

**CITY OF NEW LONDON
NEW LONDON, MINNESOTA
ANNUAL FINANCIAL REPORT
YEAR ENDED
December 31, 2020**

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, 2020**

		<u>TERM EXPIRES</u>
John Bergman	Acting Mayor	12/31/22
Loren Beck	Council Member	12/31/20
Erik Hatlestad	Council Member	12/31/20
John Dahl	Council Member	12/31/20
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, 2020, 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, 2020, 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 on 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, 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2021 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

May 18, 2021

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Cash	\$ 2,705,776	\$ 1,353,331	\$ 4,059,107
Receivables:			
Accounts	164,604	88,837	253,441
Delinquent taxes	27,920	799	28,719
Special assessments	378,187	386,747	764,934
Delinquent special assessments	1,377	-	1,377
Interest	2,880	-	2,880
Prepaid expenses	18,898	-	18,898
Capital assets:			
Non-depreciable	306,998	1,000	307,998
Depreciable, net of accumulated depreciation	<u>5,842,879</u>	<u>4,000,245</u>	<u>9,843,124</u>
TOTAL ASSETS	<u>9,449,519</u>	<u>5,830,959</u>	<u>15,280,478</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>11,532</u>	<u>4,191</u>	<u>15,723</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,532</u>	<u>4,191</u>	<u>15,723</u>
LIABILITIES			
Accounts payable	66,381	46,567	112,948
Long-term liabilities:			
Due within one year	201,000	212,000	413,000
Due in more than one year	3,128,461	2,686,529	5,814,990
Net pension liability	<u>164,512</u>	<u>27,343</u>	<u>191,855</u>
TOTAL LIABILITIES	<u>3,560,354</u>	<u>2,972,439</u>	<u>6,532,793</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>18,382</u>	<u>3,880</u>	<u>22,262</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>18,382</u>	<u>3,880</u>	<u>22,262</u>
NET POSITION			
Net investment in capital assets	2,820,416	1,102,716	3,923,132
Restricted for:			
Debt service	506,606	715,337	1,221,943
Capital replacement	-	146,929	146,929
Unrestricted	<u>2,555,293</u>	<u>893,849</u>	<u>3,449,142</u>
TOTAL NET POSITION	<u>\$ 5,882,315</u>	<u>\$ 2,858,831</u>	<u>\$ 8,741,146</u>

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	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	\$ 266,003	\$ 147,966	\$ -	\$ -	\$ (118,037)	\$ -	\$ (118,037)
Public safety	547,441	378,856	72,676	4,385	(91,524)	-	(91,524)
Streets and highways	461,522	-	-	141,100	(320,422)	-	(320,422)
Culture and recreation	72,576	7,875	-	-	(64,701)	-	(64,701)
Economic development	141,280	-	-	-	(141,280)	-	(141,280)
Interest and fiscal charges on long term debt	73,898	-	-	-	(73,898)	-	(73,898)
Total Governmental Activities	1,562,720	534,697	72,676	145,485	(809,862)	-	(809,862)
Business-Type Activities:							
Water	368,134	378,001	-	12,926	-	22,793	22,793
Sewer	512,148	598,055	-	5,536	-	91,443	91,443
Total Business-Type Activities	880,282	976,056	-	18,462	-	114,236	114,236
TOTAL	\$ 2,443,002	\$ 1,510,753	\$ 72,676	\$ 163,947	(809,862)	114,236	(695,626)
General revenues:							
Property taxes levied for general purposes					413,395	-	413,395
Property taxes levied for debt service					266,327	18,502	284,829
Intergovernmental revenue not restricted to specific programs					456,891	-	456,891
Investment income					14,294	2,506	16,800
Gain on sale of asset					16,101	-	16,101
Miscellaneous					144,389	735	145,124
Transfers					200,000	(200,000)	-
Total general revenues and transfers					1,511,397	(178,257)	1,333,140
Change in net position					701,535	(64,021)	637,514
Net Position - Beginning					5,180,780	2,922,852	8,103,632
Net Position - Ending					\$ 5,882,315	\$ 2,858,831	\$ 8,741,146

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

**CITY OF NEW LONDON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020**

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	NonMajor	Totals
		Fire Fund	Ambulance Fund				
ASSETS							
Cash and investments	\$ 945,628	\$ 545,114	\$ 233,876	\$ 570,169	\$ 11,596	\$ 399,393	\$ 2,705,776
Receivables:							
Accounts	236	8,090	144,153	-	-	12,125	164,604
Delinquent taxes	14,153	-	-	12,526	-	1,241	27,920
Special assessments	-	-	-	378,187	-	-	378,187
Delinquent special assessments	-	-	-	1,377	-	-	1,377
Interest	2,880	-	-	-	-	-	2,880
Prepaid expenses	7,645	6,511	4,742	-	-	-	18,898
TOTAL ASSETS	\$ 970,542	\$ 559,715	\$ 382,771	\$ 962,259	\$ 11,596	\$ 412,759	\$ 3,299,642
LIABILITIES							
Accounts payable	\$ 15,380	\$ 2,516	\$ 4,021	\$ -	\$ 638	\$ 43,826	\$ 66,381
TOTAL LIABILITIES	15,380	2,516	4,021	-	638	43,826	66,381
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - taxes	8,545	-	-	7,652	-	-	16,197
Unavailable revenue - special assessments	-	-	-	378,001	-	-	378,001
TOTAL DEFERRED INFLOWS OF RESOURCES	8,545	-	-	385,653	-	-	394,198
FUND BALANCES							
Nonspendable	7,645	6,511	4,742	-	-	-	18,898
Restricted	-	-	-	506,606	-	295,982	802,588
Committed	326,484	75,681	-	70,000	-	33,500	505,665
Assigned	459,856	475,007	374,008	-	-	39,451	1,348,322
Unassigned	152,632	-	-	-	10,958	-	163,590
TOTAL FUND BALANCES	946,617	557,199	378,750	576,606	10,958	368,933	2,839,063
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 970,542	\$ 559,715	\$ 382,771	\$ 962,259	\$ 11,596	\$ 412,759	\$ 3,299,642

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

**CITY OF NEW LONDON, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020**

Total Fund Balances-Governmental Funds	\$ 2,839,063
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 funds.	
Governmental capital assets	11,567,765
Less: accumulated depreciation	(5,417,888)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes	16,197
Special assessments receivable	378,001
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows - pensions	11,532
Deferred inflows - pensions	(18,382)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Unamortized underwriter's discount on bond proceeds	9,539
General obligation bonds	(3,339,000)
Net pension liability	<u>(164,512)</u>
Total Net Position-Governmental Activities	<u>\$ 5,882,315</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, 2020

