

**CITY OF NEW LONDON
NEW LONDON, MINNESOTA**

ANNUAL FINANCIAL REPORT

**YEAR ENDED
December 31, 2022**

**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, 2022**

| | | <u>TERM EXPIRES</u> |
|-----------------|-----------------|-------------------------|
| John Bergman | Mayor | 12/31/22 |
| Kelly Asche | Council Member | 12/31/24 |
| Steve Slominski | Council Member | 12/31/24 |
| Erik Hatlestad | Council Member | 12/31/22 |
| John Dahl | Council Member | 12/31/22 |
| Trudie Guptill | Clerk-Treasurer | Appointed |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of New London, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New London, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of New London, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of New London, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and the schedules of revenues, expenditures, and changes in fund balance is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2023, 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 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. 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 26, 2023

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2022

| | Governmental Activities | Business-Type Activities | Totals |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 2,875,292 | \$ 1,844,457 | \$ 4,719,749 |
| Receivables: | | | |
| Accounts | 224,761 | 91,204 | 315,965 |
| Delinquent taxes | 13,170 | 1,758 | 14,928 |
| Special assessments | 326,058 | 277,374 | 603,432 |
| Delinquent special assessments | 446 | - | 446 |
| Interest | 2,880 | - | 2,880 |
| Prepaid expenses | 24,487 | - | 24,487 |
| Capital assets: | | | |
| Non-depreciable | 1,392,298 | 1,000 | 1,393,298 |
| Depreciable, net of accumulated depreciation | <u>5,144,947</u> | <u>3,701,938</u> | <u>8,846,885</u> |
| TOTAL ASSETS | <u>10,004,339</u> | <u>5,917,731</u> | <u>15,922,070</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | <u>79,774</u> | <u>14,262</u> | <u>94,036</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>79,774</u> | <u>14,262</u> | <u>94,036</u> |
| LIABILITIES | | | |
| Accounts payable | 104,259 | 56,775 | 161,034 |
| Long-term liabilities: | | | |
| Due within one year | 221,000 | 211,000 | 432,000 |
| Due in more than one year | 2,698,733 | 2,275,251 | 4,973,984 |
| Net pension liability | <u>236,837</u> | <u>40,364</u> | <u>277,201</u> |
| TOTAL LIABILITIES | <u>3,260,829</u> | <u>2,583,390</u> | <u>5,844,219</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned revenue | 429 | - | 429 |
| Related to pensions | <u>3,738</u> | <u>-</u> | <u>3,738</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>4,167</u> | <u>-</u> | <u>4,167</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,617,512 | 1,216,687 | 4,834,199 |
| Restricted for: | | | |
| American Rescue Plan Funds | 155,181 | - | 155,181 |
| Debt service | 894,028 | 587,021 | 1,481,049 |
| Capital replacement | - | 192,555 | 192,555 |
| Unrestricted | <u>2,152,396</u> | <u>1,352,340</u> | <u>3,504,736</u> |
| TOTAL NET POSITION | <u>\$ 6,819,117</u> | <u>\$ 3,348,603</u> | <u>\$ 10,167,720</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, 2022

| | 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 | \$ 311,327 | \$ 58,447 | \$ - | \$ - | \$ (252,880) | \$ - | \$ (252,880) |
| Public safety | 552,391 | 447,522 | 89,663 | 53,533 | 38,327 | - | 38,327 |
| Streets and highways | 566,285 | - | - | 14,569 | (551,716) | - | (551,716) |
| Culture and recreation | 91,183 | 11,810 | 14,584 | - | (64,789) | - | (64,789) |
| Economic development | 92,196 | - | - | - | (92,196) | - | (92,196) |
| Interest and fiscal charges on long term debt | <u>75,033</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(75,033)</u> | <u>-</u> | <u>(75,033)</u> |
| Total Governmental Activities | <u>1,688,415</u> | <u>517,779</u> | <u>104,247</u> | <u>68,102</u> | <u>(998,287)</u> | <u>-</u> | <u>(998,287)</u> |
| Business-Type Activities: | | | | | | | |
| Water | 444,280 | 487,153 | - | 9,002 | - | 51,875 | 51,875 |
| Sewer | <u>540,169</u> | <u>616,119</u> | <u>-</u> | <u>4,816</u> | <u>-</u> | <u>80,766</u> | <u>80,766</u> |
| Total Business-Type Activities | <u>984,449</u> | <u>1,103,272</u> | <u>-</u> | <u>13,818</u> | <u>-</u> | <u>132,641</u> | <u>132,641</u> |
| TOTAL | <u>\$ 2,672,864</u> | <u>\$ 1,621,051</u> | <u>\$ 104,247</u> | <u>\$ 81,920</u> | <u>(998,287)</u> | <u>132,641</u> | <u>(865,646)</u> |
| General revenues: | | | | | | | |
| Property taxes levied for general purposes | | | | | 356,104 | - | 356,104 |
| Property taxes levied for debt service | | | | | 248,250 | 86,007 | 334,257 |
| Tax increments | | | | | 107,122 | - | 107,122 |
| Sales taxes | | | | | 124,908 | - | 124,908 |
| Intergovernmental revenue not restricted to specific programs | | | | | 448,577 | - | 448,577 |
| Investment income | | | | | 4,509 | 1,612 | 6,121 |
| Miscellaneous | | | | | <u>11,055</u> | <u>680</u> | <u>11,735</u> |
| Total general revenues and transfers | | | | | <u>1,300,525</u> | <u>88,299</u> | <u>1,388,824</u> |
| Change in net position | | | | | 302,238 | 220,940 | 523,178 |
| Net Position - Beginning | | | | | <u>6,516,879</u> | <u>3,127,663</u> | <u>9,644,542</u> |
| Net Position - Ending | | | | | <u>\$ 6,819,117</u> | <u>\$ 3,348,603</u> | <u>\$ 10,167,720</u> |

