

**CITY OF NEW LONDON
NEW LONDON, MINNESOTA
ANNUAL FINANCIAL REPORT
YEAR ENDED
DECEMBER 31, 2017**

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, 2017**

		<u>TERM EXPIRES</u>
Bill Gossman	Mayor	12/31/18
John Bergman	Council Member	12/31/18
Loren Beck	Council Member	12/31/20
Erik Hatlestad	Council Member	12/31/20
Craig Edwards	Council Member	12/31/18
Trudie Guptill	Clerk-Treasurer	Appointed

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New London, Minnesota, as of and for the year ended December 31, 2017, 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, 2017, 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 individual and combining 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 individual and combining fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2018 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, Minnesota's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

April 9, 2018

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 1,800,559	\$ 842,504	\$ 2,643,063
Restricted cash	-	421,551	421,551
Receivables			
Accounts	51,654	74,718	126,372
Delinquent taxes	24,832	1,288	26,120
Special assessments	476,823	244,065	720,888
Delinquent special assessments	139,464	-	139,464
Interest	2,880	-	2,880
Prepaid expenses	24,249	-	24,249
Capital assets			
Non-depreciable	190,567	1,000	191,567
Depreciable, net of accumulated depreciation	6,347,370	2,883,378	9,230,748
TOTAL ASSETS	9,058,398	4,468,504	13,526,902
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	86,477	13,797	100,274
TOTAL DEFERRED OUTFLOWS OF RESOURCES	86,477	13,797	100,274
LIABILITIES			
Accounts payable	19,962	1,084	21,046
Long-term liabilities			
Due within one year	238,000	129,900	367,900
Due in more than one year	3,743,553	1,782,100	5,525,653
Net pension liability	203,727	32,479	236,206
TOTAL LIABILITIES	4,205,242	1,945,563	6,150,805
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	68,708	10,184	78,892
TOTAL DEFERRED INFLOWS OF RESOURCES	68,708	10,184	78,892
NET POSITION			
Net investment in capital assets	2,556,384	972,378	3,528,762
Restricted for:			
Debt service	178,027	585,269	763,296
Capital replacement	-	80,347	80,347
Unrestricted	2,136,514	888,560	3,025,074
TOTAL NET POSITION	\$ 4,870,925	\$ 2,526,554	\$ 7,397,479

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, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General government	\$ 257,231	\$ 114,870	\$ -	\$ -	\$ (142,361)	\$ -	\$ (142,361)
Public safety	516,949	483,166	104,825	-	71,042	-	71,042
Streets and highways	423,183	-	-	30,063	(393,120)	-	(393,120)
Culture and recreation	60,997	8,625	-	-	(52,372)	-	(52,372)
Economic development	186,524	-	109,686	-	(76,838)	-	(76,838)
Interest and fiscal charges on long term debt	113,194	-	-	-	(113,194)	-	(113,194)
Total Governmental Activities	<u>1,558,078</u>	<u>606,661</u>	<u>214,511</u>	<u>30,063</u>	<u>(706,843)</u>	<u>-</u>	<u>(706,843)</u>
Business-Type Activities:							
Water	301,416	341,305	-	476,816	-	516,705	516,705
Sewer	465,839	543,976	-	9,461	-	87,598	87,598
Total Business-Type Activities	<u>767,255</u>	<u>885,281</u>	<u>-</u>	<u>486,277</u>	<u>-</u>	<u>604,303</u>	<u>604,303</u>
TOTAL	<u>\$ 2,325,333</u>	<u>\$ 1,491,942</u>	<u>\$ 214,511</u>	<u>\$ 516,340</u>	<u>(706,843)</u>	<u>604,303</u>	<u>(102,540)</u>
General revenues:							
Property taxes levied for general purposes					345,406	-	345,406
Property taxes levied for debt service					206,139	40,101	246,240
Intergovernmental revenue not restricted to specific programs					315,375	-	315,375
Investment income					9,639	3,363	13,002
Gain on sale of asset					27,000	-	27,000
Miscellaneous					25,755	-	25,755
Total general revenues and transfers					<u>929,314</u>	<u>43,464</u>	<u>972,778</u>
Change in net position					222,471	647,767	870,238
Net Position - Beginning					<u>4,648,454</u>	<u>1,878,787</u>	<u>6,527,241</u>
Net Position - Ending					<u>\$ 4,870,925</u>	<u>\$ 2,526,554</u>	<u>\$ 7,397,479</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, 2017**

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
ASSETS							
Cash and investments	\$ 881,275	\$ 374,421	\$ 169,920	\$ 171,900	\$ 2,484	\$ 200,559	\$1,800,559
Receivables							
Accounts	519	8,000	43,135	-	-	-	51,654
Delinquent taxes	13,506	-	-	10,872	-	454	24,832
Special assessments	-	-	-	476,823	-	-	476,823
Delinquent special assessments	-	-	-	139,464	-	-	139,464
Interest	2,880	-	-	-	-	-	2,880
Due from other funds	1,555	159	-	-	-	-	1,714
Prepaid expenses	6,684	7,159	10,406	-	-	-	24,249
TOTAL ASSETS	\$ 906,419	\$ 389,739	\$ 223,461	\$ 799,059	\$ 2,484	\$ 201,013	\$2,522,175
LIABILITIES							
Accounts payable	\$ 3,698	\$ -	\$ 651	\$ -	\$ 15,613	\$ -	\$ 19,962
Due to other funds	159	1,503	52	-	-	-	1,714
TOTAL LIABILITIES	3,857	1,503	703	-	15,613	-	21,676
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	8,108	-	-	6,619	-	79	14,806
Unavailable revenue - special assessments	-	-	-	614,413	-	-	614,413
TOTAL DEFERRED INFLOWS OF RESOURCES	8,108	-	-	621,032	-	79	629,219
FUND BALANCES							
Nonspendable	6,684	7,159	10,406	-	-	-	24,249
Restricted	-	-	-	178,027	-	112,771	290,798
Committed	175,000	5,682	24,691	-	-	8,654	214,027
Assigned	409,606	375,395	187,661	-	-	79,509	1,052,171
Unassigned	303,164	-	-	-	(13,129)	-	290,035
TOTAL FUND BALANCES	894,454	388,236	222,758	178,027	(13,129)	200,934	1,871,280
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 906,419	\$ 389,739	\$ 223,461	\$ 799,059	\$ 2,484	\$ 201,013	\$2,522,175