	General Fund	Special Revenue		Debt Service Fund	Permanent Improvement Fund	NonMajor	Totals
		Fire Fund	Ambulance Fund				
REVENUES							
Property taxes	\$ 305,370	\$ -	\$ -	\$ 266,327	\$ -	\$ 104,697	\$ 676,394
Local option sales tax	-	-	-	-	-	98,082	98,082
Special assessments	-	-	-	175,324	-	-	175,324
License and permits	103,510	-	-	-	-	-	103,510
Intergovernmental	456,376	55,809	4,385	-	-	-	516,570
Charges for services	9,695	156,489	265,003	-	-	-	431,187
Fines and forfeits	1,172	-	-	-	-	-	1,172
Interest income	10,321	1,396	561	1,848	-	168	14,294
Miscellaneous	12,231	5,927	15,077	15,000	-	13,767	62,002
Total Revenues	898,675	219,621	285,026	458,499	-	216,714	2,078,535
EXPENDITURES							
Current:							
General government	261,964	-	-	-	-	-	261,964
Public safety	96,467	177,352	176,601	-	-	-	450,420
Streets and highways	134,481	-	-	-	-	-	134,481
Culture and recreation	46,138	-	-	-	-	20,907	67,045
Economic development	33,500	-	-	-	-	107,780	141,280
Capital outlay:							
Public safety	15,739	-	-	-	-	-	15,739
Streets and highways	41,057	-	-	-	54,471	-	95,528
Culture and recreation	-	-	-	-	-	7,219	7,219
Debt service:							
Principal	-	-	15,000	186,000	-	-	201,000
Interest	-	-	1,335	69,158	-	-	70,493
Bond fees	-	-	-	2,769	-	-	2,769
Total Expenditures	629,346	177,352	192,936	257,927	54,471	135,906	1,447,938
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	269,329	42,269	92,090	200,572	(54,471)	80,808	630,597
OTHER FINANCING SOURCES (USES)							
Sale of assets	16,101	-	-	-	-	-	16,101
Transfer from other funds	-	74,394	-	70,000	200,000	30,000	374,394
Transfer to other funds	(174,394)	-	-	-	-	-	(174,394)
Total Other Financing Sources (Uses)	(158,293)	74,394	-	70,000	200,000	30,000	216,101
NET CHANGE IN FUND BALANCE	111,036	116,663	92,090	270,572	145,529	110,808	846,698
FUND BALANCE JANUARY 1	835,581	440,536	286,660	306,034	(134,571)	258,125	1,992,365
FUND BALANCE DECEMBER 31	\$ 946,617	\$ 557,199	\$ 378,750	\$ 576,606	\$ 10,958	\$ 368,933	\$ 2,839,063

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 THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Net Change in Fund Balances-Governmental Funds	\$ 846,698
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	119,486
Depreciation expense	(450,293)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	3,328
Special assessments	(34,224)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirement of long-term debt	201,000
Bond amortization	(636)
In the statement of activities, pension expense is measured by the amount earned during the year. In the governmental funds, however, expenditures for the items are measured by the amount of financial resources used.	
Change in net pension liability, deferred outflows, and deferred inflows	16,176
Change in Net Position-Governmental Activities	\$ 701,535

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, 2020

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 412,501	\$ 465,311	\$ 877,812
Receivables:			
Accounts receivable	88,127	710	88,837
Delinquent taxes	357	442	799
Total Current Assets	500,985	466,463	967,448
Noncurrent Assets			
Cash restricted for capital replacement	59,297	87,632	146,929
Cash restricted for debt service	235,879	92,711	328,590
Special assessments receivable	284,228	102,519	386,747
Capital assets:			
Non-depreciable	-	1,000	1,000
Depreciable assets	3,764,305	2,333,949	6,098,254
Less accumulated depreciation	(1,044,246)	(1,053,763)	(2,098,009)
Total capital assets, net	2,720,059	1,281,186	4,001,245
Total Noncurrent Assets	3,299,463	1,564,048	4,863,511
TOTAL ASSETS	3,800,448	2,030,511	5,830,959
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	2,393	1,798	4,191
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,393	1,798	4,191
LIABILITIES			
Current Liabilities			
Accounts payable	18,505	28,062	46,567
Current portion bonds payable	123,000	89,000	212,000
Total Current Liabilities	141,505	117,062	258,567
Noncurrent Liabilities			
Bonds payable	1,847,529	839,000	2,686,529
Net pension liability	15,623	11,720	27,343
Total Noncurrent Liabilities	1,863,152	850,720	2,713,872
TOTAL LIABILITIES	2,004,657	967,782	2,972,439
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,217	1,663	3,880
TOTAL DEFERRED INFLOWS OF RESOURCES	2,217	1,663	3,880
NET POSITION			
Net investment in capital assets	749,530	353,186	1,102,716
Restricted			
Debt service	520,107	195,230	715,337
Capital replacement	59,297	87,632	146,929
Unrestricted	467,033	426,816	893,849
TOTAL NET POSITION	\$ 1,795,967	\$ 1,062,864	\$ 2,858,831

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, 2020

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ 378,001	\$ 598,055	\$ 976,056
Total Operating Revenues	<u>378,001</u>	<u>598,055</u>	<u>976,056</u>
OPERATING EXPENSES			
Personal services	16,141	12,106	28,247
Contract services	227,749	406,448	634,197
Materials and supplies	10,004	10,086	20,090
Repairs and maintenance	9,758	18,604	28,362
Professional fees	2,575	1,232	3,807
Occupancy	-	1,143	1,143
Permits	5,729	-	5,729
Other expenses	400	-	400
Depreciation	79,342	52,369	131,711
Total Operating Expenses	<u>351,698</u>	<u>501,988</u>	<u>853,686</u>
Operating Income (Loss)	26,303	96,067	122,370
NON-OPERATING REVENUES (EXPENSES)			
Property taxes	8,389	10,113	18,502
Special assessments	12,926	5,536	18,462
Interest income	1,497	1,009	2,506
Miscellaneous income	-	735	735
Interest expense	(16,436)	(10,160)	(26,596)
Total Non-Operating Revenues (Expenses)	<u>6,376</u>	<u>7,233</u>	<u>13,609</u>
Income (Loss) Before Transfers	32,679	103,300	135,979
TRANSFERS			
Transfers out	(200,000)	-	(200,000)
Total Transfers	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Change in Net Position	(167,321)	103,300	(64,021)
NET POSITION, JANUARY 1	<u>1,963,288</u>	<u>959,564</u>	<u>2,922,852</u>
NET POSITION, DECEMBER 31	<u>\$ 1,795,967</u>	<u>\$ 1,062,864</u>	<u>\$ 2,858,831</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, 2020