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

**CITY OF NEW LONDON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

| | General Fund | Special Revenue | | Debt Service Fund | Permanent Improvement Fund | NonMajor | Totals |
|--|-------------------|-------------------|-------------------|---------------------|----------------------------|-------------------|---------------------|
| | | Fire Fund | Ambulance Fund | | | | |
| ASSETS | | | | | | | |
| Cash and investments | \$ 528,327 | \$ 585,634 | \$ 331,248 | \$ 958,788 | \$ - | \$ 471,295 | \$ 2,875,292 |
| Receivables: | | | | | | | |
| Accounts | 1,597 | 6,400 | 203,145 | - | - | 13,619 | 224,761 |
| Delinquent taxes | 7,752 | - | - | 5,418 | - | - | 13,170 |
| Special assessments | - | - | - | 326,058 | - | - | 326,058 |
| Delinquent special assessments | - | - | - | 446 | - | - | 446 |
| Interest | 2,880 | - | - | - | - | - | 2,880 |
| Due from other funds | 279,330 | 29,680 | 1,000 | - | - | - | 310,010 |
| Prepaid expenses | 8,380 | 9,589 | 6,518 | - | - | - | 24,487 |
| TOTAL ASSETS | <u>\$ 828,266</u> | <u>\$ 631,303</u> | <u>\$ 541,911</u> | <u>\$ 1,290,710</u> | <u>\$ -</u> | <u>\$ 484,914</u> | <u>\$ 3,777,104</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 11,146 | \$ 2,054 | \$ 2,021 | \$ - | \$ - | \$ 89,038 | \$ 104,259 |
| Due to other funds | 30,680 | - | - | - | 279,330 | - | 310,010 |
| TOTAL LIABILITIES | <u>41,826</u> | <u>2,054</u> | <u>2,021</u> | <u>-</u> | <u>279,330</u> | <u>89,038</u> | <u>414,269</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - taxes | 3,432 | - | - | 2,451 | - | - | 5,883 |
| Unavailable revenue - special assessments | - | - | - | 324,231 | - | - | 324,231 |
| Unavailable revenue - unearned revenue | - | - | - | - | - | 429 | 429 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>3,432</u> | <u>-</u> | <u>-</u> | <u>326,682</u> | <u>-</u> | <u>429</u> | <u>330,543</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 8,380 | 9,589 | 6,518 | - | - | - | 24,487 |
| Restricted | 155,181 | - | - | 894,028 | - | 262,115 | 1,311,324 |
| Committed | 1,484 | 7,259 | - | 70,000 | - | 30,000 | 108,743 |
| Assigned | 534,087 | 612,401 | 533,372 | - | - | 103,332 | 1,783,192 |
| Unassigned | 83,876 | - | - | - | (279,330) | - | (195,454) |
| TOTAL FUND BALANCES | <u>783,008</u> | <u>629,249</u> | <u>539,890</u> | <u>964,028</u> | <u>(279,330)</u> | <u>395,447</u> | <u>3,032,292</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 828,266</u> | <u>\$ 631,303</u> | <u>\$ 541,911</u> | <u>\$ 1,290,710</u> | <u>\$ -</u> | <u>\$ 484,914</u> | <u>\$ 3,777,104</u> |

