167,643)
Economic development	305,805	-	220,490	-	(85,315)	-	(85,315)
Interest and fiscal charges on long term debt	143,481	-	-	-	(143,481)	-	(143,481)
Total Governmental Activities	<u>1,754,025</u>	<u>405,900</u>	<u>324,319</u>	<u>411,750</u>	<u>(612,056)</u>	<u>-</u>	<u>(612,056)</u>
Business-Type Activities:							
Water	291,863	342,696	-	5,271	-	56,104	56,104
Sewer	500,904	536,494	-	10,341	-	45,931	45,931
Total Business-Type Activities	<u>792,767</u>	<u>879,190</u>	<u>-</u>	<u>15,612</u>	<u>-</u>	<u>102,035</u>	<u>102,035</u>
<b>TOTAL</b>	<u>\$ 2,546,792</u>	<u>\$ 1,285,090</u>	<u>\$ 324,319</u>	<u>\$ 427,362</u>	<u>(612,056)</u>	<u>102,035</u>	<u>(510,021)</u>
General revenues:							
Property taxes levied for general purposes					318,458	-	318,458
Property taxes levied for debt service					223,043	10,094	233,137
Intergovernmental revenue not restricted to specific programs					314,695	-	314,695
Investment income					10,163	2,482	12,645
Gain on sale of asset					16,500	-	16,500
Miscellaneous					60,325	-	60,325
Total general revenues and transfers					<u>943,184</u>	<u>12,576</u>	<u>955,760</u>
Change in net position					331,128	114,611	445,739
Net Position - Beginning					<u>4,317,326</u>	<u>1,764,176</u>	<u>6,081,502</u>
Net Position - Ending					<u>\$ 4,648,454</u>	<u>\$ 1,878,787</u>	<u>\$ 6,527,241</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, 2016**

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
<b>ASSETS</b>							
Cash and investments	\$ 474,791	\$ 452,807	\$ 191,928	\$ 159,779	\$ -	\$ 184,805	\$1,464,110
Receivables							
Accounts	579	3,950	27,619	-	-	-	32,148
Delinquent taxes	10,482	-	-	9,276	-	1,135	20,893
Special assessments	-	-	-	536,518	-	-	536,518
Delinquent special assessments	-	-	-	140,224	-	-	140,224
Interest	2,880	-	-	-	-	-	2,880
Intergovernmental	-	1,351	-	-	-	-	1,351
Due from other funds	407,994	-	-	-	590,000	-	997,994
Prepaid expenses	5,680	5,555	7,056	-	-	-	18,291
<b>TOTAL ASSETS</b>	<b>\$ 902,406</b>	<b>\$ 463,663</b>	<b>\$ 226,603</b>	<b>\$ 845,797</b>	<b>\$ 590,000</b>	<b>\$ 185,940</b>	<b>\$3,214,409</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 3,470	\$ 545	\$ 1,347	\$ -	\$ 15,613	\$ 28,089	\$ 49,064
Due to other funds	-	-	-	-	407,994	-	407,994
<b>TOTAL LIABILITIES</b>	<b>3,470</b>	<b>545</b>	<b>1,347</b>	<b>-</b>	<b>423,607</b>	<b>28,089</b>	<b>457,058</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - taxes	6,367	-	-	5,577	-	56	12,000
Unavailable revenue - special assessments	-	-	-	676,164	-	-	676,164
Unavailable revenue - notes	-	1,351	-	-	-	-	1,351
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,367</b>	<b>1,351</b>	<b>-</b>	<b>681,741</b>	<b>-</b>	<b>56</b>	<b>689,515</b>
<b>FUND BALANCES</b>							
Nonspendable	5,680	5,555	7,056	-	-	-	18,291
Restricted	-	-	-	164,056	166,393	93,195	423,644
Committed	175,000	35,181	37,567	-	-	22,297	270,045
Assigned	396,256	421,031	180,633	-	-	47,291	1,045,211
Unassigned	315,633	-	-	-	-	(4,988)	310,645
<b>TOTAL FUND BALANCES</b>	<b>892,569</b>	<b>461,767</b>	<b>225,256</b>	<b>164,056</b>	<b>166,393</b>	<b>157,795</b>	<b>2,067,836</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 902,406</b>	<b>\$ 463,663</b>	<b>\$ 226,603</b>	<b>\$ 845,797</b>	<b>\$ 590,000</b>	<b>\$ 185,940</b>	<b>\$3,214,409</b>

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, 2016**

Total Fund Balances-Governmental Funds	\$ 2,067,836
Amounts reported for governmental activities in the statement of net position are different because:	
Underwriter's discount on bond proceeds are amortized over the life of the bond. Amounts are applicable to future periods and, therefore, are not reported in governmental funds.	12,083
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Governmental capital assets	10,080,197
Less: accumulated depreciation	(3,848,011)
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	689,515
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds.	
Deferred outflows of resources related to pensions	112,616
Deferred inflows of resources related to pensions	(20,957)
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	(4,122,081)
Capital leases	(62,919)
Pension benefits payable	<u>(259,825)</u>
Total Net Position-Governmental Activities	<u>\$ 4,648,454</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, 2016**