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, 2017**

Total Fund Balances-Governmental Funds	\$ 1,871,280
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Governmental capital assets	10,673,794
Less: accumulated depreciation	(4,135,857)
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	629,219
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	86,477
Deferred inflows of resources related to pensions	(68,708)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in governmental funds.	
Unamortized underwriter's discount on bond proceeds	11,447
General obligation bonds	(3,930,081)
Capital leases	(62,919)
Pension benefits payable	<u>(203,727)</u>
Total Net Position-Governmental Activities	<u>\$ 4,870,925</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, 2017

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Totals
		Fire Fund	Ambulance Fund				
REVENUES							
Property taxes	\$ 258,237	\$ -	\$ -	\$ 206,139	\$ -	\$ 85,714	\$ 550,090
Special assessments	-	-	-	91,814	-	-	91,814
License and permits	77,116	-	-	-	-	-	77,116
Intergovernmental	371,104	16,044	8,325	-	-	109,686	505,159
Charges for services	10,845	332,504	186,196	-	-	-	529,545
Fines and forfeits	240	-	-	-	-	-	240
Interest income	2,723	2,310	389	4,175	2	40	9,639
Miscellaneous revenues	3,101	19,654	5,075	-	-	22,327	50,157
Total Revenues	723,366	370,512	199,985	302,128	2	217,767	1,813,760
EXPENDITURES							
Current							
General government	230,493	-	-	-	-	-	230,493
Public safety	101,427	148,090	186,082	-	-	1,033	436,632
Streets and highways	126,145	-	-	-	-	-	126,145
Culture and recreation	44,663	-	-	-	-	9,071	53,734
Economic development	-	-	-	-	-	186,524	186,524
Capital outlay							
Public safety	-	503,000	-	-	-	-	503,000
Streets and highways	16,706	-	-	-	179,524	-	196,230
Debt service							
Principal	-	-	14,000	178,000	-	-	192,000
Interest	-	-	2,401	107,756	-	-	110,157
Other charges	-	-	-	2,401	-	-	2,401
Total Expenditures	519,434	651,090	202,483	288,157	179,524	196,628	2,037,316
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	203,932	(280,578)	(2,498)	13,971	(179,522)	21,139	(223,556)
OTHER FINANCING SOURCES (USES)							
Sale of assets	1,500	25,500	-	-	-	-	27,000
Transfer from other funds	-	181,547	-	-	-	22,000	203,547
Transfer to other funds	(203,547)	-	-	-	-	-	(203,547)
NET CHANGE IN FUND BALANCE	1,885	(73,531)	(2,498)	13,971	(179,522)	43,139	(196,556)
FUND BALANCE JANUARY 1	892,569	461,767	225,256	164,056	166,393	157,795	2,067,836
FUND BALANCE DECEMBER 31	\$ 894,454	\$ 388,236	\$ 222,758	\$ 178,027	\$ (13,129)	\$ 200,934	\$ 1,871,280

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, 2017

Net Change in Fund Balances-Governmental Funds \$ (196,556)

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	699,230
Depreciation expense	(393,479)

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	(60,296)
Portion of state PERA contribution	85

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	192,000
Bond amortization	(636)

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.

(17,877)

Change in Net Position-Governmental Activities	<u>\$ 222,471</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, 2017

	Water	Sewer	Total
ASSETS			
Current Assets			
Cash	\$ 499,549	\$ 342,955	\$ 842,504
Receivables			
Accounts receivable	74,718	-	74,718
Taxes - delinquent	884	404	1,288
Total Current Assets	575,151	343,359	918,510
Noncurrent Assets			
Cash restricted for capital replacement	5,297	75,050	80,347
Cash restricted for debt service	213,465	127,739	341,204
Special assessments receivable	82,372	161,693	244,065
Capital assets			
Non-depreciable	-	1,000	1,000
Depreciable assets	2,299,479	2,333,949	4,633,428
Less accumulated depreciation	(855,041)	(895,009)	(1,750,050)
Total capital assets, net	1,444,438	1,439,940	2,884,378
Total Noncurrent Assets	1,745,572	1,804,422	3,549,994
TOTAL ASSETS	2,320,723	2,147,781	4,468,504
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	7,883	5,914	13,797
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,883	5,914	13,797
LIABILITIES			
Current Liabilities			
Accounts payable	1,084	-	1,084
Current portion bonds payable	43,900	86,000	129,900
Total Current Liabilities	44,984	86,000	130,984
Noncurrent Liabilities			
Bonds payable	679,100	1,103,000	1,782,100
Net pension liability	18,558	13,921	32,479
Total Noncurrent Liabilities	697,658	1,116,921	1,814,579
TOTAL LIABILITIES	742,642	1,202,921	1,945,563
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	5,820	4,364	10,184
TOTAL DEFERRED INFLOWS OF RESOURCES	5,820	4,364	10,184
NET POSITION			
Net investment in capital assets	721,438	250,940	972,378
Restricted			
Debt service	295,837	289,432	585,269
Capital replacement	5,297	75,050	80,347
Unrestricted	557,572	330,988	888,560
TOTAL NET POSITION	\$ 1,580,144	\$ 946,410	\$ 2,526,554