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

**CITY OF NEW LONDON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2022**

| | |
|--|---------------------|
| Total Fund Balances-Governmental Funds | \$ 3,032,292 |
| 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 | 12,820,531 |
| Less: accumulated depreciation | (6,283,286) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | |
| Delinquent property taxes | 5,883 |
| Special assessments receivable | 324,231 |
| 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 | 79,774 |
| Deferred inflows - pensions | (3,738) |
| 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 | 8,267 |
| General obligation bonds | (2,928,000) |
| Net pension liability | <u>(236,837)</u> |
| Total Net Position-Governmental Activities | <u>\$ 6,819,117</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, 2022

| | General Fund | Special Revenue | | Debt Service Fund | Permanent Improvement Fund | NonMajor | Totals |
|--|-------------------|-------------------|-------------------|-------------------|----------------------------|-------------------|---------------------|
| | | Fire Fund | Ambulance Fund | | | | |
| REVENUES | | | | | | | |
| Property taxes | \$ 363,178 | \$ - | \$ - | \$ 248,250 | \$ - | \$ 107,122 | \$ 718,550 |
| Local option sales tax | - | - | - | - | - | 124,908 | 124,908 |
| Special assessments | - | - | - | 38,801 | - | - | 38,801 |
| License and permits | 57,677 | - | - | - | - | - | 57,677 |
| Intergovernmental | 369,774 | 58,153 | 4,909 | 77,590 | - | - | 510,426 |
| Charges for services | 10,183 | 153,572 | 293,915 | - | - | 2,397 | 460,067 |
| Fines and forfeits | 1,945 | - | - | - | - | - | 1,945 |
| Interest income | 1,820 | 660 | 369 | 1,462 | - | 198 | 4,509 |
| Miscellaneous | 9,110 | 57,363 | 22,806 | - | - | 14,584 | 103,863 |
| Total Revenues | 813,687 | 269,748 | 321,999 | 366,103 | - | 249,209 | 2,020,746 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 279,825 | - | - | - | - | - | 279,825 |
| Public safety | 60,491 | 191,116 | 201,184 | - | - | 1,050 | 453,841 |
| Streets and highways | 173,253 | - | - | - | - | - | 173,253 |
| Culture and recreation | 62,488 | - | - | - | - | 19,488 | 81,976 |
| Economic development | - | - | - | - | - | 92,196 | 92,196 |
| Capital outlay: | | | | | | | |
| General government | 16,239 | - | - | - | - | - | 16,239 |
| Public safety | - | 67,070 | - | - | - | 99,852 | 166,922 |
| Streets and highways | 3,450 | - | - | - | 237,501 | 37,085 | 278,036 |
| Culture and recreation | - | - | - | - | - | 548,007 | 548,007 |
| Debt service: | | | | | | | |
| Principal | - | - | 16,000 | 201,000 | - | - | 217,000 |
| Interest | - | - | 588 | 71,585 | - | - | 72,173 |
| Bond fees | - | - | - | 2,224 | - | - | 2,224 |
| Total Expenditures | 595,746 | 258,186 | 217,772 | 274,809 | 237,501 | 797,678 | 2,381,692 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 217,941 | 11,562 | 104,227 | 91,294 | (237,501) | (548,469) | (360,946) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfer from other funds | - | 79,880 | - | - | - | 456,176 | 536,056 |
| Transfer to other funds | (475,094) | - | - | (60,962) | - | - | (536,056) |
| Total Other Financing Sources (Uses) | (475,094) | 79,880 | - | (60,962) | - | 456,176 | - |
| NET CHANGE IN FUND BALANCE | (257,153) | 91,442 | 104,227 | 30,332 | (237,501) | (92,293) | (360,946) |
| FUND BALANCE JANUARY 1 | 1,040,161 | 537,807 | 435,663 | 933,696 | (41,829) | 487,740 | 3,393,238 |
| FUND BALANCE DECEMBER 31 | \$ 783,008 | \$ 629,249 | \$ 539,890 | \$ 964,028 | \$ (279,330) | \$ 395,447 | \$ 3,032,292 |

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, 2022

| | |
|--|-------------------|
| Net Change in Fund Balances-Governmental Funds | \$ (360,946) |
| 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 | 947,175 |
| Depreciation expense | (455,993) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Property taxes | (7,074) |
| Special assessments | (24,232) |
| 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 | 217,000 |
| 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 | <u>(13,056)</u> |
| Change in Net Position-Governmental Activities | <u>\$ 302,238</u> |