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 365,527	\$ 597,345	\$ 962,872
Payments to suppliers	(240,146)	(409,451)	(649,597)
Payments to employees	(17,317)	(12,988)	(30,305)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>108,064</u>	<u>174,906</u>	<u>282,970</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Non operating revenue	-	735	735
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>735</u>	<u>735</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(210,911)	-	(210,911)
Property taxes	8,282	9,962	18,244
Special assessments	51,115	22,700	73,815
Proceeds from bond issuance	210,913	-	210,913
Principal paid on long-term debt	(124,397)	(88,000)	(212,397)
Interest paid on long-term debt	(16,436)	(10,160)	(26,596)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(81,434)</u>	<u>(65,498)</u>	<u>(146,932)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	1,497	1,009	2,506
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,497</u>	<u>1,009</u>	<u>2,506</u>
NET INCREASE IN CASH	28,127	111,152	139,279
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>679,550</u>	<u>534,502</u>	<u>1,214,052</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 707,677</u>	<u>\$ 645,654</u>	<u>\$ 1,353,331</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 26,303	\$ 96,067	\$ 122,370
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	79,342	52,369	131,711
Change in assets and liabilities:			
Decrease in receivables	(12,474)	(710)	(13,184)
Decrease in deferred outflows	(155)	(116)	(271)
Increase in accounts payable	16,069	28,062	44,131
Decrease in pension liabilities	1,319	989	2,308
Increase in deferred inflows	(2,340)	(1,755)	(4,095)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 108,064</u>	<u>\$ 174,906</u>	<u>\$ 282,970</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 412,501	\$ 465,311	\$ 877,812
Restricted cash	295,176	180,343	475,519
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 707,677</u>	<u>\$ 645,654</u>	<u>\$ 1,353,331</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, 2020

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, 2020. 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, 2020

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, 2020

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. The 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, 2020, 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 2020 was \$16,800.

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 2020. 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, 2020

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, 2020

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 the 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 time. 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, 2020

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, 2020**

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, 2020, consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund	PIR Fund	Non-Major Funds	Totals
FUND BALANCES							
Nonspendable - prepaid	\$ 7,645	\$ 6,511	\$ 4,742	\$ -	\$ -	\$ -	\$ 18,898
Restricted							
Debt service	-	-	-	506,606	-	-	506,606
Tax increment financing	-	-	-	-	-	66,588	66,588
Library	-	-	-	-	-	229,394	229,394
Committed							
City hall project	250,000	-	-	-	-	-	250,000
Grant writing	50,000	-	-	-	-	-	50,000
New municipal enterprises	25,000	-	-	-	-	-	25,000
Arts	1,484	-	-	-	-	-	1,484
Economic development	-	-	-	-	-	33,500	33,500
Truck replacement	-	75,681	-	-	-	-	75,681
Future capital projects	-	-	-	70,000	-	-	70,000
Assigned							
Working capital	385,092	75,000	102,000	-	-	-	562,092
Public safety	-	400,007	272,008	-	-	2,299	674,314
Community improvement	-	-	-	-	-	22,040	22,040
Economic development	-	-	-	-	-	15,112	15,112
Contingencies	74,764	-	-	-	-	-	74,764
Unassigned	152,632	-	-	-	10,958	-	163,590
Total Fund Balances	<u>\$ 946,617</u>	<u>\$ 557,199</u>	<u>\$ 378,750</u>	<u>\$ 576,606</u>	<u>\$ 10,958</u>	<u>\$ 368,933</u>	<u>\$ 2,839,063</u>

The City of New London uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

B. Deficit Fund Balances

Non-major fund TIF District 1-15 has a deficit fund balance of \$(9,799).

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

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, 2020, none of the City's deposits were 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, 2020**

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, 2020, 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	\$ 280,567	\$ 1,000	\$ -	\$ 281,567
Construction in progress	<u>425,081</u>	<u>61,690</u>	<u>461,340</u>	<u>25,431</u>
Total capital assets not being depreciated	<u>705,648</u>	<u>62,690</u>	<u>461,340</u>	<u>306,998</u>
Capital assets being depreciated:				
Buildings and structures	531,230	-	-	531,230
Infrastructure and improvements	8,248,665	461,340	-	8,710,005
Machinery and equipment	716,070	15,739	-	731,809
Office furniture and fixtures	8,677	-	-	8,677
Automotive equipment	<u>1,264,168</u>	<u>41,057</u>	<u>26,179</u>	<u>1,279,046</u>
Total capital assets being depreciated	<u>10,768,810</u>	<u>518,136</u>	<u>26,179</u>	<u>11,260,767</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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	439,007	14,929	-	453,936
Infrastructure and improvements	3,596,437	325,783	-	3,922,220
Machinery and equipment	354,389	40,312	-	394,701
Office furniture and fixtures	4,845	435	-	5,280
Automotive equipment	599,096	68,834	26,179	641,751
Total accumulated depreciation	<u>4,993,774</u>	<u>450,293</u>	<u>26,179</u>	<u>5,417,888</u>
Total capital assets being depreciated, net	<u>5,775,036</u>	<u>67,843</u>	<u>-</u>	<u>5,842,879</u>
Governmental activities capital assets, net	<u>\$ 6,480,684</u>	<u>\$ 130,533</u>	<u>\$ 461,340</u>	<u>\$ 6,149,877</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>1,253,913</u>	<u>210,913</u>	<u>1,464,826</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,254,913</u>	<u>210,913</u>	<u>1,464,826</u>	<u>1,000</u>
Capital assets being depreciated:				
Infrastructure and improvements	4,335,302	1,464,826	-	5,800,128
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>4,633,428</u>	<u>1,464,826</u>	<u>-</u>	<u>6,098,254</u>
Less accumulated depreciation for:				
Infrastructure and improvements	1,761,471	121,826	-	1,883,297
Machinery and equipment	175,847	9,885	-	185,732
Office furniture and fixtures	17,746	-	-	17,746
Automotive equipment	<u>11,234</u>	<u>-</u>	<u>-</u>	<u>11,234</u>
Total accumulated depreciation	<u>1,966,298</u>	<u>131,711</u>	<u>-</u>	<u>2,098,009</u>
Total capital assets being depreciated, net	<u>2,667,130</u>	<u>1,333,115</u>	<u>-</u>	<u>4,000,245</u>
Business-type activities capital assets, net	<u>\$ 3,922,043</u>	<u>\$ 1,544,028</u>	<u>\$ 1,464,826</u>	<u>\$ 4,001,245</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