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, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 341,305	\$ 543,976	\$ 885,281
Total Operating Revenues	<u>341,305</u>	<u>543,976</u>	<u>885,281</u>
OPERATING EXPENSES			
Personal services	16,675	12,506	29,181
Payroll taxes and benefits	4,002	3,000	7,002
Contract services	201,434	359,633	561,067
Materials and supplies	6,987	6,827	13,814
Repairs and maintenance	16,082	12,663	28,745
Professional fees	866	844	1,710
Occupancy	-	2,014	2,014
Permits	3,867	-	3,867
Other expenses	349	-	349
Depreciation	<u>44,646</u>	<u>55,612</u>	<u>100,258</u>
Total Operating Expenses	<u>294,908</u>	<u>453,099</u>	<u>748,007</u>
Operating Income	46,397	90,877	137,274
NON-OPERATING REVENUES (EXPENSES)			
Federal capital grant	472,000	-	472,000
Property taxes	29,933	10,168	40,101
Special assessments	4,816	9,461	14,277
Interest income	2,233	1,130	3,363
Interest expense	(6,190)	(12,740)	(18,930)
Other charges	<u>(318)</u>	<u>-</u>	<u>(318)</u>
Total Non-Operating Revenues	<u>502,474</u>	<u>8,019</u>	<u>510,493</u>
Change in Net Position	548,871	98,896	647,767
NET POSITION, JANUARY 1	<u>1,031,273</u>	<u>847,514</u>	<u>1,878,787</u>
NET POSITION, DECEMBER 31	<u>\$ 1,580,144</u>	<u>\$ 946,410</u>	<u>\$ 2,526,554</u>

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2017

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 341,485	\$ 543,976	\$ 885,461
Payments to suppliers	(245,384)	(417,202)	(662,586)
Payments to employees	(19,202)	(14,401)	(33,603)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>76,899</u>	<u>112,373</u>	<u>189,272</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Federal capital grant	472,000	-	472,000
Acquisition of capital assets	(617,000)	-	(617,000)
Property taxes and special assessments received	54,073	59,181	113,254
Net proceeds from bond issuance	145,000	-	145,000
Principal paid on long-term debt	(41,000)	(85,000)	(126,000)
Interest paid on long-term debt	(6,190)	(12,740)	(18,930)
Other charges paid on long-term debt	(318)	-	(318)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>6,565</u>	<u>(38,559)</u>	<u>(31,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	2,233	1,130	3,363
NET INCREASE IN CASH	85,697	74,944	160,641
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>632,614</u>	<u>470,800</u>	<u>1,103,414</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 718,311</u>	<u>\$ 545,744</u>	<u>\$ 1,264,058</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 46,397	\$ 90,877	\$ 137,274
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	44,646	55,612	100,258
Change in assets and liabilities:			
Decrease in receivables	180	-	180
Decrease in deferred outflows	2,163	1,622	3,785
Decrease in accounts payable	(15,799)	(35,221)	(51,020)
Decrease in pension liabilities	(4,639)	(3,479)	(8,118)
Increase in deferred inflows	3,951	2,962	6,913
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 76,899</u>	<u>\$ 112,373</u>	<u>\$ 189,272</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 499,549	\$ 342,955	\$ 842,504
Restricted	213,465	202,789	416,254
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 713,014</u>	<u>\$ 545,744</u>	<u>\$ 1,258,758</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, 2017**

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, 2017. 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, 2017**

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, 2017**

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, 2017, 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 2017 was \$13,002.

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 2017. 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, 2017**

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, 2017**

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, 2017**

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, 2017**

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, 2017, consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund	PIR Fund	Non-Major Funds	Totals
FUND BALANCES							
Nonspendable							
Prepaid	\$ 6,684	\$ 7,159	\$ 10,406	\$ -	\$ -	\$ -	\$ 24,249
Restricted							
Debt service	-	-	-	178,027	-	-	178,027
Tax increment financing	-	-	-	-	-	38,641	38,641
ArtPlace America	-	-	-	-	-	54,803	54,803
Library	-	-	-	-	-	19,327	19,327
Committed							
City hall project	175,000	-	-	-	-	-	175,000
Economic development	-	-	-	-	-	8,654	8,654
Truck replacement	-	5,682	24,691	-	-	-	30,373
Assigned							
Working capital	342,719	75,000	102,000	-	-	-	519,719
Public safety	-	300,395	85,661	-	-	1,960	388,016
Community improvement	-	-	-	-	-	32,924	32,924
Economic development	-	-	-	-	-	44,625	44,625
Contingencies	66,887	-	-	-	-	-	66,887
Unassigned	303,164	-	-	-	(13,129)	-	290,035
Total Fund Balances	\$ 894,454	\$ 388,236	\$ 222,758	\$ 178,027	\$ (13,129)	\$ 200,934	\$ 1,871,280

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, liabilities, 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, 2017**

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, 2017, 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, 2017**

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, 2017, was as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 190,567	\$ -	\$ -	\$ 190,567
Construction in progress	<u>741,015</u>	<u>179,524</u>	<u>920,539</u>	<u>-</u>
Total capital assets not being depreciated	<u>931,582</u>	<u>179,524</u>	<u>920,539</u>	<u>190,567</u>
Capital assets being depreciated:				
Buildings and structures	506,597	-	-	506,597
Infrastructure and improvements	7,328,126	920,539	-	8,248,665
Machinery and equipment	439,828	15,292	-	455,120
Office furniture and fixtures	7,263	1,414	-	8,677
Automotive equipment	<u>866,801</u>	<u>503,000</u>	<u>105,633</u>	<u>1,264,168</u>
Total capital assets being depreciated	<u>9,148,615</u>	<u>1,440,245</u>	<u>105,633</u>	<u>10,483,227</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and structures	397,189	13,486	-	410,675
Infrastructure and improvements	2,672,861	293,540	-	2,966,401
Machinery and equipment	281,682	20,315	-	301,997
Office furniture and fixtures	3,571	404	-	3,975
Automotive equipment	<u>492,708</u>	<u>65,734</u>	<u>105,633</u>	<u>452,809</u>
Total accumulated depreciation	<u>3,848,011</u>	<u>393,479</u>	<u>105,633</u>	<u>4,135,857</u>
 Total capital assets being depreciated, net	 <u>5,300,604</u>	 <u>1,046,766</u>	 <u>-</u>	 <u>6,347,370</u>
 Governmental activities capital assets, net	 <u>\$ 6,232,186</u>	 <u>\$ 1,226,290</u>	 <u>\$ 920,539</u>	 <u>\$ 6,537,937</u>
 Business-type activities	 <u>Beginning Balance</u>	 <u>Increases</u>	 <u>Decreases</u>	 <u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	<u>590,000</u>	<u>27,000</u>	<u>617,000</u>	<u>-</u>
Total capital assets not being depreciated	<u>591,000</u>	<u>27,000</u>	<u>617,000</u>	<u>1,000</u>
 Capital assets being depreciated:				
Infrastructure and improvements	3,718,302	617,000	-	4,335,302
Machinery and equipment	269,146	-	-	269,146
Office furniture and fixtures	17,746	-	-	17,746
Automotive equipment	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>11,234</u>
Total capital assets being depreciated	<u>4,016,428</u>	<u>617,000</u>	<u>-</u>	<u>4,633,428</u>
 Less accumulated depreciation for:				
Infrastructure and improvements	1,479,509	87,131	-	1,566,640
Machinery and equipment	146,192	9,886	-	156,078
Office furniture and fixtures	12,857	3,241	-	16,098
Automotive equipment	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>11,234</u>
Total accumulated depreciation	<u>1,649,792</u>	<u>100,258</u>	<u>-</u>	<u>1,750,050</u>
 Total capital assets being depreciated, net	 <u>2,366,636</u>	 <u>516,742</u>	 <u>-</u>	 <u>2,883,378</u>
 Business-type activities capital assets, net	 <u>\$ 2,957,636</u>	 <u>\$ 543,742</u>	 <u>\$ 617,000</u>	 <u>\$ 2,884,378</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