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
<b>REVENUES</b>							
Property taxes	\$ 246,692	\$ -	\$ -	\$ 223,043	\$ -	\$ 71,766	\$ 541,501
Special assessments	-	-	-	77,131	-	-	77,131
License and permits	96,664	-	-	-	-	-	96,664
Intergovernmental	357,812	11,500	6,500	-	-	220,490	596,302
Charges for services	11,005	112,066	186,165	-	-	-	309,236
Fines and forfeits	2,218	-	-	-	-	-	2,218
Interest income	2,757	3,769	382	3,071	1	183	10,163
Miscellaneous revenues	13,428	10,548	31,962	-	7,363	37,296	100,597
<b>Total Revenues</b>	<b>730,576</b>	<b>137,883</b>	<b>225,009</b>	<b>303,245</b>	<b>7,364</b>	<b>329,735</b>	<b>1,733,812</b>
<b>EXPENDITURES</b>							
Current							
General government	232,776	-	-	-	-	-	232,776
Public safety	99,488	105,233	191,492	-	-	1,248	397,461
Streets and highways	115,010	-	-	-	-	-	115,010
Culture and recreation	46,731	-	-	-	-	120,485	167,216
Economic development	-	-	-	-	-	305,805	305,805
Capital outlay							
Streets and highways	51,087	-	-	-	741,015	-	792,102
Debt service							
Principal	-	21,921	-	647,000	-	-	668,921
Interest	-	1,006	2,851	105,425	-	-	109,282
Bond fees	-	-	-	1,462	44,820	-	46,282
<b>Total Expenditures</b>	<b>545,092</b>	<b>128,160</b>	<b>194,343</b>	<b>753,887</b>	<b>785,835</b>	<b>427,538</b>	<b>2,834,855</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>							
	185,484	9,723	30,666	(450,642)	(778,471)	(97,803)	(1,101,043)
<b>OTHER FINANCING SOURCES (USES)</b>							
Bond proceeds	-	-	-	416,743	958,257	-	1,375,000
Sale of assets	16,500	-	-	-	-	-	16,500
Transfer from other funds	-	57,860	-	-	-	40,000	97,860
Transfer to other funds	(97,860)	-	-	-	-	-	(97,860)
<b>NET CHANGE IN FUND BALANCE</b>	<b>104,124</b>	<b>67,583</b>	<b>30,666</b>	<b>(33,899)</b>	<b>179,786</b>	<b>(57,803)</b>	<b>290,457</b>
<b>FUND BALANCE JANUARY 1</b>	<b>788,445</b>	<b>394,184</b>	<b>194,590</b>	<b>197,955</b>	<b>(13,393)</b>	<b>215,598</b>	<b>1,777,379</b>
<b>FUND BALANCE DECEMBER 31</b>	<b>\$ 892,569</b>	<b>\$ 461,767</b>	<b>\$ 225,256</b>	<b>\$ 164,056</b>	<b>\$ 166,393</b>	<b>\$ 157,795</b>	<b>\$ 2,067,836</b>

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, 2016**

Net Change in Fund Balances-Governmental Funds \$ 290,457

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 are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	792,102
Depreciation expense	(367,868)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes and assessments	334,619
Portion of state PERA contribution	222

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal retirement of long-term debt	668,921
Debt issued	(1,375,000)
Bond amortization	12,083

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.

(24,408)

Change in Net Position-Governmental Activities	<u>\$ 331,128</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF NEW LONDON, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2016**

	Water	Sewer	Total
<b>ASSETS</b>			
Current Assets			
Cash	\$ 465,514	\$ 283,271	\$ 748,785
Receivables			
Accounts receivable	74,898	-	74,898
Taxes - delinquent	-	295	295
Total Current Assets	540,412	283,566	823,978
Noncurrent Assets			
Cash restricted for capital replacement	-	70,946	70,946
Cash restricted for debt service	167,100	116,583	283,683
Special assessments receivable	102,580	201,354	303,934
Capital assets			
Non-depreciable	590,000	1,000	591,000
Depreciable assets	1,682,479	2,333,949	4,016,428
Less accumulated depreciation	(810,395)	(839,397)	(1,649,792)
Total capital assets, net	1,462,084	1,495,552	2,957,636
Total Noncurrent Assets	1,731,764	1,884,435	3,616,199
<b>TOTAL ASSETS</b>	<b>2,272,176</b>	<b>2,168,001</b>	<b>4,440,177</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	10,046	7,536	17,582
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,046</b>	<b>7,536</b>	<b>17,582</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	16,883	35,221	52,104
Due to other funds	590,000	-	590,000
Current portion bonds payable	41,000	85,000	126,000
Total Current Liabilities	647,883	120,221	768,104
Noncurrent Liabilities			
Bonds payable	578,000	1,189,000	1,767,000
Net pension liability	23,197	17,400	40,597
Total Noncurrent Liabilities	601,197	1,206,400	1,807,597
<b>TOTAL LIABILITIES</b>	<b>1,249,080</b>	<b>1,326,621</b>	<b>2,575,701</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	1,869	1,402	3,271
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,869</b>	<b>1,402</b>	<b>3,271</b>
<b>NET POSITION</b>			
Net investment in capital assets	253,084	221,552	474,636
Restricted			
Debt service	269,680	317,937	587,617
Capital replacement	-	70,946	70,946
Unrestricted	508,509	237,079	745,588
<b>TOTAL NET POSITION</b>	<b>\$ 1,031,273</b>	<b>\$ 847,514</b>	<b>\$ 1,878,787</b>

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, 2016**

	Water	Sewer	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 342,696	\$ 536,494	\$ 879,190
Total Operating Revenues	342,696	536,494	879,190
<b>OPERATING EXPENSES</b>			
Personal services	17,826	13,370	31,196
Payroll taxes and benefits	4,858	3,644	8,502
Contract services	202,485	390,530	593,015
Materials and supplies	8,474	6,422	14,896
Repairs and maintenance	6,369	12,805	19,174
Professional fees	1,278	1,144	2,422
Occupancy	-	1,034	1,034
Permits	6,190	2,111	8,301
Other expenses	480	655	1,135
Depreciation	37,303	55,609	92,912
Total Operating Expenses	285,263	487,324	772,587
Operating Income	57,433	49,170	106,603
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Property taxes	-	10,094	10,094
Special assessments	5,271	10,341	15,612
Interest income	1,620	862	2,482
Interest expense	(6,600)	(13,580)	(20,180)
Total Non-Operating Revenues	291	7,717	8,008
Change in Net Position	57,724	56,887	114,611
<b>NET POSITION, JANUARY 1</b>	973,549	790,627	1,764,176
<b>NET POSITION, DECEMBER 31</b>	\$ 1,031,273	\$ 847,514	\$ 1,878,787