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

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
|---|-----------------------|-----------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 627,475 | \$ 714,780 | \$ 1,342,255 |
| Receivables: | | | |
| Accounts receivable | 88,564 | 2,640 | 91,204 |
| Delinquent taxes | <u>1,543</u> | <u>215</u> | <u>1,758</u> |
| Total Current Assets | <u>717,582</u> | <u>717,635</u> | <u>1,435,217</u> |
| Noncurrent Assets | | | |
| Cash restricted for capital replacement | 99,265 | 93,290 | 192,555 |
| Cash restricted for debt service | 245,540 | 64,107 | 309,647 |
| Special assessments receivable | 212,151 | 65,223 | 277,374 |
| Capital assets: | | | |
| Non-depreciable | - | 1,000 | 1,000 |
| Depreciable assets | 3,764,305 | 2,333,949 | 6,098,254 |
| Less accumulated depreciation | <u>(1,237,814)</u> | <u>(1,158,502)</u> | <u>(2,396,316)</u> |
| Total capital assets, net | <u>2,526,491</u> | <u>1,176,447</u> | <u>3,702,938</u> |
| Total Noncurrent Assets | <u>3,083,447</u> | <u>1,399,067</u> | <u>4,482,514</u> |
| TOTAL ASSETS | <u>3,801,029</u> | <u>2,116,702</u> | <u>5,917,731</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | <u>8,145</u> | <u>6,117</u> | <u>14,262</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>8,145</u> | <u>6,117</u> | <u>14,262</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 20,284 | 36,491 | 56,775 |
| Current portion bonds payable | <u>120,000</u> | <u>91,000</u> | <u>211,000</u> |
| Total Current Liabilities | <u>140,284</u> | <u>127,491</u> | <u>267,775</u> |
| Noncurrent Liabilities | | | |
| Bonds payable | 1,617,251 | 658,000 | 2,275,251 |
| Net pension liability | <u>23,063</u> | <u>17,301</u> | <u>40,364</u> |
| Total Noncurrent Liabilities | <u>1,640,314</u> | <u>675,301</u> | <u>2,315,615</u> |
| TOTAL LIABILITIES | <u>1,780,598</u> | <u>802,792</u> | <u>2,583,390</u> |
| NET POSITION | | | |
| Net investment in capital assets | 789,240 | 427,447 | 1,216,687 |
| Restricted | | | |
| Debt service | 457,691 | 129,330 | 587,021 |
| Capital replacement | 99,265 | 93,290 | 192,555 |
| Unrestricted | <u>682,380</u> | <u>669,960</u> | <u>1,352,340</u> |
| TOTAL NET POSITION | <u>\$ 2,028,576</u> | <u>\$ 1,320,027</u> | <u>\$ 3,348,603</u> |

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, 2022

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
|--|-----------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 487,153 | \$ 616,119 | \$ 1,103,272 |
| Total Operating Revenues | <u>487,153</u> | <u>616,119</u> | <u>1,103,272</u> |
| OPERATING EXPENSES | | | |
| Personal services | 26,007 | 19,507 | 45,514 |
| Contract services | 275,353 | 429,359 | 704,712 |
| Materials and supplies | 11,939 | 9,468 | 21,407 |
| Repairs and maintenance | 7,033 | 18,463 | 25,496 |
| Professional fees | 1,915 | 1,420 | 3,335 |
| Occupancy | - | 1,193 | 1,193 |
| Permits | 6,277 | - | 6,277 |
| Other expenses | 400 | - | 400 |
| Depreciation | 96,783 | 52,369 | 149,152 |
| Total Operating Expenses | <u>425,707</u> | <u>531,779</u> | <u>957,486</u> |
| Operating Income | 61,446 | 84,340 | 145,786 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Property taxes | 75,920 | 10,087 | 86,007 |
| Special assessments | 9,002 | 4,816 | 13,818 |
| Interest income | 881 | 731 | 1,612 |
| Miscellaneous income | 231 | 449 | 680 |
| Interest expense | (18,573) | (8,390) | (26,963) |
| Total Non-Operating Revenues (Expenses) | <u>67,461</u> | <u>7,693</u> | <u>75,154</u> |
| Change in Net Position | 128,907 | 92,033 | 220,940 |
| NET POSITION, JANUARY 1 | <u>1,899,669</u> | <u>1,227,994</u> | <u>3,127,663</u> |
| NET POSITION, DECEMBER 31 | <u>\$ 2,028,576</u> | <u>\$ 1,320,027</u> | <u>\$ 3,348,603</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, 2022