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

Governmental activities	
General government	\$ 15,095
Public safety	77,768
Public works	294,827
Culture and recreation	<u>5,789</u>
Total depreciation expense - governmental activities	<u>\$ 393,479</u>
 Business-type activities	
Water	\$ 44,646
Sewer	<u>55,612</u>
Total depreciation expense - business-type activities	<u>\$ 100,258</u>

C. Interfund Receivables, Payables, and Transfers

1. Interfund Transfers

	Transfer to	
	Fire Fund	Non-Major Funds
Transfer from General Fund	\$ 181,547	\$ 22,000

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, 2017**

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	\$ 80,000
G.O. Permanent Improvement Revolving Advance Refunding Bond Series 2012B	2012	2038	1.00-3.75%	2,350,000	2,015,000
G.O. Obligation Tax Abatement Bonds, Series 2014A	2014	2030	3.75%	527,000	472,000
G.O. Obligation Improvement Bonds, Series 2016A	2016	2037	0.9-3.00%	1,375,000	<u>1,335,000</u>
Total General Obligation Bonds					<u>\$ 3,902,000</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
2018	\$ 224,000	\$ 105,173	\$ 329,173
2019	225,000	101,207	326,207
2020	186,000	96,387	282,387
2021	187,000	92,844	279,844
2022	198,000	88,906	286,906
2023-2027	1,018,000	373,154	1,391,154
2028-2032	869,000	240,860	1,109,860
2033-2037	865,000	110,861	975,861
2038	<u>130,000</u>	<u>4,875</u>	<u>134,875</u>
Total	<u>\$ 3,902,000</u>	<u>\$ 1,214,267</u>	<u>\$ 5,116,267</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 91,000

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2018	\$ 14,000	\$ 2,058	\$ 16,058
2019	15,000	1,703	16,703
2020	15,000	1,335	16,335
2021	15,000	968	15,968
2022	16,000	588	16,588
2023	16,000	196	16,196
Total	<u>\$ 91,000</u>	<u>\$ 6,848</u>	<u>\$ 97,848</u>

General obligation revenue bonds

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

Description	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Outstanding Balance at Year End
G.O. Water Improvement Note of 2011B	2011	2030	1.00%	\$ 850,825	\$ 578,000
G.O. Sewer Improvement Note of 2011C	2011	2030	1.00%	1,668,210	1,189,000
G.O. Water Revenue Note of 2017	2017	2036	1.00%	145,000	<u>145,000</u>
Total General Obligation Revenue Bonds					<u>\$ 1,912,000</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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
2018	\$ 129,900	\$ 18,967	\$ 148,867
2019	136,000	17,821	153,821
2020	138,000	16,461	154,461
2021	139,000	15,081	154,081
2022	142,000	13,691	155,691
2023-2027	725,000	46,985	771,985
2028-2032	468,000	11,495	479,495
2033-2036	34,100	874	34,974
Total	<u>\$ 1,912,000</u>	<u>\$ 141,375</u>	<u>\$ 2,053,375</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. PIR Bond, 2008A	\$ 120,000	\$ -	\$ 40,000	\$ 80,000	\$ 40,000
G.O. PIR Advance Refunding Bonds, Series 2012B	2,085,000	-	70,000	2,015,000	75,000
G.O. Tax Abatement Bonds, Series 2014A	500,000	-	28,000	472,000	29,000
G.O. Equipment Certificate 2015A	105,000	-	14,000	91,000	14,000
G.O. Improvement Bonds, Series 2016A	1,375,000	-	40,000	1,335,000	80,000
G.O. Improvement Bonds, Series 2016A Unamortized Bond Discount	(12,083)	-	(636)	(11,447)	-
Net Pension liability	259,825	30,918	87,016	203,727	-
Total governmental activities	<u>\$ 4,432,742</u>	<u>\$ 30,918</u>	<u>\$ 278,380</u>	<u>\$ 4,185,280</u>	<u>\$ 238,000</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (continued)

Business-type activities	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
G.O. Water Improvement Note of 2011B	\$ 619,000	\$ -	\$ 41,000	\$ 578,000	\$ 42,000
G.O. Sewer Improvement Note of 2011C	1,274,000	-	85,000	1,189,000	86,000
G.O. Water Revenue Note of 2017	-	145,000	-	145,000	1,900
Net Pension Liability	<u>40,597</u>	<u>4,476</u>	<u>12,594</u>	<u>32,479</u>	<u>-</u>
Total business-type activities	<u>\$ 1,933,597</u>	<u>\$ 149,476</u>	<u>\$ 138,594</u>	<u>\$ 1,944,479</u>	<u>\$ 129,900</u>
Conduit debt					
Green Lake Sewer and Water System					
General Obligation Sewer Bonds	<u>\$ 1,370,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 1,280,000</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