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, 2016

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 338,957	\$ 536,494	\$ 875,451
Payments to suppliers	(235,548)	(410,904)	(646,452)
Payments to employees	(20,527)	(15,396)	(35,923)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>82,882</u>	<u>110,194</u>	<u>193,076</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Property taxes and special assessments received	20,801	50,804	71,605
Principal paid on long-term debt	(41,000)	(84,000)	(125,000)
Interest paid on long-term debt	(6,600)	(13,580)	(20,180)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(26,799)</u>	<u>(46,776)</u>	<u>(73,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	<u>1,620</u>	<u>862</u>	<u>2,482</u>
<b>NET DECREASE IN CASH</b>	57,703	64,280	121,983
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>574,911</u>	<u>406,520</u>	<u>981,431</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 632,614</u>	<u>\$ 470,800</u>	<u>\$ 1,103,414</u>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income	\$ 57,433	\$ 49,170	\$ 106,603
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	37,303	55,609	92,912
Change in assets and liabilities			
Increase in receivables	(3,739)	-	(3,739)
(Decrease) increase in accounts payable	(10,272)	3,797	(6,475)
Decrease in deferred outflows	(7,770)	(5,829)	(13,599)
Increase in pension liabilities	8,783	6,589	15,372
Increase in deferred inflows	1,144	858	2,002
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 82,882</u>	<u>\$ 110,194</u>	<u>\$ 193,076</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Unrestricted	\$ 465,514	\$ 283,271	\$ 748,785
Restricted	167,100	187,529	354,629
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 632,614</u>	<u>\$ 470,800</u>	<u>\$ 1,103,414</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, 2016**

**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, 2016. 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. The financial statements of the Association have not been included within the City's reporting entity, because the Association is fiscally independent of the City.

**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, 2016**

**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, 2016**

**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, 2016, 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 2016 was \$12,645.

**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 2016. 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, 2016**

**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 is 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, 2016**

**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, 2016**

**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, 2016**

**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, 2016, consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund	PIR Fund	Non-Major Funds	Totals
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid	\$ 5,680	\$ 5,555	\$ 7,056	\$ -	\$ -	\$ -	\$ 18,291
Restricted							
Debt service	-	-	-	164,056	-	-	164,056
Capital projects	-	-	-	-	166,393	-	166,393
Tax increment financing	-	-	-	-	-	29,392	29,392
ArtPlace America	-	-	-	-	-	63,803	63,803
Committed							
City hall project	175,000	-	-	-	-	-	175,000
Economic development	-	-	-	-	-	22,297	22,297
Truck replacement	-	35,181	37,567	-	-	-	72,748
Assigned							
Working capital	331,606	85,000	90,000	-	-	-	506,606
Public safety	-	336,031	90,633	-	-	2,993	429,657
Community improvement	-	-	-	-	-	32,971	32,971
Economic development	-	-	-	-	-	11,327	11,327
Contingencies	64,650	-	-	-	-	-	64,650
Unassigned	<u>315,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,988)</u>	<u>310,645</u>
<b>Total Fund Balances</b>	<b><u>\$ 892,569</u></b>	<b><u>\$ 461,767</u></b>	<b><u>\$ 225,256</u></b>	<b><u>\$ 164,056</u></b>	<b><u>\$ 166,393</u></b>	<b><u>\$ 157,795</u></b>	<b><u>\$ 2,067,836</u></b>

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, 2016**

**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, 2016, 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, 2016**

**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, 2016, was as follows:

<b>Governmental activities</b>	<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>-</u>	<u>741,015</u>	<u>-</u>	<u>741,015</u>
Total capital assets not being depreciated	<u>190,567</u>	<u>741,015</u>	<u>-</u>	<u>931,582</u>
Capital assets being depreciated:				
Buildings and structures	504,705	1,892	-	506,597
Infrastructure and improvements	7,320,237	10,584	-	7,330,821
Machinery and equipment	434,978	4,850	-	439,828
Office furniture and fixtures	6,515	748	-	7,263
Automotive equipment	<u>860,093</u>	<u>35,708</u>	<u>29,000</u>	<u>866,801</u>
Total capital assets being depreciated	<u>9,126,528</u>	<u>53,782</u>	<u>29,000</u>	<u>9,151,310</u>

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Capital Assets (continued)**

<b>Governmental activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and structures	383,807	13,382	-	397,189
Infrastructure and improvements	2,395,032	277,893	-	2,672,925
Machinery and equipment	261,527	20,155	-	281,682
Office furniture and fixtures	3,257	314	-	3,571
Automotive equipment	465,520	56,188	29,000	492,708
Total accumulated depreciation	<u>3,509,143</u>	<u>367,932</u>	<u>29,000</u>	<u>3,848,075</u>
Total capital assets being depreciated, net	<u>5,617,385</u>	<u>(314,150)</u>	<u>-</u>	<u>5,303,235</u>
Governmental activities capital assets, net	<u>\$ 5,807,952</u>	<u>\$ 426,865</u>	<u>\$ -</u>	<u>\$ 6,234,817</u>
<b>Business-type activities</b>	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	11,234	-	-	11,234
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	1,399,723	79,786	-	1,479,509
Machinery and equipment	136,306	9,886	-	146,192
Office furniture and fixtures	9,617	3,240	-	12,857
Automotive equipment	11,234	-	-	11,234
Total accumulated depreciation	<u>1,556,880</u>	<u>92,912</u>	<u>-</u>	<u>1,649,792</u>
Total capital assets being depreciated, net	<u>2,459,548</u>	<u>(92,912)</u>	<u>-</u>	<u>2,366,636</u>
Business-type activities capital assets, net	<u>\$ 2,460,548</u>	<u>\$ (92,912)</u>	<u>\$ -</u>	<u>\$ 2,367,636</u>

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**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:

<b>Governmental activities</b>		
General government	\$	12,859
Public safety		66,360
Public works		282,379
Culture and recreation		<u>6,270</u>
Total depreciation expense - governmental activities	\$	<u>367,868</u>
 <b>Business-type activities</b>		
Water	\$	37,303
Sewer		<u>55,609</u>
Total depreciation expense - business-type activities	\$	<u>92,912</u>

**C. Interfund Receivables, Payables, and Transfers**

**1. Interfund Transfers**

	Transfer to	
Transfer from	Fire Fund	Non-Major Funds
General Fund	\$ 57,860	\$ 40,000