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	\$ 14,460
Public safety	99,322
Public works	328,804
Culture and recreation	<u>7,707</u>
Total depreciation expense - governmental activities	<u>\$ 450,293</u>
 Business-type activities	
Water	\$ 79,342
Sewer	<u>52,369</u>
Total depreciation expense - business-type activities	<u>\$ 131,711</u>

C. Interfund Receivables, Payables, and Transfers

1. Interfund Transfers

Transfer from	Transfer to				Total
	Fire Fund	Debt Service Fund	Permanent Improvement Fund	Non-Major Funds	
General Fund	\$ 74,394	\$ 70,000	\$ -	\$ 30,000	\$ 174,394
Water Fund	\$ -	\$ -	\$ 200,000	\$ -	\$ 200,000

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, 2020**

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 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
Bonds					
G.O. PIR Advance Refunding Bonds, Series 2012B	2012	2038	1.00-3.75%	2,350,000	\$ -
G.O. Tax Abatement Bonds, Series 2014A	2014	2030	3.75%	527,000	382,000
G.O. Obligation Improvement Bonds, Series 2016A	2016	2037	0.9-3.00%	1,375,000	<u>1,095,000</u>
Total Bonds					<u>1,477,000</u>
Notes from Direct Placements					
G.O. PIR Refunding Bonds, Series 2019B	2019	2038	2.70%	1,815,000	1,815,000
G.O. Equipment Certificate Bonds, Series 2015A	2015	2023	2.45%	105,000	<u>47,000</u>
Total Notes from Direct Placements					<u>1,862,000</u>
Total General Obligation Bonds					<u>\$ 3,339,000</u>

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

Year Ending December 31	Governmental Activities				
	Bonds		Notes from Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 112,000	\$ 36,126	\$ 89,000	\$ 48,973	\$ 286,099
2022	118,000	33,876	98,000	46,488	296,364
2023	120,000	31,411	100,000	43,855	295,266
2024	126,000	28,723	87,000	41,351	283,074
2025	128,000	25,805	89,000	38,974	281,779
2026-2030	488,000	86,840	482,000	157,059	1,213,899
2031-2035	265,000	36,605	550,000	87,480	939,085
2036-2039	120,000	3,600	367,000	15,053	505,653
Total	<u>\$ 1,477,000</u>	<u>\$ 282,986</u>	<u>\$ 1,862,000</u>	<u>\$ 479,233</u>	<u>\$ 4,101,219</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (continued)

General obligation revenue bonds

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

Description	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Outstanding Balance at Year End
Notes from Direct Borrowings					
G.O. Water Improvement Note of 2011B	2011	2030	1.00%	\$ 850,825	\$ 451,000
G.O. Sewer Improvement Note of 2011C	2011	2030	1.00%	1,668,210	928,000
G.O. Water Revenue Note of 2017	2017	2036	1.00%	145,000	129,100
G.O. Taxable Water Revenue Note of 2019	2019	2039	1.00%	1,468,547	<u>1,390,429</u>
Total Notes from Direct Borrowings					<u>2,898,529</u>
Total General Obligation Revenue Bonds					<u>\$ 2,898,529</u>

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

Year Ending December 31	Business-Type Activities		
	Notes from Direct Borrowings		
	Principal	Interest	Total
2021	\$ 206,000	\$ 28,928	\$ 234,928
2022	210,000	26,963	236,963
2023	211,000	24,863	235,863
2024	212,000	22,753	234,753
2025	215,000	20,633	235,633
2026-2030	1,105,000	70,543	1,175,543
2031-2035	418,000	28,893	446,893
2036-2039	<u>321,529</u>	<u>8,027</u>	<u>329,556</u>
Total	<u>\$ 2,898,529</u>	<u>\$ 231,603</u>	<u>\$ 3,130,132</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Bonds	\$ 1,663,000	\$ -	\$ 186,000	\$ 1,477,000	\$ 112,000
Notes from Direct Placements	1,877,000	-	15,000	1,862,000	89,000
Unamortized Bond Discount	(10,175)	-	(636)	(9,539)	-
Net Pension Liability	<u>146,357</u>	<u>37,749</u>	<u>19,594</u>	<u>164,512</u>	<u>-</u>
Total governmental activities	<u>\$ 3,676,182</u>	<u>\$ 37,749</u>	<u>\$ 219,958</u>	<u>\$ 3,493,973</u>	<u>\$ 201,000</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
General Obligation Revenue Bonds					
Notes from Direct Borrowings	\$ 2,900,013	\$ 210,913	\$ 212,397	\$ 2,898,529	\$ 206,000
Net Pension Liability	<u>25,035</u>	<u>4,800</u>	<u>2,492</u>	<u>27,343</u>	<u>-</u>
Total business-type activities	<u>\$ 2,925,048</u>	<u>\$ 215,713</u>	<u>\$ 214,889</u>	<u>\$ 2,925,872</u>	<u>\$ 206,000</u>

Conduit Debt

In 2012, the City issued revenue bonds in the principal amount of \$1,735,000. 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. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of December 31, 2020, the amount outstanding was \$990,000.

In 2020, the City issued senior housing revenue bonds in principal amount of \$14,500,000. The City is not the paying agent for the revenue bonds and is not responsible for remitting any payments. Accordingly, the bonds are not reported as a liability in the accompanying financial statements.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

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 plan 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 Plan

All full-time and certain part-time employees of the City of New London are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. 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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the City of New London was required to contribute 7.50% for Coordinated Plan members. The City of New London's contributions to the General Employees Fund for the year ended December 31, 2020 were \$17,497. The City of New London's contributions were equal to the required contributions as set by state statute.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City of New London reported a liability of \$191,855 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 \$16 million. 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 \$5,918. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of New London's proportionate share was .0032% at the end of the measurement period and .0031% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 191,855
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>5,918</u>
Totals	<u>\$ 197,773</u>

For the year ended December 31, 2020, the City of New London recognized pension expense of \$17,037 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of New London recognized an additional \$515 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,704	\$ 726
Changes in actuarial assumptions	-	7,249
Net collective difference between projected and actual investment earnings	1,238	-
Changes in proportion	4,147	14,287
Contributions paid to PERA subsequent to the measurement date	<u>8,634</u>	<u>-</u>
Totals	<u>\$ 15,723</u>	<u>\$ 22,262</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

The \$8,634 reported as deferred outflows of resources related to pensions resulting from the City of New London's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2021	\$ (20,133)
2022	\$ (4,697)
2023	\$ 5,021
2024	\$ 4,636