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, 2017**

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 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 2017. 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 2017. The City of New London's contributions to the General Employees Fund for the year ended December 31, 2017, was \$17,310. 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, 2017, the City of New London reported a liability of \$236,206 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 2017. 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 \$2,936. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of New London's proportion share was .0037%. There was no change from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City of New London recognized pension expense of \$9,689 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of New London recognized an additional \$85 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, 2017, 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, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Pension Costs (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,785	\$ 15,106
Changes in actuarial assumptions	39,214	23,680
Difference between projected and actual investment earnings	41,385	40,106
Changes in proportion	3,767	-
Contributions paid to PERA subsequent to the measurement date	<u>8,123</u>	<u>-</u>
Totals	<u>\$ 100,274</u>	<u>\$ 78,892</u>

Deferred outflows of resources related to pensions, resulting from City of New London contributions subsequent to the measurement date of \$8,123, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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	\$ 12,900
2018	\$ 14,858
2019	\$ (4,474)
2020	\$ (10,025)

D. Actuarial Assumptions

The total pension liability in the June 30, 2017, 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 to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, 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 2017:

General Employees Fund:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60.0% for vested and non-vested deferred members. The revised CSA loads are now 9.9% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Actuarial Assumptions (continued)

- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
	<u>100%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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:

Sensitivity of Net Pension Liability at Current Single Discount Rate

	<u>General Employees Fund</u>	
1% Lower	6.50%	\$ 366,372
Current Discount Rate	7.50%	\$ 236,206
1% Higher	8.50%	\$ 129,640

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, 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, 2017, 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 \$43,172 in fire state aid to the plan on behalf of the New London Fire Department for the year ended December 31, 2017, 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, 2017, were \$-0- and \$-0-, respectively.

D. Pension Costs

For the year ended December 31, 2017, the City recognized pension expense of \$43,172. 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, 2017, is available in a separately issued financial report prepared in accordance with Minnesota Statutes. That report may be obtained by writing the plan at New London Fire Department Relief Association, PO Box 252, New London, Minnesota 56273.

NOTE 6 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. This City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

The workers' compensation policy is a retrospectively rated policy with premiums that accrue based on the ultimate cost of the experience to date. There is no way to estimate what the change in premium may be. Generally, it has been minimal. There were no claims in 2017.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

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 April 9, 2018 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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 257,142	\$ 257,142	\$ 258,237	\$ 1,095
License and permits	34,160	77,275	77,116	(159)
Intergovernmental	357,290	358,462	371,104	12,642
Charges for services	1,000	10,945	10,845	(100)
Fines and forfeits	2,000	240	240	-
Interest income	2,000	2,000	2,723	723
Miscellaneous revenues	<u>9,620</u>	<u>17,243</u>	<u>3,101</u>	<u>(14,142)</u>
Total Revenues	<u>663,212</u>	<u>723,307</u>	<u>723,366</u>	<u>59</u>
EXPENDITURES				
Current				
General government	257,741	225,722	230,493	4,771
Public safety	101,010	102,001	101,427	(574)
Streets and highways	125,139	123,350	126,145	2,795
Culture and recreation	49,489	45,930	44,663	(1,267)
Capital outlay				
Streets and highways	<u>42,586</u>	<u>24,705</u>	<u>16,706</u>	<u>(7,999)</u>
Total Expenditures	<u>575,965</u>	<u>521,708</u>	<u>519,434</u>	<u>(2,274)</u>
EXCESS OF REVENUES OVER EXPENDITURES	87,247	201,599	203,932	2,333
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	1,500	1,500
Transfer to other funds	<u>(87,247)</u>	<u>(203,547)</u>	<u>(203,547)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(1,948)	1,885	<u>\$ 3,833</u>
FUND BALANCE JANUARY 1	<u>892,569</u>	<u>892,569</u>	<u>892,569</u>	
FUND BALANCE DECEMBER 31	<u>\$ 892,569</u>	<u>\$ 890,621</u>	<u>\$ 894,454</u>	

See notes to required supplementary information.

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City of New London (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With City of New London (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0036%	\$ 186,571	\$ -	\$ 186,571	\$ 207,639	89.9%	78.2%
June 30, 2016	0.0037%	\$ 300,422	\$ 3,873	\$ 304,295	\$ 228,587	133.1%	68.9%
June 30, 2017	0.0037%	\$ 236,206	\$ 2,936	\$ 239,142	\$ 235,613	101.5%	75.9%

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

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND**

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (c)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/c)</u>
December 31, 2015	\$ 16,963	\$ 16,963	\$ -	\$ 226,171	7.50%
December 31, 2016	\$ 17,330	\$ 17,330	\$ -	\$ 231,070	7.50%
December 31, 2017	\$ 17,310	\$ 17,310	\$ -	\$ 230,774	7.50%

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

See notes to required supplementary information.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

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 NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement 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 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.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2017**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 162,293	\$ 38,266	\$ 200,559
Delinquent taxes	-	454	454
TOTAL ASSETS	<u>\$ 162,293</u>	<u>\$ 38,720</u>	<u>\$ 201,013</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	\$ -	\$ 79	\$ 79
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>79</u>	<u>79</u>
 FUND BALANCES			
Restricted	74,130	38,641	112,771
Committed	8,654	-	8,654
Assigned	<u>79,509</u>	<u>-</u>	<u>79,509</u>
TOTAL FUND BALANCES	<u>162,293</u>	<u>38,641</u>	<u>200,934</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 162,293</u>	<u>\$ 38,720</u>	<u>\$ 201,013</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, 2017

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Taxes			
Tax increments	\$ -	\$ 85,714	\$ 85,714
Intergovernmental revenue	109,686	-	109,686
Miscellaneous revenue			
Grants and contributions	22,327	-	22,327
Interest	<u>24</u>	<u>16</u>	<u>40</u>
TOTAL REVENUES	<u>132,037</u>	<u>85,730</u>	<u>217,767</u>
EXPENDITURES			
Current			
Public safety	1,033	-	1,033
Culture and recreation	9,071	-	9,071
Economic development	<u>115,031</u>	<u>71,493</u>	<u>186,524</u>
TOTAL EXPENDITURES	<u>125,135</u>	<u>71,493</u>	<u>196,628</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,902	14,237	21,139
OTHER FINANCING SOURCES			
Transfer in	<u>22,000</u>	<u>-</u>	<u>22,000</u>
NET CHANGE IN FUND BALANCE	28,902	14,237	43,139
FUND BALANCE, JANUARY 1	<u>133,391</u>	<u>24,404</u>	<u>157,795</u>
FUND BALANCE, DECEMBER 31	<u>\$ 162,293</u>	<u>\$ 38,641</u>	<u>\$ 200,934</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2017**