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

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

**D. 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.

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Debt (continued)**

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	\$ 120,000
G.O. Permanent Improvement Revolving Advance Refunding Bond Series 2012B	2012	2038	1.00-3.75%	2,350,000	2,085,000
G.O. Obligation Tax Abatement Bonds, Series 2014A	2014	2030	3.75%	527,000	500,000
G.O. Obligation Improvement Bonds, Series 2016A	2016	2037	0.9-3.00%	1,375,000	<u>1,375,000</u>
Total General Obligation Bonds					<u>\$ 4,080,000</u>

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2017	\$ 178,000	\$ 108,298	\$ 286,298
2018	224,000	105,173	329,173
2019	225,000	100,577	325,577
2020	186,000	96,387	282,387
2021	187,000	92,844	279,844
2022-2026	1,041,000	397,867	1,438,867
2027-2031	889,000	267,039	1,156,039
2032-2036	835,000	138,411	973,411
2037-2038	<u>315,000</u>	<u>15,338</u>	<u>330,338</u>
Total	<u>\$ 4,080,000</u>	<u>\$ 1,321,934</u>	<u>\$ 5,401,934</u>

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Debt (continued)**

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:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
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	\$ 105,000	\$ 9,249	\$ 114,249

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.

<b>Business-type activities</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	G.O. Water Improvement Note of 2011B	\$ 660,000	\$ -	\$ 41,000	\$ 619,000
G.O. Sewer Improvement Note of 2011C	1,358,000	-	84,000	1,274,000	85,000
Total business-type activities	\$ 2,018,000	\$ -	\$ 125,000	\$ 1,893,000	\$ 126,000

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Debt (continued)**

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

Year Ending December 31	Business-Type Activities		
	Principal	Interest	Total
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	132,000	13,790	145,790
2022-2026	679,000	48,870	727,870
2027-2031	568,000	14,270	582,270
Total	<u>\$ 1,893,000</u>	<u>\$ 145,020</u>	<u>\$ 2,038,020</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
G.O. PIR Bond, 2008A	\$ 155,000	\$ -	\$ 35,000	\$ 120,000	\$ 40,000
G.O. Improvement Refunding Bond, 2009A	85,000	-	85,000	-	-
G.O. Improvement Bonds, 2011A	430,000	-	430,000	-	-
G.O. PIR Advance Refunding Bonds, Series 2012B	2,155,000	-	70,000	2,085,000	70,000
G.O. Tax Abatement Bonds, Series 2014A	527,000	-	27,000	500,000	28,000
Capital Leases Pumper truck	21,921	-	21,921	-	-
G.O. Equipment Certificate 2015A	105,000	-	-	105,000	-
G.O. Improvement Bonds, Series 2016A	-	1,375,000	-	1,375,000	40,000
Total governmental activities	<u>\$ 3,478,921</u>	<u>\$ 1,375,000</u>	<u>\$ 668,921</u>	<u>\$ 4,185,000</u>	<u>\$ 178,000</u>

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Debt (continued)**

<b>Business-type activities</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Water Improvement Note of 2011B	\$ 660,000	\$ -	\$ 41,000	\$ 619,000	\$ 41,000
G.O. Sewer Improvement Note of 2011C	<u>1,358,000</u>	<u>-</u>	<u>84,000</u>	<u>1,274,000</u>	<u>85,000</u>
Total business-type activities	<u>\$ 2,018,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 1,893,000</u>	<u>\$ 126,000</u>
<b>Conduit debt</b>					
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 the paying 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.

**1. 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 Fund. General Employees Plan 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. Benefits provision 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, 2016**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Description (continued)**

**1. General Employees Plan Benefits**

General Employees Plan 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 members 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 fully annuity is available when age plus year of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**B. Contributions**

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

**1. General Employees Fund Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2016. 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 2016. The City of New London's contributions to the General Employees Fund for the year ended December 31, 2016, was \$17,330. The City of New London's contributions were equal to the required contributions as set by state statute.

**C. Pension Costs**

**1. General Employees Fund Pension Cost**

At December 31, 2016, the City of New London reported a liability of \$300,422 for its proportionate share of the General Employees Fund's net pension liability. The City of New London's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of New London's totaled \$222. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of New London's proportion share was .0037% which was an increase of .0001% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of New London recognized pension expense of \$45,292 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of New London recognized an additional \$222 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the City of New London reported its proportionate share of the General Employees Plan'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, 2016**

**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	\$ 56,653	\$ -
Changes in actuarial assumptions	58,823	-
Differences between expected and actual economic experience	-	24,228
Changes in proportion and differences between contributions made and City's proportionate share of contributions	6,236	-
City's contributions to GERP subsequent to the measurement date	<u>8,486</u>	<u>-</u>
Totals	<u>\$ 130,198</u>	<u>\$ 24,228</u>

Deferred outflows of resources related to pensions, resulting from City of New London contributions subsequent to the measurement date of \$8,486, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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>
2017	\$ 28,223
2018	\$ 28,223
2019	\$ 30,183
2020	\$ 10,855

**D. Actuarial Assumptions**

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2013 and 2.5% per year thereafter to 1.0% per year for all future years.

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Actuarial Assumptions (continued)**

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
	100%	

**E. Discount Rate**

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on this assumption, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERS net pension liability	\$ 426,688	\$ 300,422	\$ 196,413

**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](http://www.mnpera.org).

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**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, 2016, the plan covered 24 active firefighters and 4 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.

**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, 2016, 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 \$43,339 in fire state aid to the plan on behalf of the New London Fire Department for the year ended December 31, 2016, 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, 2016, were \$-0- and \$11,900, respectively.

**D. Pension Costs**

For the year ended December 31, 2016, the City recognized pension expense of \$55,239. 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, 2016, 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.

**CITY OF NEW LONDON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 6 RISK MANAGEMENT (CONTINUED)**

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 2016.

**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.

Prior to year-end, the City entered into an agreement to purchase a fire truck for \$503,000. The City and the townships that they provide protection services to will provide funding for the entire purchase.