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 for all plans 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 after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (continued)

General Employees Fund (continued)

Changes in Actuarial Assumptions (continued):

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash Equivalents	2.0%	0.00%
	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 these assumptions, 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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. 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 Analysis		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.50%	\$ 307,476
Current Discount Rate	7.50%	\$ 191,855
1% Higher	8.50%	\$ 96,476

H. Pension Plan Fiduciary Net Position

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

NOTE 5 DEFINED BENEFIT LUMP-SUM SERVICE PENSION PLAN

A. Plan Description

The members of the New London Fire Department participate in the New London Fire Department Relief Association pension plan, a single employer lump-sum defined benefit pension plan administered by the New London Fire Department Relief Association. The plan covers the volunteer firefighters of the municipal fire department. As of December 31, 2020, the plan covered 25 active firefighters and 3 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, 2020, was \$1,850 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 discretionary City contributions. The State of Minnesota contributed \$47,099 in fire state aid to the plan on behalf of the New London Fire Department for the year ended December 31, 2020, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily required contributions and discretionary contributions to the plan for the year ended December 31, 2020, was \$-0- and \$10,400, respectively.

D. Pension Costs

For the year ended December 31, 2020, the City recognized pension expense of \$47,099. This amount was equal to the contribution provided by the State of Minnesota and the discretionary City contributions.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

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

E. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position as of December 31, 2020, 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 2020.

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
1-15	Redevelopment	May 22, 2019		December 31, 2046

NOTE 9 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 to be a global pandemic. The COVID-19 outbreak in the United States has caused significant disruptions throughout the national, state, and local economy. The overall financial impact to the City of New London, Minnesota cannot be reasonably estimated at this time, as the pandemic is still ongoing.

The City has evaluated subsequent events through May 18, 2021 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, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 303,300	\$ 296,418	\$ 305,370	\$ 8,952
License and permits	70,520	103,510	103,510	-
Intergovernmental	390,467	502,721	456,376	(46,345)
Charges for services	10,420	9,695	9,695	-
Fines and forfeits	1,200	950	1,172	222
Interest income	2,000	10,321	10,321	-
Miscellaneous revenues	<u>3,000</u>	<u>12,231</u>	<u>12,231</u>	<u>-</u>
Total Revenues	<u>780,907</u>	<u>935,846</u>	<u>898,675</u>	<u>(37,171)</u>
EXPENDITURES				
Current				
General government	264,806	262,101	261,964	(137)
Public safety	110,610	143,571	96,467	(47,104)
Streets and highways	173,865	134,515	134,481	(34)
Culture and recreation	48,593	46,140	46,138	(2)
Economic development	-	33,500	33,500	-
Capital outlay				
Public safety	-	15,739	15,739	-
Streets and highways	<u>55,900</u>	<u>41,057</u>	<u>41,057</u>	<u>-</u>
Total Expenditures	<u>653,774</u>	<u>676,623</u>	<u>629,346</u>	<u>(47,277)</u>
EXCESS OF REVENUES OVER EXPENDITURES	127,133	259,223	269,329	10,106
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	16,101	16,101	-
Transfer to other funds	<u>(104,394)</u>	<u>(104,394)</u>	<u>(174,394)</u>	<u>70,000</u>
Total Other Financing Sources (Uses)	<u>(104,394)</u>	<u>(88,293)</u>	<u>(158,293)</u>	<u>70,000</u>
NET CHANGE IN FUND BALANCE	22,739	170,930	111,036	<u>\$ (59,894)</u>
FUND BALANCE JANUARY 1	<u>835,581</u>	<u>835,581</u>	<u>835,581</u>	
FUND BALANCE DECEMBER 31	<u>\$ 858,320</u>	<u>\$ 1,006,511</u>	<u>\$ 946,617</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 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, 2020	0.0033%	\$ 191,855	\$ 5,918	\$ 197,773	\$ 226,600	87.3%	79.1%
June 30, 2019	0.0031%	\$ 171,392	\$ 5,333	\$ 176,725	\$ 220,987	80.0%	80.2%
June 30, 2018	0.0035%	\$ 194,166	\$ 6,343	\$ 200,509	\$ 232,573	86.2%	79.5%
June 30, 2017	0.0037%	\$ 236,206	\$ 2,936	\$ 239,142	\$ 235,613	101.5%	75.9%
June 30, 2016	0.0037%	\$ 300,422	\$ 3,873	\$ 304,295	\$ 228,587	133.1%	68.9%
June 30, 2015	0.0036%	\$ 186,571	\$ -	\$ 186,571	\$ 207,639	89.9%	78.2%

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, 2020	\$ 17,497	\$ 17,497	\$ -	\$ 233,283	7.50%
December 31, 2019	\$ 16,967	\$ 16,967	\$ -	\$ 226,221	7.50%
December 31, 2018	\$ 17,059	\$ 17,059	\$ -	\$ 227,452	7.50%
December 31, 2017	\$ 17,310	\$ 17,310	\$ -	\$ 230,774	7.50%
December 31, 2016	\$ 17,330	\$ 17,330	\$ -	\$ 231,070	7.50%
December 31, 2015	\$ 16,963	\$ 16,963	\$ -	\$ 226,171	7.50%

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

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (CONTINUED)

General Employees Fund (continued)

2018 Changes (continued)

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

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.

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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2020**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 290,220	\$ 109,173	\$ 399,393
Accounts receivable	12,125	-	12,125
Delinquent taxes	-	1,241	1,241
TOTAL ASSETS	\$ 302,345	\$ 110,414	\$ 412,759
LIABILITIES			
Accounts payable	\$ -	\$ 43,826	\$ 43,826
TOTAL LIABILITIES	-	43,826	43,826
FUND BALANCES			
Restricted	229,394	66,588	295,982
Committed	33,500	-	33,500
Assigned	39,451	-	39,451
TOTAL FUND BALANCES	302,345	66,588	368,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 302,345	\$ 110,414	\$ 412,759

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, 2020

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Taxes			
Tax increments	\$ -	\$ 104,697	\$ 104,697
Local option sales tax	98,082	-	98,082
Miscellaneous revenue			
Grants and contributions	13,767	-	13,767
Interest	38	130	168
TOTAL REVENUES	<u>111,887</u>	<u>104,827</u>	<u>216,714</u>
 EXPENDITURES			
Current			
Culture and recreation	20,907	-	20,907
Economic development	9,629	98,151	107,780
Capital outlay			
Culture and recreation	7,219	-	7,219
TOTAL EXPENDITURES	<u>37,755</u>	<u>98,151</u>	<u>135,906</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 74,132	 6,676	 80,808
 OTHER FINANCING SOURCES			
Transfer in	<u>30,000</u>	<u>-</u>	<u>30,000</u>
 NET CHANGE IN FUND BALANCE	 104,132	 6,676	 110,808
 FUND BALANCE, JANUARY 1	 <u>198,213</u>	 <u>69,711</u>	 <u>267,924</u>
 FUND BALANCE, DECEMBER 31	 <u>\$ 302,345</u>	 <u>\$ 76,387</u>	 <u>\$ 378,732</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2020**