	Connected Communities Fund	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Library Fund	Totals
ASSETS							
Cash and cash equivalents	\$ 1,418	\$ 1,960	\$ 31,506	\$ 54,803	\$ 53,279	\$ 19,327	\$ 162,293
TOTAL ASSETS	<u>\$ 1,418</u>	<u>\$ 1,960</u>	<u>\$ 31,506</u>	<u>\$ 54,803</u>	<u>\$ 53,279</u>	<u>\$ 19,327</u>	<u>\$ 162,293</u>
FUND BALANCES							
Restricted	\$ -	\$ -	\$ -	\$ 54,803	\$ -	\$ 19,327	\$ 74,130
Committed	-	-	-	-	8,654	-	8,654
Assigned	1,418	1,960	31,506	-	44,625	-	79,509
TOTAL FUND BALANCES	<u>\$ 1,418</u>	<u>\$ 1,960</u>	<u>\$ 31,506</u>	<u>\$ 54,803</u>	<u>\$ 53,279</u>	<u>\$ 19,327</u>	<u>\$ 162,293</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,418</u>	<u>\$ 1,960</u>	<u>\$ 31,506</u>	<u>\$ 54,803</u>	<u>\$ 53,279</u>	<u>\$ 19,327</u>	<u>\$ 162,293</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, 2017

	Connected Communities Fund	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Deed Grant Fund	Library Fund	Total
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,686	\$ -	\$ 109,686
Miscellaneous revenue								
Grants and contributions	-	-	-	-	5,000	-	17,327	22,327
Interest income	-	-	24	-	-	-	-	24
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>5,000</u>	<u>109,686</u>	<u>17,327</u>	<u>132,037</u>
EXPENDITURES								
Current								
Public safety	-	1,033	-	-	-	-	-	1,033
Culture and recreation	71	-	-	9,000	-	-	-	9,071
Economic development	-	-	-	-	5,345	109,686	-	115,031
TOTAL EXPENDITURES	<u>71</u>	<u>1,033</u>	<u>-</u>	<u>9,000</u>	<u>5,345</u>	<u>109,686</u>	<u>-</u>	<u>125,135</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(71)	(1,033)	24	(9,000)	(345)	-	17,327	6,902
OTHER FINANCING SOURCES								
Transfer in	-	-	-	-	20,000	-	2,000	22,000
NET CHANGE IN FUND BALANCE	(71)	(1,033)	24	(9,000)	19,655	-	19,327	28,902
FUND BALANCES, JANUARY 1	<u>1,489</u>	<u>2,993</u>	<u>31,482</u>	<u>63,803</u>	<u>33,624</u>	<u>-</u>	<u>-</u>	<u>133,391</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,418</u>	<u>\$ 1,960</u>	<u>\$ 31,506</u>	<u>\$ 54,803</u>	<u>\$ 53,279</u>	<u>\$ -</u>	<u>\$ 19,327</u>	<u>\$ 162,293</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 December 31, 2017**

	TIF District 1-12	TIF District 1-13	TIF District 1-14	Totals
ASSETS				
Cash and cash equivalents	\$ 30,190	\$ 4,690	\$ 3,386	\$ 38,266
Delinquent taxes	-	285	169	454
TOTAL ASSETS	<u>\$ 30,190</u>	<u>\$ 4,975</u>	<u>\$ 3,555</u>	<u>\$ 38,720</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	\$ -	\$ -	\$ 79	\$ 79
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>79</u>	<u>79</u>
FUND BALANCES				
Restricted	30,190	4,975	3,476	38,641
TOTAL FUND BALANCES	<u>30,190</u>	<u>4,975</u>	<u>3,476</u>	<u>38,641</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 30,190</u>	<u>\$ 4,975</u>	<u>\$ 3,555</u>	<u>\$ 38,720</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, 2017

	TIF District 1-12	TIF District 1-13	TIF District 1-14	Total
REVENUES				
Taxes				
Tax increments	\$ 36,018	\$ 11,888	\$ 37,808	\$ 85,714
Miscellaneous Revenue				
Interest	14	-	2	16
TOTAL REVENUES	<u>36,032</u>	<u>11,888</u>	<u>37,810</u>	<u>85,730</u>
EXPENDITURES				
Economic development				
Professional fees	2,818	317	318	3,453
Tax increments	32,416	6,349	29,275	68,040
Administrative costs	-	-	-	-
TOTAL EXPENDITURES	<u>35,234</u>	<u>6,666</u>	<u>29,593</u>	<u>71,493</u>
NET CHANGE IN FUND BALANCE	798	5,222	8,217	14,237
FUND BALANCE (DEFICIT), JANUARY 1	<u>29,392</u>	<u>(247)</u>	<u>(4,741)</u>	<u>24,404</u>
FUND BALANCE, DECEMBER 31	<u>\$ 30,190</u>	<u>\$ 4,975</u>	<u>\$ 3,476</u>	<u>\$ 38,641</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2017**

	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 - 2016A	Totals
ASSETS								
Cash and cash equivalents	\$ 835,045	\$ (271,705)	\$ (59,237)	\$ 62,361	\$ (474,227)	\$ 3,030	\$ 76,633	\$ 171,900
Receivables								
Delinquent taxes	208	279	3,050	536	4,515	1,493	791	10,872
Special assessments	46,731	-	-	60,872	-	-	369,220	476,823
Delinquent assessments	-	137,829	-	145	1,270	-	220	139,464
TOTAL ASSETS	<u>\$ 881,984</u>	<u>\$ (133,597)</u>	<u>\$ (56,187)</u>	<u>\$ 123,914</u>	<u>\$ (468,442)</u>	<u>\$ 4,523</u>	<u>\$ 446,864</u>	<u>\$ 799,059</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - taxes	\$ 208	\$ 183	\$ 2,978	\$ 311	\$ 2,193	\$ 495	\$ 251	\$ 6,619
Unavailable revenue - special assessments	46,732	137,829	-	60,697	1,006	-	368,149	614,413
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>46,940</u>	<u>138,012</u>	<u>2,978</u>	<u>61,008</u>	<u>3,199</u>	<u>495</u>	<u>368,400</u>	<u>621,032</u>
FUND BALANCES								
Restricted	835,044	(271,609)	(59,165)	62,906	(471,641)	4,028	78,464	178,027
TOTAL FUND BALANCES	<u>835,044</u>	<u>(271,609)</u>	<u>(59,165)</u>	<u>62,906</u>	<u>(471,641)</u>	<u>4,028</u>	<u>78,464</u>	<u>178,027</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 881,984</u>	<u>\$ (133,597)</u>	<u>\$ (56,187)</u>	<u>\$ 123,914</u>	<u>\$ (468,442)</u>	<u>\$ 4,523</u>	<u>\$ 446,864</u>	<u>\$ 799,059</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, 2017