**NOTE 8 TAX INCREMENT FINANCING**

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

<u>District No.</u>	<u>Type of District</u>	<u>Established</u>	<u>Modified</u>	<u>Termination Date</u>
1-12	Housing	December 17, 2003		December 31, 2030
1-13	Redevelopment	June 5, 2013	August 19, 2015	December 31, 2040
1-14	Redevelopment	August 24, 2014		December 31, 2024

**NOTE 9 SUBSEQUENT EVENTS**

The City has evaluated subsequent events through May 11, 2017, 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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 246,646	\$ 246,646	\$ 246,692	\$ 46
License and permits	28,360	95,281	96,664	1,383
Intergovernmental	354,473	357,812	357,812	-
Charges for services	8,820	11,005	11,005	-
Fines and forfeits	3,000	2,218	2,218	-
Interest income	2,000	2,000	2,757	757
Miscellaneous revenues	<u>1,000</u>	<u>29,923</u>	<u>13,428</u>	<u>(16,495)</u>
Total Revenues	<u>644,299</u>	<u>744,885</u>	<u>730,576</u>	<u>(14,309)</u>
<b>EXPENDITURES</b>				
Current				
General government	227,194	230,810	232,776	1,966
Public safety	96,742	101,905	99,488	(2,417)
Streets and highways	148,290	111,903	115,010	3,107
Culture and recreation	46,627	46,627	46,731	104
Capital outlay				
Streets and highways	<u>42,586</u>	<u>59,508</u>	<u>51,087</u>	<u>(8,421)</u>
Total Expenditures	<u>561,439</u>	<u>550,753</u>	<u>545,092</u>	<u>(5,661)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	82,860	194,132	185,484	(8,648)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	-	-	16,500	16,500
Transfer to other funds	<u>(72,860)</u>	<u>(72,860)</u>	<u>(97,860)</u>	<u>25,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	10,000	121,272	104,124	<u>\$ (17,148)</u>
<b>FUND BALANCE JANUARY 1</b>	<u>788,445</u>	<u>788,445</u>	<u>788,445</u>	
<b>FUND BALANCE DECEMBER 31</b>	<u>\$ 798,445</u>	<u>\$ 909,717</u>	<u>\$ 892,569</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%
June 30, 2016	0.0037%	\$ 300,422	\$ 228,587	131.4%	68.9%

**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%
December 31, 2016	\$ 17,330	\$ 17,330	\$ -	\$ 231,070	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, 2016**

**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.

**NOTE 2 CHANGES IN ACTUARIAL ASSUMPTIONS**

The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**CITY OF NEW LONDON, MINNESOTA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2016**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 133,391	\$ 51,414	\$ 184,805
Delinquent taxes	-	1,135	1,135
<b>TOTAL ASSETS</b>	<u>\$ 133,391</u>	<u>\$ 52,549</u>	<u>\$ 185,940</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 28,089	\$ 28,089
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>28,089</u>	<u>28,089</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	-	56	56
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>56</u>	<u>56</u>
<b>FUND BALANCES</b>			
Restricted	\$ 63,803	\$ 29,392	\$ 93,195
Committed	22,297	-	22,297
Assigned	47,291	-	47,291
Unassigned	-	(4,988)	(4,988)
<b>TOTAL FUND BALANCES</b>	<u>133,391</u>	<u>24,404</u>	<u>157,795</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 133,391</u>	<u>\$ 52,549</u>	<u>\$ 185,940</u>

**CITY OF NEW LONDON, MINNESOTA**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended December 31, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>			
Taxes			
Tax increments	\$ -	\$ 71,766	\$ 71,766
Intergovernmental revenue	220,490	-	220,490
Miscellaneous revenue			
Grants and contributions	37,296	-	37,296
Interest	<u>171</u>	<u>12</u>	<u>183</u>
<b>TOTAL REVENUES</b>	<u>257,957</u>	<u>71,778</u>	<u>329,735</u>
<b>EXPENDITURES</b>			
Current			
Public safety	1,248	-	1,248
Culture and recreation	120,485	-	120,485
Economic development	<u>228,401</u>	<u>77,404</u>	<u>305,805</u>
<b>TOTAL EXPENDITURES</b>	<u>350,134</u>	<u>77,404</u>	<u>427,538</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(92,177)	(5,626)	(97,803)
<b>OTHER FINANCING SOURCES</b>			
Transfer in	<u>40,000</u>	<u>-</u>	<u>40,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(52,177)	(5,626)	(57,803)
<b>FUND BALANCE, JANUARY 1</b>	<u>185,568</u>	<u>30,030</u>	<u>215,598</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 133,391</u>	<u>\$ 24,404</u>	<u>\$ 157,795</u>

**CITY OF NEW LONDON, MINNESOTA  
COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
December 31, 2016**

	Connected Communities Fund	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,489	\$ 2,993	\$ 31,482	\$ 63,803	\$ 33,624	\$ 133,391
<b>TOTAL ASSETS</b>	<u>\$ 1,489</u>	<u>\$ 2,993</u>	<u>\$ 31,482</u>	<u>\$ 63,803</u>	<u>\$ 33,624</u>	<u>\$ 133,391</u>
<b>FUND BALANCES</b>						
Restricted	\$ -	\$ -	\$ -	\$ 63,803	\$ -	\$ 63,803
Committed	-	-	-	-	22,297	22,297
Assigned	1,489	2,993	31,482	-	11,327	47,291
<b>TOTAL FUND BALANCES</b>	<u>\$ 1,489</u>	<u>\$ 2,993</u>	<u>\$ 31,482</u>	<u>\$ 63,803</u>	<u>\$ 33,624</u>	<u>\$ 133,391</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, 2016**