	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Library Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 2,299	\$ 22,040	\$ -	\$ 48,612	\$ 217,269	\$ 290,220
Accounts receivable	-	-	-	-	12,125	12,125
TOTAL ASSETS	\$ 2,299	\$ 22,040	\$ -	\$ 48,612	\$ 229,394	\$ 302,345
FUND BALANCES						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 229,394	\$ 229,394
Committed	-	-	-	33,500	-	33,500
Assigned	2,299	22,040	-	15,112	-	39,451
TOTAL FUND BALANCES	\$ 2,299	\$ 22,040	\$ -	\$ 48,612	\$ 229,394	\$ 302,345

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, 2020

	Firefighter/ EMT Fund	Park Fund	ArtPlace America Fund	Economic Development Authority	Library Fund	Total
REVENUES						
Local option sales tax	\$ -	\$ -	\$ -	\$ -	\$ 98,082	\$ 98,082
Miscellaneous revenue						
Grants and contributions	1,000	-	-	-	12,767	13,767
Interest income	-	38	-	-	-	38
TOTAL REVENUES	<u>1,000</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>110,849</u>	<u>111,887</u>
EXPENDITURES						
Current						
Culture and recreation	-	-	20,907	-	-	20,907
Economic development	-	-	-	9,629	-	9,629
Capital outlay						
Culture and recreation	-	-	-	-	7,219	7,219
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>20,907</u>	<u>9,629</u>	<u>7,219</u>	<u>37,755</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,000	38	(20,907)	(9,629)	103,630	74,132
OTHER FINANCING SOURCES						
Transfer in	-	-	-	20,000	10,000	30,000
NET CHANGE IN FUND BALANCE	1,000	38	(20,907)	10,371	113,630	104,132
FUND BALANCES, JANUARY 1	<u>1,299</u>	<u>22,002</u>	<u>20,907</u>	<u>38,241</u>	<u>115,764</u>	<u>198,213</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,299</u>	<u>\$ 22,040</u>	<u>\$ -</u>	<u>\$ 48,612</u>	<u>\$ 229,394</u>	<u>\$ 302,345</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
December 31, 2020**

	<u>TIF District 1-12</u>	<u>TIF District 1-13</u>	<u>TIF District 1-14</u>	<u>TIF District 1-15</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 52,934	\$ 25,944	\$ 40,094	\$ (9,799)	\$ 109,173
Delinquent taxes	<u>1,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241</u>
TOTAL ASSETS	<u>\$ 54,175</u>	<u>\$ 25,944</u>	<u>\$ 40,094</u>	<u>\$ (9,799)</u>	<u>\$ 110,414</u>
LIABILITIES					
Accounts payable	\$ 13,635	\$ 5,310	\$ 24,881	\$ -	\$ 43,826
TOTAL LIABILITIES	<u>13,635</u>	<u>5,310</u>	<u>24,881</u>	<u>-</u>	<u>43,826</u>
FUND BALANCES					
Restricted	<u>40,540</u>	<u>20,634</u>	<u>15,213</u>	<u>(9,799)</u>	<u>66,588</u>
TOTAL FUND BALANCES	<u>40,540</u>	<u>20,634</u>	<u>15,213</u>	<u>(9,799)</u>	<u>66,588</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 54,175</u>	<u>\$ 25,944</u>	<u>\$ 40,094</u>	<u>\$ (9,799)</u>	<u>\$ 110,414</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2020

	TIF District 1-12	TIF District 1-13	TIF District 1-14	TIF District 1-15	Total
REVENUES					
Taxes					
Tax increments	\$ 37,222	\$ 14,490	\$ 52,985	\$ -	\$ 104,697
Miscellaneous Revenue					
Interest	<u>70</u>	<u>28</u>	<u>32</u>	<u>-</u>	<u>130</u>
TOTAL REVENUES	<u>37,292</u>	<u>14,518</u>	<u>53,017</u>	<u>-</u>	<u>104,827</u>
EXPENDITURES					
Economic development					
Professional fees	1,435	1,433	1,433	-	4,301
Tax increments	<u>33,468</u>	<u>10,620</u>	<u>49,762</u>	<u>-</u>	<u>93,850</u>
TOTAL EXPENDITURES	<u>34,903</u>	<u>12,053</u>	<u>51,195</u>	<u>-</u>	<u>98,151</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,389	2,465	1,822	-	6,676
FUND BALANCE, JANUARY 1	<u>38,151</u>	<u>18,169</u>	<u>13,391</u>	<u>(9,799)</u>	<u>69,711</u>
FUND BALANCE, DECEMBER 31	<u>\$ 40,540</u>	<u>\$ 20,634</u>	<u>\$ 15,213</u>	<u>\$ (9,799)</u>	<u>\$ 76,387</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2020**

	Debt Service Reserve Fund	G.O. PIR Bonds 2008A	G.O. Improvement Refunding Bonds - 2009A	G.O. Improvement Bonds - 2011A	G.O. PIR Refunding Bonds 2012B/2019B	G.O. Tax Abatement Bonds - 2014	G.O. Improvement Bonds - 2016A	Total
ASSETS								
Cash and cash equivalents	\$ 1,091,828	\$ (338,258)	\$ (58,871)	\$ 126,350	\$ (440,973)	\$ 119,080	\$ 71,013	\$ 570,169
Receivables								
Delinquent taxes	-	37	813	653	6,247	2,099	2,677	12,526
Special assessments	40,055	-	-	38,476	-	-	299,656	378,187
Delinquent assessments	-	-	-	211	518	-	648	1,377
TOTAL ASSETS	<u>\$ 1,131,883</u>	<u>\$ (338,221)</u>	<u>\$ (58,058)</u>	<u>\$ 165,690</u>	<u>\$ (434,208)</u>	<u>\$ 121,179</u>	<u>\$ 373,994</u>	<u>\$ 962,259</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - taxes	\$ -	\$ 29	\$ 714	\$ 395	\$ 3,707	\$ 1,233	\$ 1,574	\$ 7,652
Unavailable revenue - special assessments	40,055	-	-	38,217	177	-	299,552	378,001
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>40,055</u>	<u>29</u>	<u>714</u>	<u>38,612</u>	<u>3,884</u>	<u>1,233</u>	<u>301,126</u>	<u>385,653</u>
FUND BALANCES								
Restricted	1,021,828	(338,250)	(58,772)	127,078	(438,092)	119,946	72,868	506,606
Committed	70,000	-	-	-	-	-	-	70,000
TOTAL FUND BALANCES	<u>1,091,828</u>	<u>(338,250)</u>	<u>(58,772)</u>	<u>127,078</u>	<u>(438,092)</u>	<u>119,946</u>	<u>72,868</u>	<u>576,606</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,131,883</u>	<u>\$ (338,221)</u>	<u>\$ (58,058)</u>	<u>\$ 165,690</u>	<u>\$ (434,208)</u>	<u>\$ 121,179</u>	<u>\$ 373,994</u>	<u>\$ 962,259</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, 2020