	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 - 2016A	Totals
REVENUES								
General property tax	\$ -	\$ 4,587	\$ 818	\$ 10,774	\$ 114,184	\$ 49,219	\$ 26,557	\$ 206,139
Special assessments	3,179	-	-	18,588	5,395	-	64,652	91,814
Interest income	4,155	-	-	9	-	-	11	4,175
Total Revenues	<u>7,334</u>	<u>4,587</u>	<u>818</u>	<u>29,371</u>	<u>119,579</u>	<u>49,219</u>	<u>91,220</u>	<u>302,128</u>
EXPENDITURES								
Debt service								
Principal	-	40,000	-	-	70,000	28,000	40,000	178,000
Interest	-	3,920	-	-	61,348	18,225	24,263	107,756
Other charges	818	-	-	319	495	-	769	2,401
Total Expenditures	<u>818</u>	<u>43,920</u>	<u>-</u>	<u>319</u>	<u>131,843</u>	<u>46,225</u>	<u>65,032</u>	<u>288,157</u>
NET CHANGE IN FUND BALANCE	6,516	(39,333)	818	29,052	(12,264)	2,994	26,188	13,971
FUND BALANCE JANUARY 1	<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>
FUND BALANCE DECEMBER 31	<u>\$ 835,044</u>	<u>\$ (271,609)</u>	<u>\$ (59,165)</u>	<u>\$ 62,906</u>	<u>\$ (471,641)</u>	<u>\$ 4,028</u>	<u>\$ 78,464</u>	<u>\$ 178,027</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

	2017		Over(Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Taxes				
General property taxes	\$ 257,142	\$ 258,237	\$ 1,095	\$ 246,692
License and permits	77,275	77,116	(159)	96,664
Total Taxes	<u>334,417</u>	<u>335,353</u>	<u>936</u>	<u>343,356</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	314,887	314,887	-	314,070
Residential market value credit	-	-	-	-
PERA aid	403	403	-	403
Fire relief aid	43,172	43,172	-	43,339
Other state grants	-	12,642	12,642	-
Total Intergovernmental Revenue	<u>358,462</u>	<u>371,104</u>	<u>12,642</u>	<u>357,812</u>
Charges for Services				
General government	2,220	2,220	-	3,005
Culture and recreation	8,725	8,625	(100)	8,000
Total Charges for Services	<u>10,945</u>	<u>10,845</u>	<u>(100)</u>	<u>11,005</u>
Fines and Forfeits	<u>240</u>	<u>240</u>	<u>-</u>	<u>2,218</u>
Miscellaneous Revenues				
Investment income	2,000	2,723	723	2,757
Other	17,243	3,101	(14,142)	13,428
Total Miscellaneous Revenues	<u>19,243</u>	<u>5,824</u>	<u>(13,419)</u>	<u>16,185</u>
TOTAL REVENUES	<u>723,307</u>	<u>723,366</u>	<u>59</u>	<u>730,576</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

	2017		Over(Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES				
General Government				
Governing Board				
Salaries	9,045	9,045	-	9,725
Payroll taxes and benefits	692	692	-	744
Other expenses	30	30	-	30
Total Governing Board	<u>9,767</u>	<u>9,767</u>	<u>-</u>	<u>10,499</u>
Administration and Finance				
Salaries	118,549	118,548	(1)	114,255
Payroll taxes and benefits	17,961	17,960	(1)	17,310
Total Administration and Finance	<u>136,510</u>	<u>136,508</u>	<u>(2)</u>	<u>131,565</u>
Government Buildings				
Salaries	12,587	12,506	(81)	13,370
Payroll taxes and benefits	1,907	1,895	(12)	2,026
Occupancy	7,800	11,631	3,831	10,621
Repairs and maintenance	4,100	4,246	146	3,157
Other expenses	1,178	1,178	-	1,290
Total Government Buildings	<u>27,572</u>	<u>31,456</u>	<u>3,884</u>	<u>30,464</u>
Other General Government				
Salaries	-	-	-	200
Payroll taxes and benefits	-	-	-	15
Supplies	5,156	5,157	1	5,392
Occupancy	1,865	2,021	156	1,789
Insurance	17,284	17,283	(1)	9,620
Elections	522	522	-	1,632
Assessor	7,980	7,980	-	8,889
Professional services	13,446	13,227	(219)	14,067
Other expenses	5,620	6,572	952	18,644
Total Other General Government	<u>51,873</u>	<u>52,762</u>	<u>889</u>	<u>60,248</u>
Total General Government	<u>225,722</u>	<u>230,493</u>	<u>4,771</u>	<u>232,776</u>
Public Safety				
Police Department				
Contracted services	18,710	18,710	-	18,710
Fire Department				
Fire Relief Association	43,172	43,172	-	43,339
Other Protection				
Building inspection	39,919	39,347	(572)	37,372
Animal control	200	198	(2)	67
Total Other Protection	<u>40,119</u>	<u>39,545</u>	<u>(574)</u>	<u>37,439</u>
Total Public Safety	<u>102,001</u>	<u>101,427</u>	<u>(574)</u>	<u>99,488</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