	Connected Communities Fund	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Deed Grant Fund	Total
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,490	\$ 220,490
Miscellaneous revenue							
Grants and contributions	955	2,341	-	34,000	-	-	37,296
Interest income	-	-	11	160	-	-	171
<b>TOTAL REVENUES</b>	<u>955</u>	<u>2,341</u>	<u>11</u>	<u>34,160</u>	<u>-</u>	<u>220,490</u>	<u>257,957</u>
<b>EXPENDITURES</b>							
Current							
Public safety	-	1,248	-	-	-	-	1,248
Culture and recreation	21	-	9,555	110,909	-	-	120,485
Economic development	-	-	-	-	7,911	220,490	228,401
<b>TOTAL EXPENDITURES</b>	<u>21</u>	<u>1,248</u>	<u>9,555</u>	<u>110,909</u>	<u>7,911</u>	<u>220,490</u>	<u>350,134</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	934	1,093	(9,544)	(76,749)	(7,911)	-	(92,177)
<b>OTHER FINANCING SOURCES</b>							
Transfer in	-	-	25,000	-	15,000	-	40,000
<b>NET CHANGE IN FUND BALANCE</b>	934	1,093	15,456	(76,749)	7,089	-	(52,177)
<b>FUND BALANCES, JANUARY 1</b>	<u>555</u>	<u>1,900</u>	<u>16,026</u>	<u>140,552</u>	<u>26,535</u>	<u>-</u>	<u>185,568</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 1,489</u>	<u>\$ 2,993</u>	<u>\$ 31,482</u>	<u>\$ 63,803</u>	<u>\$ 33,624</u>	<u>\$ -</u>	<u>\$ 133,391</u>

**CITY OF NEW LONDON, MINNESOTA  
COMBINING BALANCE SHEET  
NON-MAJOR CAPITAL PROJECT FUNDS  
December 31, 2016**

	TIF District 1-12	TIF District 1-13	TIF District 1-14	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 45,826	\$ 2,428	\$ 3,160	\$ 51,414
Delinquent taxes	580	499	56	1,135
<b>TOTAL ASSETS</b>	<u>\$ 46,406</u>	<u>\$ 2,927</u>	<u>\$ 3,216</u>	<u>\$ 52,549</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,014	\$ 3,174	\$ 7,901	\$ 28,089
<b>TOTAL LIABILITIES</b>	<u>17,014</u>	<u>3,174</u>	<u>7,901</u>	<u>28,089</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	-	-	56	56
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
<b>FUND BALANCES</b>				
Restricted	29,392	-	-	29,392
Unassigned	-	(247)	(4,741)	(4,988)
<b>TOTAL FUND BALANCES</b>	<u>29,392</u>	<u>(247)</u>	<u>(4,741)</u>	<u>24,404</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 46,406</u>	<u>\$ 2,927</u>	<u>\$ 3,216</u>	<u>\$ 52,549</u>

**CITY OF NEW LONDON, MINNESOTA**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**For The Year Ended December 31, 2016**

	TIF District 1-12	TIF District 1-13	TIF District 1-14	Total
<b>REVENUES</b>				
Taxes				
Tax increments	\$ 39,339	\$ 11,706	\$ 20,721	\$ 71,766
Miscellaneous Revenue				
Interest	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
<b>TOTAL REVENUES</b>	<u>39,351</u>	<u>11,706</u>	<u>20,721</u>	<u>71,778</u>
<b>EXPENDITURES</b>				
Economic development				
Professional fees	1,350	833	2,433	4,616
Tax increments	55,650	5,632	11,401	72,683
Administrative costs	<u>35</u>	<u>35</u>	<u>35</u>	<u>105</u>
<b>TOTAL EXPENDITURES</b>	<u>57,035</u>	<u>6,500</u>	<u>13,869</u>	<u>77,404</u>
<b>NET CHANGE IN FUND BALANCE</b>	(17,684)	5,206	6,852	(5,626)
<b>FUND BALANCE (DEFICIT), JANUARY 1</b>	<u>47,076</u>	<u>(5,453)</u>	<u>(11,593)</u>	<u>30,030</u>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>	<u>\$ 29,392</u>	<u>\$ (247)</u>	<u>\$ (4,741)</u>	<u>\$ 24,404</u>

**CITY OF NEW LONDON, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
December 31, 2016**

	Debt Service Reserve Fund	G.O. PIR Bonds 2008A	G.O. Improvement Refunding Bonds - 2009A	G.O. Improvement Bonds - 2011A	G.O. PIR Adv Refunding Bonds - 2012B	G.O. Tax Abatement Bonds - 2014	G.O. Improvement Bonds - 2016	Totals
<b>ASSETS</b>								
Cash and cash equivalents	\$ 828,529	\$ (232,355)	\$ (60,080)	\$ 32,681	\$ (461,530)	\$ 258	\$ 52,276	\$ 159,779
Receivables								
Delinquent taxes	208	232	2,206	1,649	3,640	1,341	-	9,276
Special assessments	48,870	-	-	75,690	-	-	411,958	536,518
Delinquent assessments	-	137,829	-	292	2,103	-	-	140,224
<b>TOTAL ASSETS</b>	<u>\$ 877,607</u>	<u>\$ (94,294)</u>	<u>\$ (57,874)</u>	<u>\$ 110,312</u>	<u>\$ (455,787)</u>	<u>\$ 1,599</u>	<u>\$ 464,234</u>	<u>\$ 845,797</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - taxes	\$ 208	\$ 153	\$ 2,109	\$ 745	\$ 1,797	\$ 565	\$ -	\$ 5,577
Unavailable revenue - special assessments	48,871	137,829	-	75,713	1,793	-	411,958	676,164
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>49,079</u>	<u>137,982</u>	<u>2,109</u>	<u>76,458</u>	<u>3,590</u>	<u>565</u>	<u>411,958</u>	<u>681,741</u>
<b>FUND BALANCES</b>								
Restricted	828,528	(232,276)	(59,983)	33,854	(459,377)	1,034	52,276	164,056
<b>TOTAL FUND BALANCES</b>	<u>828,528</u>	<u>(232,276)</u>	<u>(59,983)</u>	<u>33,854</u>	<u>(459,377)</u>	<u>1,034</u>	<u>52,276</u>	<u>164,056</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 877,607</u>	<u>\$ (94,294)</u>	<u>\$ (57,874)</u>	<u>\$ 110,312</u>	<u>\$ (455,787)</u>	<u>\$ 1,599</u>	<u>\$ 464,234</u>	<u>\$ 845,797</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, 2016**