| | Water Fund | Sewer Fund | Total |
|--|-------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 488,758 | \$ 614,919 | \$ 1,103,677 |
| Payments to suppliers | (302,020) | (456,218) | (758,238) |
| Payments to employees | (24,824) | (18,618) | (43,442) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>161,914</u> | <u>140,083</u> | <u>301,997</u> |
| CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES | | | |
| Non operating revenue | 231 | 449 | 680 |
| NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES | <u>231</u> | <u>449</u> | <u>680</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Property taxes | 79,244 | 10,612 | 89,856 |
| Special assessments | 39,384 | 21,584 | 60,968 |
| Principal paid on long-term debt | (120,000) | (90,000) | (210,000) |
| Interest paid on long-term debt | (18,573) | (8,390) | (26,963) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(19,945)</u> | <u>(66,194)</u> | <u>(86,139)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received on investments | 881 | 731 | 1,612 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>881</u> | <u>731</u> | <u>1,612</u> |
| NET INCREASE IN CASH | 143,081 | 75,069 | 218,150 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | <u>829,199</u> | <u>797,108</u> | <u>1,626,307</u> |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | <u>\$ 972,280</u> | <u>\$ 872,177</u> | <u>\$ 1,844,457</u> |
| RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Operating income | \$ 61,446 | \$ 84,340 | \$ 145,786 |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | |
| Depreciation | 96,783 | 52,369 | 149,152 |
| Change in assets and liabilities: | | | |
| Decrease (increase) in receivables | 1,605 | (1,200) | 405 |
| Increase in deferred outflows | (559) | (416) | (975) |
| Increase in accounts payable | 897 | 3,685 | 4,582 |
| Increase in pension liabilities | 11,001 | 8,253 | 19,254 |
| Decrease in deferred inflows | (9,259) | (6,948) | (16,207) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 161,914</u> | <u>\$ 140,083</u> | <u>\$ 301,997</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | |
| Unrestricted | \$ 627,475 | \$ 714,780 | \$ 1,342,255 |
| Restricted cash | 344,805 | 157,397 | 502,202 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 972,280</u> | <u>\$ 872,177</u> | <u>\$ 1,844,457</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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New London, Minnesota's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2022. 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

The City of New London, Minnesota 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. 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, 2022

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 is 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, 2022

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, 2022, 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 2022 was \$6,121.

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 2022. 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, 2022

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, 2022

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 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 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 earnings on plan investments. The City 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, 2022**

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, 2022**

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, 2022, consisted of the following:

| | General Fund | Fire Fund | Ambulance Fund | Debt Service Fund | PIR Fund | Non-Major Funds | Totals |
|----------------------------|-------------------|-------------------|-------------------|-------------------------|---------------------|--------------------|---------------------|
| FUND BALANCES | | | | | | | |
| Nonspendable - prepaid | \$ 8,380 | \$ 9,589 | \$ 6,518 | \$ - | \$ - | \$ - | \$ 24,487 |
| Restricted | | | | | | | |
| Debt service | - | - | - | 894,028 | - | - | 894,028 |
| American Rescue Plan | 155,181 | - | - | - | - | - | 155,181 |
| Tax increment financing | - | - | - | - | - | 107,019 | 107,019 |
| Library | - | - | - | - | - | 155,096 | 155,096 |
| Committed | | | | | | | |
| Arts | 1,484 | - | - | - | - | - | 1,484 |
| Economic development | - | - | - | - | - | 30,000 | 30,000 |
| Truck replacement | - | 7,259 | - | - | - | - | 7,259 |
| Future capital projects | - | - | - | 70,000 | - | - | 70,000 |
| Assigned | | | | | | | |
| Working capital | 451,403 | 75,000 | 102,000 | - | - | - | 628,403 |
| Public safety | - | 537,401 | 431,372 | - | - | 3,023 | 971,796 |
| Community improvement | - | - | - | - | - | 48,204 | 48,204 |
| Economic development | - | - | - | - | - | 52,105 | 52,105 |
| Contingencies | 82,684 | - | - | - | - | - | 82,684 |
| Unassigned | 83,876 | - | - | - | (279,330) | - | (195,454) |
| Total Fund Balances | \$ 783,008 | \$ 629,249 | \$ 539,890 | \$ 964,028 | \$ (279,330) | \$ 395,447 | \$ 3,032,292 |

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.

E. New Accounting Pronouncement

Effective January 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements and did not result in a material impact to the City's beginning net position of the General Fund. There was no significant effect on the financial statements relating to the adoption of this new standard which would require adjustment to net position at the date of adoption.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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 \$(11,624). Permanent Improvement Fund has a deficit fund balance of \$(279,330).

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, 2022, 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;

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments (continued)

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City has no policy related to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The City's policy is that brokers may hold City investments only to the extent that there is SIPC and excess SIPC coverage available.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. It is the City's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

B. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

| Governmental activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 281,567 | \$ - | \$ - | \$ 281,567 |
| Construction in progress | <u>245,718</u> | <u>883,592</u> | <u>18,579</u> | <u>1,110,731</u> |
| Total capital assets | | | | |
| not being depreciated | <u>527,285</u> | <u>883,592</u> | <u>18,579</u> | <u>1,392,298</u> |
| Capital assets being depreciated: | | | | |
| Buildings and structures | 531,230 | 15,092 | - | 546,322 |
| Infrastructure and improvements | 8,710,005 | - | - | 8,710,005 |
| Machinery and equipment | 731,941 | - | - | 731,941 |
| Office furniture and fixtures | 8,677 | - | - | 8,677 |
| Automotive equipment | <u>1,364,218</u> | <u>67,070</u> | <u>-</u> | <u>1,431,288</u> |
| Total capital assets | | | | |
| being depreciated | <u>11,346,071</u> | <u>82,162</u> | <u>-</u> | <u>11,428,233</u> |