	2017		Over(Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
Streets and Highways				
Street Maintenance				
Salaries	25,174	25,013	(161)	26,739
Payroll taxes and benefits	3,814	3,791	(23)	4,052
Supplies	10,300	9,115	(1,185)	9,652
Occupancy	2,717	2,866	149	2,604
Repairs and maintenance	17,436	25,318	7,882	9,162
Other expenses	7,450	9,425	1,975	6,484
Capital outlay	24,705	16,706	(7,999)	51,087
Total Street Maintenance	<u>91,596</u>	<u>92,234</u>	<u>638</u>	<u>109,780</u>
Snow and Ice Removal				
Contract services	30,000	22,463	(7,537)	30,484
Total Snow and Ice Removal	<u>30,000</u>	<u>22,463</u>	<u>(7,537)</u>	<u>30,484</u>
Street Lighting	<u>26,459</u>	<u>28,154</u>	<u>1,695</u>	<u>25,833</u>
Total Streets and Highways	<u>148,055</u>	<u>142,851</u>	<u>(5,204)</u>	<u>166,097</u>
Culture and Recreation				
Parks and Recreation				
Salaries	16,783	16,675	(108)	17,826
Payroll taxes and benefits	2,543	2,527	(16)	2,701
Occupancy	1,350	1,481	131	1,506
Repairs and maintenance	6,000	4,687	(1,313)	6,225
Total Parks and Recreation	<u>26,676</u>	<u>25,370</u>	<u>(1,306)</u>	<u>28,258</u>
Community Education	<u>10,500</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Library				
Occupancy	<u>8,754</u>	<u>8,793</u>	<u>39</u>	<u>7,973</u>
Total Culture and Recreation	<u>45,930</u>	<u>44,663</u>	<u>(1,267)</u>	<u>46,731</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, 2017
With Comparative Actual Amounts For The Year Ended December 31, 2016

	2017		Over(Under) Final Budget	2016
	Final Budget	Actual Amounts		Actual Amounts
TOTAL EXPENDITURES	<u>521,708</u>	<u>519,434</u>	<u>(2,274)</u>	<u>545,092</u>
EXCESS OF REVENUES OVER EXPENDITURES	201,599	203,932	2,333	185,484
OTHER FINANCING SOURCES (USES)				
Sale of asset	-	1,500	1,500	16,500
Transfer out	<u>(203,547)</u>	<u>(203,547)</u>	<u>-</u>	<u>(97,860)</u>
NET CHANGE IN FUND BALANCE	(1,948)	1,885	<u>\$ 3,833</u>	104,124
FUND BALANCE, JANUARY 1	<u>892,569</u>	<u>892,569</u>		<u>788,445</u>
FUND BALANCE, DECEMBER 31	<u>\$ 890,621</u>	<u>\$ 894,454</u>		<u>\$ 892,569</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FIRE DEPARTMENT FUND
For The Year Ended December 31, 2017
With Comparative Amounts For The Year Ended December 31, 2016

REVENUES	<u>2017</u>	<u>2016</u>
Intergovernmental		
State grants	\$ 16,044	\$ 11,500
Total Intergovernmental	<u>16,044</u>	<u>11,500</u>
Charges for Services		
Fire contracts and calls	<u>332,504</u>	<u>112,066</u>
Total Charges for Services	<u>332,504</u>	<u>112,066</u>
Miscellaneous Revenues		
Interest income	2,310	3,769
Donations	<u>19,654</u>	<u>10,548</u>
Total Miscellaneous Revenues	<u>21,964</u>	<u>14,317</u>
TOTAL REVENUES	<u>370,512</u>	<u>137,883</u>
EXPENDITURES		
Current		
Salaries	49,934	44,894
Payroll taxes and benefits	14,720	15,334
Supplies	17,708	11,041
Occupancy	5,297	4,904
Repairs and maintenance	15,068	6,602
Insurance	15,572	13,579
Professional fees	9,505	6,320
Other expenses	20,286	2,559
Capital outlay	503,000	-
Debt service		
Principal	-	21,921
Interest	<u>-</u>	<u>1,006</u>
TOTAL EXPENDITURES	<u>651,090</u>	<u>128,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(280,578)	9,723
OTHER FINANCING SOURCES		
Transfers in	181,547	57,860
Sale of assets	<u>25,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(73,531)	67,583
FUND BALANCE, JANUARY 1	<u>461,767</u>	<u>394,184</u>
FUND BALANCE, DECEMBER 31	<u>\$ 388,236</u>	<u>\$ 461,767</u>

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

**For The Year Ended December 31, 2017
With Comparative Amounts For The Year Ended December 31, 2016**

REVENUES	<u>2017</u>	<u>2016</u>
Intergovernmental		
State grants	\$ 8,325	\$ 6,500
Total Intergovernmental	<u>8,325</u>	<u>6,500</u>
Charges for Services		
Ambulance calls	186,196	186,165
Total Charges for Services	<u>186,196</u>	<u>186,165</u>
Miscellaneous Revenues		
Interest income	389	382
Donations	5,075	31,962
Total Miscellaneous Revenues	<u>5,464</u>	<u>32,344</u>
TOTAL REVENUES	<u>199,985</u>	<u>225,009</u>
EXPENDITURES		
Current		
Salaries	121,274	133,903
Payroll taxes and benefits	9,277	10,244
Supplies	12,314	13,083
Occupancy	1,469	1,393
Repairs and maintenance	1,990	378
Insurance	21,623	16,334
Professional fees	15,634	15,393
Other expenses	2,501	764
Debt service		
Principal	14,000	-
Interest	2,401	2,851
TOTAL EXPENDITURES	<u>202,483</u>	<u>194,343</u>
NET CHANGE IN FUND BALANCE	(2,498)	30,666
FUND BALANCE, JANUARY 1	<u>225,256</u>	<u>194,590</u>
FUND BALANCE, DECEMBER 31	<u>\$ 222,758</u>	<u>\$ 225,256</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, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of New London, Minnesota's basic financial statements, and have issued our report thereon dated April 9, 2018.

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, Minnesota'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, Minnesota 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, Minnesota's noncompliance with the above referenced provisions.

The City of New London, Minnesota'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, Minnesota'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, Minnesota'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, Minnesota's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Westberg Eischens, PLLP
Willmar, Minnesota

April 9, 2018

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017**

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