	Debt Service Reserve Fund	G.O. PIR Bonds 2008A	G.O. Improvement Refunding Bonds - 2009A	G.O. Improvement Bonds - 2011A	G.O. PIR Adv Refunding Bonds - 2012B	G.O. Tax Abatement Bonds - 2014	G.O. Improvement Bonds - 2016	Totals
<b>REVENUES</b>								
General property tax	\$ -	\$ 4,705	\$ 1,133	\$ 56,162	\$ 112,423	\$ 48,620	\$ -	\$ 223,043
Special assessments	3,116	-	-	15,549	22,225	-	36,241	77,131
Interest income	3,068	-	-	-	-	-	3	3,071
Total Revenues	<u>6,184</u>	<u>4,705</u>	<u>1,133</u>	<u>71,711</u>	<u>134,648</u>	<u>48,620</u>	<u>36,244</u>	<u>303,245</u>
<b>EXPENDITURES</b>								
Debt service								
Principal	-	35,000	85,000	430,000	70,000	27,000	-	647,000
Interest	-	5,390	1,211	17,311	62,257	19,256	-	105,425
Bond fees	517	-	450	-	495	-	-	1,462
Total Expenditures	<u>517</u>	<u>40,390</u>	<u>86,661</u>	<u>447,311</u>	<u>132,752</u>	<u>46,256</u>	<u>-</u>	<u>753,887</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	5,667	(35,685)	(85,528)	(375,600)	1,896	2,364	36,244	(450,642)
<b>OTHER FINANCING USES</b>								
Bond proceeds	-	-	-	400,711	-	-	16,032	416,743
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,711</u>	<u>-</u>	<u>-</u>	<u>16,032</u>	<u>416,743</u>
<b>NET CHANGE IN FUND BALANCE</b>	5,667	(35,685)	(85,528)	25,111	1,896	2,364	52,276	(33,899)
<b>FUND BALANCE JANUARY 1</b>	<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>-</u>	<u>197,955</u>
<b>FUND BALANCE DECEMBER 31</b>	<u>\$ 828,528</u>	<u>\$ (232,276)</u>	<u>\$ (59,983)</u>	<u>\$ 33,854</u>	<u>\$ (459,377)</u>	<u>\$ 1,034</u>	<u>\$ 52,276</u>	<u>\$ 164,056</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, 2016**  
**With Comparative Actual Amounts For The Year Ended December 31, 2015**

	2016		Over(Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Taxes				
General property taxes	\$ 246,646	\$ 246,692	\$ 46	\$ 251,257
License and permits	95,281	96,664	1,383	52,840
Total Taxes	<u>341,927</u>	<u>343,356</u>	<u>1,429</u>	<u>304,097</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	314,070	314,070	-	313,070
PERA aid	403	403	-	403
State grants	-	-	-	-
Fire relief aid	43,339	43,339	-	43,238
Total Intergovernmental Revenue	<u>357,812</u>	<u>357,812</u>	<u>-</u>	<u>356,711</u>
Charges for Services				
General government	3,005	3,005	-	3,475
Culture and recreation	8,000	8,000	-	8,256
Total Charges for Services	<u>11,005</u>	<u>11,005</u>	<u>-</u>	<u>11,731</u>
Fines and Forfeits	<u>2,218</u>	<u>2,218</u>	<u>-</u>	<u>2,609</u>
Miscellaneous Revenues				
Investment income	2,000	2,757	757	2,817
Other	29,923	13,428	(16,495)	14,371
Total Miscellaneous Revenues	<u>31,923</u>	<u>16,185</u>	<u>(15,738)</u>	<u>17,188</u>
<b>TOTAL REVENUES</b>	<u>744,885</u>	<u>730,576</u>	<u>(14,309)</u>	<u>692,336</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, 2016**  
**With Comparative Actual Amounts For The Year Ended December 31, 2015**

	2016		Over(Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES</b>				
General Government				
Governing Board				
Salaries	9,725	9,725	-	9,895
Payroll taxes and benefits	744	744	-	757
Other expenses	30	30	-	30
Total Governing Board	<u>10,499</u>	<u>10,499</u>	<u>-</u>	<u>10,682</u>
Administration and Finance				
Salaries	114,255	114,255	-	109,519
Payroll taxes and benefits	17,311	17,310	(1)	16,593
Total Administration and Finance	<u>131,566</u>	<u>131,565</u>	<u>(1)</u>	<u>126,112</u>
Government Buildings				
Salaries	13,370	13,370	-	13,094
Payroll taxes and benefits	2,026	2,026	-	1,984
Occupancy	10,526	10,621	95	10,411
Repairs and maintenance	3,170	3,157	(13)	3,635
Other expenses	1,290	1,290	-	1,260
Total Government Buildings	<u>30,382</u>	<u>30,464</u>	<u>82</u>	<u>30,384</u>
Other General Government				
Salaries	200	200	-	200
Payroll taxes and benefits	15	15	-	15
Supplies	5,761	5,392	(369)	6,118
Occupancy	1,789	1,789	-	1,664
Insurance	9,620	9,620	-	13,209
Elections	1,429	1,632	203	-
Assessor	8,889	8,889	-	6,610
Professional services	14,216	14,067	(149)	12,687
Other expenses	16,444	18,644	2,200	14,311
Total Other General Government	<u>58,363</u>	<u>60,248</u>	<u>1,885</u>	<u>54,814</u>
Total General Government	<u>230,810</u>	<u>232,776</u>	<u>1,966</u>	<u>221,992</u>
Public Safety				
Police Department				
Contracted services	18,710	18,710	-	18,168
Fire Department				
Fire Relief Association	43,339	43,339	-	43,238
Other Protection				
Building inspection	39,789	37,372	(2,417)	38,902
Animal control	67	67	-	159
Total Other Protection	<u>39,856</u>	<u>37,439</u>	<u>(2,417)</u>	<u>39,061</u>
Total Public Safety	<u>101,905</u>	<u>99,488</u>	<u>(2,417)</u>	<u>100,467</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, 2016**  
**With Comparative Actual Amounts For The Year Ended December 31, 2015**