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 | 467,032 | 13,419 | - | 480,451 |
| Infrastructure and improvements | 4,255,693 | 333,348 | - | 4,589,041 |
| Machinery and equipment | 428,645 | 38,044 | - | 466,689 |
| Office furniture and fixtures | 5,716 | 435 | - | 6,151 |
| Automotive equipment | 670,207 | 70,747 | - | 740,954 |
| Total accumulated depreciation | <u>5,827,293</u> | <u>455,993</u> | <u>-</u> | <u>6,283,286</u> |
| Total capital assets being depreciated, net | <u>5,518,778</u> | <u>(373,831)</u> | <u>-</u> | <u>5,144,947</u> |
| Governmental activities capital assets, net | <u>\$ 6,046,063</u> | <u>\$ 509,761</u> | <u>\$ 18,579</u> | <u>\$ 6,537,245</u> |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | <u>\$ 1,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,000</u> |
| Total capital assets not being depreciated | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>1,000</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure and improvements | 5,800,128 | - | - | 5,800,128 |
| Machinery and equipment | 269,146 | - | - | 269,146 |
| Office furniture and fixtures | 17,746 | - | - | 17,746 |
| Automotive equipment | 11,234 | - | - | 11,234 |
| Total capital assets being depreciated | <u>6,098,254</u> | <u>-</u> | <u>-</u> | <u>6,098,254</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure and improvements | 2,022,566 | 139,267 | - | 2,161,833 |
| Machinery and equipment | 195,617 | 9,886 | - | 205,503 |
| Office furniture and fixtures | 17,746 | - | - | 17,746 |
| Automotive equipment | 11,234 | - | - | 11,234 |
| Total accumulated depreciation | <u>2,247,163</u> | <u>149,153</u> | <u>-</u> | <u>2,396,316</u> |
| Total capital assets being depreciated, net | <u>3,851,091</u> | <u>(149,153)</u> | <u>-</u> | <u>3,701,938</u> |
| Business-type activities capital assets, net | <u>\$ 3,852,091</u> | <u>\$ (149,153)</u> | <u>\$ -</u> | <u>\$ 3,702,938</u> |

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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 | \$ | 17,277 |
| Public safety | | 96,869 |
| Public works | | 334,599 |
| Culture and recreation | | <u>7,248</u> |
| Total depreciation expense - governmental activities | \$ | <u>455,993</u> |
| Business-type activities | | |
| Water | \$ | 96,783 |
| Sewer | | <u>52,370</u> |
| Total depreciation expense - business-type activities | \$ | <u>149,153</u> |

C. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

| Receivable | Payable | Amount |
|----------------|--------------|-------------------|
| General Fund | PIR Fund | \$ 279,330 |
| Fire Fund | General Fund | 29,680 |
| Ambulance Fund | General Fund | <u>1,000</u> |
| | | <u>\$ 310,010</u> |

The General Fund provided temporary funding to the PIR Fund for project expenses that will be reimbursed with bond proceeds.

2. Interfund Transfers

| Transfer from | Transfer to | | Total |
|-------------------|-------------|-----------------|------------|
| | Fire Fund | Non-Major Funds | |
| General Fund | \$ 79,880 | \$ 395,214 | \$ 475,094 |
| Debt Service Fund | \$ - | \$ 60,962 | \$ 60,962 |

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, 2022**

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. Refunding Note, Series 2021A | 2021 | 2030 | 1.50% | 357,000 | \$ 323,000 |
| G.O. Obligation Improvement Bonds, Series 2016A | 2016 | 2037 | 0.9-3.00% | 1,375,000 | <u>930,000</u> |
| Total Bonds | | | | | <u>1,253,000</u> |
| Notes from Direct Placements | | | | | |
| G.O. PIR Refunding Bonds, Series 2019B | 2019 | 2038 | 2.70% | 1,815,000 | 1,659,000 |
| G.O. Equipment Certificate Bonds, Series 2015A | 2015 | 2023 | 2.45% | 105,000 | <u>16,000</u> |
| Total Notes from Direct Placements | | | | | <u>1,675,000</u> |
| Total General Obligation Bonds | | | | | <u>\$ 2,928,000</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 | |
| 2023 | \$ 121,000 | \$ 24,754 | \$ 100,000 | \$ 43,855 | \$ 289,609 |
| 2024 | 127,000 | 22,849 | 87,000 | 41,350 | 278,199 |
| 2025 | 129,000 | 20,749 | 89,000 | 38,975 | 277,724 |
| 2026 | 130,000 | 18,493 | 91,000 | 36,544 | 276,037 |
| 2027 | 86,000 | 16,569 | 94,000 | 34,047 | 230,616 |
| 2028-2032 | 375,000 | 58,674 | 508,000 | 130,328 | 1,072,002 |
| 2033-2037 | 285,000 | 21,385 | 580,000 | 56,971 | 943,356 |
| 2038 | - | - | 126,000 | 1,701 | 127,701 |
| Total | <u>\$ 1,253,000</u> | <u>\$ 183,473</u> | <u>\$ 1,675,000</u> | <u>\$ 383,771</u> | <u>\$ 3,495,244</u> |