	Debt Service Reserve Fund	G.O. PIR Bonds 2008A	G.O. Improvement Refunding Bonds - 2009A	G.O. Improvement Bonds - 2011A	G.O. PIR Refunding Bonds 2012B/2019B	G.O. Tax Abatement Bonds - 2014	G.O. Improvement Bonds - 2016A	Total
REVENUES								
General property tax	\$ -	\$ 24	\$ 100	\$ 14,137	\$ 140,596	\$ 49,076	\$ 62,394	\$ 266,327
Special assessments	127,865	-	-	8,764	341	-	38,354	175,324
Interest income	1,540	-	-	153	-	155	-	1,848
Miscellaneous	15,000	-	-	-	-	-	-	15,000
Total Revenues	<u>144,405</u>	<u>24</u>	<u>100</u>	<u>23,054</u>	<u>140,937</u>	<u>49,231</u>	<u>100,748</u>	<u>458,499</u>
EXPENDITURES								
Debt service								
Principal	-	-	-	-	75,000	31,000	80,000	186,000
Interest	-	-	-	-	30,951	14,907	23,300	69,158
Other charges	1,119	-	-	600	-	600	450	2,769
Total Expenditures	<u>1,119</u>	<u>-</u>	<u>-</u>	<u>600</u>	<u>105,951</u>	<u>46,507</u>	<u>103,750</u>	<u>257,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	143,286	24	100	22,454	34,986	2,724	(3,002)	200,572
OTHER FINANCING SOURCES								
Transfer from other funds	70,000	-	-	-	-	-	-	70,000
Total Other Financing Sources	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
NET CHANGE IN FUND BALANCE	213,286	24	100	22,454	34,986	2,724	(3,002)	270,572
FUND BALANCE JANUARY 1	<u>878,542</u>	<u>(338,274)</u>	<u>(58,872)</u>	<u>104,624</u>	<u>(473,078)</u>	<u>117,222</u>	<u>75,870</u>	<u>306,034</u>
FUND BALANCE DECEMBER 31	<u>\$ 1,091,828</u>	<u>\$ (338,250)</u>	<u>\$ (58,772)</u>	<u>\$ 127,078</u>	<u>\$ (438,092)</u>	<u>\$ 119,946</u>	<u>\$ 72,868</u>	<u>\$ 576,606</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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Over(Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Taxes				
General property taxes	\$ 296,418	\$ 305,370	\$ 8,952	\$ 285,995
License and permits	103,510	103,510	-	53,776
Total Taxes	<u>399,928</u>	<u>408,880</u>	<u>8,952</u>	<u>339,771</u>
Intergovernmental Revenue				
Federal grants	-	105,477	105,477	-
State Grants and Aid				
Local government aid	350,899	350,899	-	326,976
PERA aid	-	-	-	403
Fire relief aid	47,099	-	(47,099)	44,584
Other state grants	-	-	-	23
Total Intergovernmental Revenue	<u>397,998</u>	<u>456,376</u>	<u>58,378</u>	<u>371,986</u>
Charges for Services				
General government	1,820	1,820	-	2,470
Culture and recreation	7,875	7,875	-	8,125
Total Charges for Services	<u>9,695</u>	<u>9,695</u>	<u>-</u>	<u>10,595</u>
Fines and Forfeits	<u>950</u>	<u>1,172</u>	<u>222</u>	<u>2,200</u>
Miscellaneous Revenues				
Investment income	10,321	10,321	-	8,860
Donations	-	-	-	100
Other	12,231	12,231	-	4,017
Total Miscellaneous Revenues	<u>22,552</u>	<u>22,552</u>	<u>-</u>	<u>12,977</u>
TOTAL REVENUES	<u>831,123</u>	<u>898,675</u>	<u>67,552</u>	<u>737,529</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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Over(Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES				
General Government				
Governing Board				
Salaries	8,790	8,790	-	9,640
Payroll taxes and benefits	672	672	-	737
Other expenses	443	443	-	1,087
Total Governing Board	<u>9,905</u>	<u>9,905</u>	<u>-</u>	<u>11,464</u>
Administration and Finance				
Salaries	128,648	128,648	-	124,904
Payroll taxes and benefits	19,491	19,491	-	18,923
Total Administration and Finance	<u>148,139</u>	<u>148,139</u>	<u>-</u>	<u>143,827</u>
Government Buildings				
Salaries	11,279	11,279	-	10,705
Payroll taxes and benefits	1,709	1,709	-	1,622
Occupancy	7,962	8,058	96	11,162
Repairs and maintenance	4,100	4,082	(18)	11,540
Other expenses	1,100	1,098	(2)	3,028
Total Government Buildings	<u>26,150</u>	<u>26,226</u>	<u>76</u>	<u>38,057</u>
Other General Government				
Salaries	100	100	-	350
Payroll taxes and benefits	8	8	-	27
Supplies	24,216	23,994	(222)	5,390
Occupancy	2,050	2,048	(2)	1,916
Insurance	20,500	20,447	(53)	20,443
Elections	1,403	2,157	754	-
Assessor	13,793	13,793	-	10,015
Professional services	9,109	9,106	(3)	10,211
Other expenses	6,728	6,041	(687)	9,630
Total Other General Government	<u>77,907</u>	<u>77,694</u>	<u>(213)</u>	<u>57,982</u>
Total General Government	<u>262,101</u>	<u>261,964</u>	<u>(137)</u>	<u>251,330</u>
Public Safety				
Police Department				
Contracted services	19,848	19,848	-	19,267
Total Police Department	<u>19,848</u>	<u>19,848</u>	<u>-</u>	<u>19,267</u>
Fire Department				
Repairs and maintenance	-	17,735	17,735	-
Professional fees	-	3,300	3,300	-
Fire Relief Association	47,099	-	(47,099)	44,584
Capital outlay	15,739	15,739	-	-
Total Fire Department	<u>62,838</u>	<u>36,774</u>	<u>(26,064)</u>	<u>44,584</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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Over(Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
Ambulance				
Repairs and maintenance	-	13,912	13,912	-
Total Ambulance	-	13,912	13,912	-
Other Protection				
Building inspection	41,603	41,598	(5)	39,741
Animal control	74	74	-	59
Total Other Protection	41,677	41,672	(5)	39,800
Total Public Safety	124,363	112,206	(12,157)	103,651
Streets and Highways				
Street Maintenance				
Salaries	22,708	22,708	-	21,779
Payroll taxes and benefits	3,430	3,429	(1)	3,272
Supplies	6,913	6,899	(14)	9,450
Occupancy	1,889	2,080	191	2,399
Repairs and maintenance	32,650	32,688	38	2,422
Other expenses	9,122	8,537	(585)	8,275
Capital outlay	41,057	41,057	-	14,236
Total Street Maintenance	117,769	117,398	(371)	61,833
Snow and Ice Removal				
Contract services	33,840	33,839	(1)	98,894
Total Snow and Ice Removal	33,840	33,839	(1)	98,894
Street Lighting	23,963	24,301	338	22,019
Total Streets and Highways	175,572	175,538	(34)	182,746
Culture and Recreation				
Parks and Recreation				
Salaries	15,038	15,039	1	18,569
Payroll taxes and benefits	2,279	2,278	(1)	2,492
Occupancy	1,687	1,688	1	1,399
Repairs and maintenance	7,350	7,347	(3)	9,390
Other expenses	-	-	-	1,000
Total Parks and Recreation	26,354	26,352	(2)	32,850
Community Education	10,500	10,500	-	10,500
Library				
Occupancy	9,286	9,286	-	8,904
Total Culture and Recreation	46,140	46,138	(2)	52,254