	2016		Over(Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (continued)</b>				
Streets and Highways				
Street Maintenance				
Salaries	26,739	26,739	-	26,189
Payroll taxes and benefits	4,051	4,052	1	3,968
Supplies	9,652	9,652	-	9,001
Occupancy	2,570	2,604	34	2,461
Repairs and maintenance	4,268	9,162	4,894	8,891
Other expenses	6,484	6,484	-	7,047
Capital outlay	59,508	51,087	(8,421)	23,486
Total Street Maintenance	<u>113,272</u>	<u>109,780</u>	<u>(3,492)</u>	<u>81,043</u>
Snow and Ice Removal				
Contract services	30,000	30,484	484	28,748
Total Snow and Ice Removal	<u>30,000</u>	<u>30,484</u>	<u>484</u>	<u>28,748</u>
Street Lighting	28,139	25,833	(2,306)	26,655
Total Streets and Highways	<u>171,411</u>	<u>166,097</u>	<u>(5,314)</u>	<u>136,446</u>
Culture and Recreation				
Parks and Recreation				
Salaries	17,826	17,826	-	17,459
Payroll taxes and benefits	2,701	2,701	-	2,645
Occupancy	1,525	1,506	(19)	1,447
Repairs and maintenance	6,100	6,225	125	5,935
Total Parks and Recreation	<u>28,152</u>	<u>28,258</u>	<u>106</u>	<u>27,486</u>
Community Education	10,500	10,500	-	10,500
Library				
Occupancy	7,975	7,973	(2)	7,941
Total Culture and Recreation	<u>46,627</u>	<u>46,731</u>	<u>104</u>	<u>45,927</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, 2016**  
**With Comparative Actual Amounts For The Year Ended December 31, 2015**

	2016		Over(Under) Final Budget	2015
	Final Budget	Actual Amounts		Actual Amounts
<b>TOTAL EXPENDITURES</b>	<u>550,753</u>	<u>545,092</u>	<u>(5,661)</u>	<u>504,832</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	194,132	185,484	(8,648)	187,504
<b>OTHER FINANCING USES</b>				
Transfer out	<u>72,860</u>	<u>97,860</u>	<u>25,000</u>	<u>97,146</u>
<b>NET CHANGE IN FUND BALANCE</b>	121,272	87,624	<u>\$ (33,648)</u>	90,358
<b>FUND BALANCE, JANUARY 1</b>	<u>788,445</u>	<u>788,445</u>		<u>698,087</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 909,717</u>	<u>\$ 876,069</u>		<u>\$ 788,445</u>

**CITY OF NEW LONDON, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FIRE DEPARTMENT FUND**  
**For The Year Ended December 31, 2016**  
**With Comparative Amounts For The Year Ended December 31, 2015**

<b>REVENUES</b>	<u>2016</u>	<u>2015</u>
Intergovernmental		
State grants	\$ 11,500	\$ 11,500
Total Intergovernmental	<u>11,500</u>	<u>11,500</u>
Charges for Services		
Fire contracts and calls	112,066	101,219
Total Charges for Services	<u>112,066</u>	<u>101,219</u>
Miscellaneous Revenues		
Interest income	3,769	2,480
Donations	10,548	71,265
Total Miscellaneous Revenues	<u>14,317</u>	<u>73,745</u>
<b>TOTAL REVENUES</b>	<u>137,883</u>	<u>186,464</u>
<b>EXPENDITURES</b>		
Current		
Salaries	44,894	45,403
Payroll taxes and benefits	15,334	13,873
Supplies	11,041	32,419
Occupancy	4,904	4,768
Repairs and maintenance	6,602	9,600
Insurance	13,579	12,201
Professional fees	6,320	9,235
Other expenses	2,559	4,642
Capital outlay	-	92,277
Debt service		
Principal	21,921	20,959
Interest	1,006	1,968
<b>TOTAL EXPENDITURES</b>	<u>128,160</u>	<u>247,345</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	9,723	(60,881)
<b>OTHER FINANCING SOURCES</b>		
Transfers in	57,860	65,946
Sale of assets	-	3,900
<b>NET CHANGE IN FUND BALANCE</b>	67,583	8,965
<b>FUND BALANCE, JANUARY 1</b>	<u>394,184</u>	<u>385,219</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 461,767</u>	<u>\$ 394,184</u>

**CITY OF NEW LONDON, MINNESOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AMBULANCE FUND**

**For The Year Ended December 31, 2016  
With Comparative Amounts For The Year Ended December 31, 2015**

<b>REVENUES</b>	<u>2016</u>	<u>2015</u>
Intergovernmental		
State grants	\$ 6,500	\$ 7,500
Total Intergovernmental	<u>6,500</u>	<u>7,500</u>
Charges for Services		
Ambulance calls	<u>186,165</u>	<u>189,805</u>
Total Charges for Services	<u>186,165</u>	<u>189,805</u>
Miscellaneous Revenues		
Interest income	382	276
Donations	<u>31,962</u>	<u>20,209</u>
Total Miscellaneous Revenues	<u>32,344</u>	<u>20,485</u>
<b>TOTAL REVENUES</b>	<u>225,009</u>	<u>217,790</u>
<b>EXPENDITURES</b>		
Current		
Salaries	133,903	133,430
Payroll taxes and benefits	10,244	10,207
Supplies	13,083	11,274
Occupancy	1,393	1,418
Repairs and maintenance	378	3,064
Insurance	16,334	14,721
Professional fees	15,393	13,162
Other expenses	764	6,032
Capital outlay	-	97,206
Debt service		
Interest	<u>2,851</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>194,343</u>	<u>290,514</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	30,666	(72,724)
<b>OTHER FINANCING SOURCES</b>		
Bond proceeds	<u>-</u>	<u>105,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	30,666	32,276
<b>FUND BALANCE, JANUARY 1</b>	<u>194,590</u>	<u>162,314</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u>\$ 225,256</u>	<u>\$ 194,590</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, 2016, and the related notes to the financial statements, which collectively comprise the City of New London's basic financial statements, and have issued our report thereon dated May 11, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2007-001 and 2007-002 that we consider to be significant deficiencies.

**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 responses. The City of New London's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Westberg Eischens, PLLP*

Westberg Eischens, PLLP  
Willmar, Minnesota

May 11, 2017

**CITY OF NEW LONDON, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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, 2016**

**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