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 | \$ 364,000 |
| G.O. Sewer Improvement Note of 2011C | 2011 | 2030 | 1.00% | 1,668,210 | 749,000 |
| G.O. Water Revenue Note of 2017 | 2017 | 2036 | 1.00% | 145,000 | 114,100 |
| G.O. Taxable Water Revenue Note of 2019 | 2019 | 2039 | 1.00% | 1,468,547 | <u>1,259,150</u> |
| Total Notes from Direct Borrowings | | | | | <u><u>\$ 2,486,250</u></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 |
| 2023 | \$ 211,000 | \$ 24,861 | \$ 235,861 |
| 2024 | 212,000 | 22,753 | 234,753 |
| 2025 | 215,000 | 20,631 | 235,631 |
| 2026 | 216,000 | 18,481 | 234,481 |
| 2027 | 219,000 | 16,321 | 235,321 |
| 2028-2032 | 835,000 | 49,785 | 884,785 |
| 2033-2037 | 419,100 | 20,480 | 439,580 |
| 2038-2039 | <u>159,150</u> | <u>2,393</u> | <u>161,543</u> |
| Total | <u><u>\$ 2,486,250</u></u> | <u><u>\$ 175,705</u></u> | <u><u>\$ 2,661,955</u></u> |

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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, 2022, was as follows:

| Governmental activities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| General Obligation Bonds | | | | | |
| Bonds | \$ 1,372,000 | \$ - | \$ 119,000 | \$ 1,253,000 | \$ 121,000 |
| Notes from Direct Placements | 1,773,000 | - | 98,000 | 1,675,000 | 100,000 |
| Unamortized Bond Discount | (8,903) | - | (636) | (8,267) | - |
| Net Pension Liability | 115,544 | 121,293 | - | 236,837 | - |
| Total governmental activities | \$ 3,251,641 | \$ 121,293 | \$ 216,364 | \$ 3,156,570 | \$ 221,000 |
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Business-type activities | | | | | |
| General Obligation Revenue Bonds | | | | | |
| Notes from Direct Borrowings | \$ 2,696,251 | \$ - | \$ 210,000 | \$ 2,486,251 | \$ 211,000 |
| Net Pension Liability | 21,110 | 19,254 | - | 40,364 | - |
| Total business-type activities | \$ 2,717,361 | \$ 19,254 | \$ 210,000 | \$ 2,526,615 | \$ 211,000 |

Conduit Debt

In 2012, the City issued revenue bonds in the principal amount of \$1,735,000. In 2021, the City refinanced the revenue bonds in the principal amount of \$908,000. 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, 2022, the amount outstanding was \$801,000.

In 2020, the City issued senior housing revenue bonds in the 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.

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.

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.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, received 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 years 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. The postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. 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 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 2022 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, 2022, were \$20,657. The City of New London's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the City of New London reported a liability of \$277,201 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 \$8,121.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City of New London's proportionate share was .0035% at the end of the measurement period and .0032% for the beginning of the period.

| | |
|--|--------------------------|
| City's proportionate share of the net pension liability | \$ 277,201 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | <u>8,121</u> |
| Totals | <u><u>\$ 285,322</u></u> |

For the year ended December 31, 2022, the City of New London recognized pension expense of \$42,930 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of New London recognized an additional \$1,213 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, 2022, 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 | \$ 2,315 | \$ 2,707 |
| Changes in actuarial assumptions | 57,522 | 1,031 |
| Net collective difference between projected and actual investment earnings | 12,982 | - |
| Changes in proportion | 10,991 | - |
| Contributions paid to PERA subsequent to the measurement date | <u>10,226</u> | <u>-</u> |
| Totals | <u><u>\$ 94,036</u></u> | <u><u>\$ 3,738</u></u> |

The \$10,226 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Pension Expense Amount</u> |
|------------------------------------|---------------------------------------|
| 2023 | \$ 28,996 |
| 2024 | \$ 28,610 |
| 2025 | \$ (2,605) |
| 2026 | \$ 25,071 |

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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 rates 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 | 33.5% | 5.10% |
| International Stocks | 16.5% | 5.30% |
| Fixed Income | 25.0% | 0.75% |
| Private Markets | 25.0% | 5.90% |
| | 100.0% | |

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50%. 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.