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, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

	2020		Over(Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
Economic Development	-	33,500	33,500	-
TOTAL EXPENDITURES	<u>608,176</u>	<u>629,346</u>	<u>21,170</u>	<u>589,981</u>
EXCESS OF REVENUES OVER EXPENDITURES	222,947	269,329	46,382	147,548
OTHER FINANCING SOURCES (USES)				
Sale of asset	16,101	16,101	-	1,900
Transfer out	<u>(104,394)</u>	<u>(174,394)</u>	<u>(70,000)</u>	<u>(263,016)</u>
NET CHANGE IN FUND BALANCE	134,654	111,036	<u>\$ (23,618)</u>	(113,568)
FUND BALANCE, JANUARY 1	<u>835,581</u>	<u>835,581</u>		<u>949,149</u>
FUND BALANCE, DECEMBER 31	<u>\$ 970,235</u>	<u>\$ 946,617</u>		<u>\$ 835,581</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FIRE DEPARTMENT FUND
For the Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

REVENUES	<u>2020</u>	<u>2019</u>
Intergovernmental		
State grants	\$ 8,710	\$ 9,134
State grants - fire relief aid	47,099	-
Total Intergovernmental	<u>55,809</u>	<u>9,134</u>
Charges for Services		
Fire contracts and calls	156,489	155,875
Total Charges for Services	<u>156,489</u>	<u>155,875</u>
Miscellaneous Revenues		
Interest income	1,396	6,167
Donations	1,790	39,057
Refunds	4,137	2,763
Total Miscellaneous Revenues	<u>7,323</u>	<u>47,987</u>
TOTAL REVENUES	<u>219,621</u>	<u>212,996</u>
EXPENDITURES		
Current		
Salaries	47,221	42,413
Payroll taxes and benefits	61,111	13,645
Supplies	14,855	21,442
Occupancy	5,799	5,962
Repairs and maintenance	15,540	13,375
Insurance	19,403	20,861
Professional fees	10,460	15,890
Permits	-	28
Other expenses	2,963	4,442
Capital outlay	<u>-</u>	<u>23,492</u>
TOTAL EXPENDITURES	<u>177,352</u>	<u>161,550</u>
EXCESS OF REVENUES OVER EXPENDITURES	42,269	51,446
OTHER FINANCING SOURCES		
Transfers in	<u>74,394</u>	<u>76,016</u>
NET CHANGE IN FUND BALANCE	116,663	127,462
FUND BALANCE, JANUARY 1	<u>440,536</u>	<u>313,074</u>
FUND BALANCE, DECEMBER 31	<u>\$ 557,199</u>	<u>\$ 440,536</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AMBULANCE FUND
For the Year Ended December 31, 2020
With Comparative Actual Amounts for the Year Ended December 31, 2019

REVENUES	<u>2020</u>	<u>2019</u>
Intergovernmental		
State grants	\$ -	\$ 1,975
Federal grants	4,385	-
Total Intergovernmental	<u>4,385</u>	<u>1,975</u>
Charges for Services		
Ambulance calls	265,003	219,558
Total Charges for Services	<u>265,003</u>	<u>219,558</u>
Miscellaneous Revenues		
Interest income	561	2,685
Donations	15,077	9,691
Total Miscellaneous Revenues	<u>15,638</u>	<u>12,376</u>
TOTAL REVENUES	<u>285,026</u>	<u>233,909</u>
EXPENDITURES		
Current		
Salaries	117,234	112,611
Payroll taxes and benefits	8,969	8,615
Supplies	13,292	15,313
Occupancy	1,004	1,102
Repairs and maintenance	2,546	6,260
Insurance	13,100	18,846
Professional fees	15,463	13,914
Other expenses	4,993	2,178
Capital outlay	-	34,308
Debt service		
Principal	15,000	15,000
Interest	1,335	1,703
TOTAL EXPENDITURES	<u>192,936</u>	<u>229,850</u>
NET CHANGE IN FUND BALANCE	92,090	4,059
FUND BALANCE, JANUARY 1	<u>286,660</u>	<u>282,601</u>
FUND BALANCE, DECEMBER 31	<u>\$ 378,750</u>	<u>\$ 286,660</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, 2020, 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 May 18, 2021.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2020-001 that we consider to be a significant deficiency.

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

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

City of New London, Minnesota's Response to Findings

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

Westberg Eischens, PLLP
Willmar, Minnesota

May 18, 2021

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2020**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2020-001

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.

Cause:

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

Effect:

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

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.

Views of Responsible Officials and Planned Corrective Actions:

The City agrees with the finding and the recommendation procedures have been implemented.

CORRECTIVE ACTION PLAN (CAP)

Finding 2020-001

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.