H. 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 | 5.50% | \$ 437,854 |
| Current Discount Rate | 6.50% | \$ 277,201 |
| 1% Higher | 7.50% | \$ 145,441 |

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, 2022, 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, 2022, was \$2,300 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 \$51,328 in fire state aid to the plan on behalf of the New London Fire Department for the year ended December 31, 2022, 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 years ended December 31, 2022 and 2021, was \$-0- and \$-0-, respectively.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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

D. Pension Costs

For the year ended December 31, 2022, the City recognized pension expense of \$51,328. This amount was equal to the contribution provided by the State of Minnesota and the discretionary City contributions.

E. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position as of December 31, 2022, 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 2022.

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

The City has evaluated subsequent events through May 26, 2023, 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, 2022**

| | Budgeted Amounts | | Actual Amounts | Over (Under) Final Budget |
|---|---------------------|---------------------|-------------------|------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 355,809 | \$ 355,809 | \$ 363,178 | \$ 7,369 |
| License and permits | 39,430 | 39,430 | 57,677 | 18,247 |
| Intergovernmental | 369,774 | 369,774 | 369,774 | - |
| Charges for services | 10,000 | 10,000 | 10,183 | 183 |
| Fines and forfeits | 1,000 | 1,000 | 1,945 | 945 |
| Interest income | 2,000 | 2,000 | 1,820 | (180) |
| Miscellaneous revenues | <u>3,500</u> | <u>3,500</u> | <u>9,110</u> | <u>5,610</u> |
| Total Revenues | <u>781,513</u> | <u>781,513</u> | <u>813,687</u> | <u>32,174</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 273,494 | 273,494 | 279,825 | 6,331 |
| Public safety | 68,472 | 68,472 | 60,491 | (7,981) |
| Streets and highways | 201,558 | 201,558 | 173,253 | (28,305) |
| Culture and recreation | 63,089 | 63,089 | 62,488 | (601) |
| Capital outlay | | | | |
| General government | 56,275 | 56,275 | 16,239 | (40,036) |
| Streets and highways | <u>-</u> | <u>-</u> | <u>3,450</u> | <u>3,450</u> |
| Total Expenditures | <u>662,888</u> | <u>662,888</u> | <u>595,746</u> | <u>(67,142)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 118,625 | 118,625 | 217,941 | 99,316 |
| OTHER FINANCING USES | | | | |
| Transfer to other funds | <u>(109,880)</u> | <u>(109,880)</u> | <u>(475,094)</u> | <u>365,214</u> |
| Total Other Financing Uses | <u>(109,880)</u> | <u>(109,880)</u> | <u>(475,094)</u> | <u>365,214</u> |
| NET CHANGE IN FUND BALANCE | 8,745 | 8,745 | (257,153) | <u>\$ (265,898)</u> |
| FUND BALANCE JANUARY 1 | <u>1,040,161</u> | <u>1,040,161</u> | <u>1,040,161</u> | |
| FUND BALANCE DECEMBER 31 | <u>\$ 1,048,906</u> | <u>\$ 1,048,906</u> | <u>\$ 783,008</u> | |

See notes to required supplementary information.

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

| Fiscal Year Ending | Employer's Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with City of New London (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With City of New London (a+b) | Employer's Covered- Employee Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|---|--|---|--|--|--|---|
| June 30, 2022 | 0.0035% | \$ 277,201 | \$ 8,121 | \$ 285,322 | \$ 263,053 | 108.5% | 76.67% |
| June 30, 2021 | 0.0032% | \$ 136,654 | \$ 4,176 | \$ 140,830 | \$ 233,813 | 60.2% | 87.00% |
| June 30, 2020 | 0.0032% | \$ 191,855 | \$ 5,918 | \$ 197,773 | \$ 226,600 | 87.3% | 79.06% |
| June 30, 2019 | 0.0031% | \$ 171,392 | \$ 5,333 | \$ 176,725 | \$ 220,987 | 80.0% | 80.23% |
| June 30, 2018 | 0.0035% | \$ 194,166 | \$ 6,343 | \$ 200,509 | \$ 232,573 | 86.2% | 79.53% |
| June 30, 2017 | 0.0037% | \$ 236,206 | \$ 2,936 | \$ 239,142 | \$ 235,613 | 101.5% | 75.90% |
| June 30, 2016 | 0.0037% | \$ 300,422 | \$ 3,873 | \$ 304,295 | \$ 228,587 | 133.1% | 68.90% |
| June 30, 2015 | 0.0036% | \$ 186,571 | \$ - | \$ 186,571 | \$ 207,639 | 89.9% | 78.20% |

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, 2022 | \$ 20,657 | \$ 20,657 | \$ - | \$ 275,427 | 7.50% |
| December 31, 2021 | \$ 18,200 | \$ 18,200 | \$ - | \$ 242,667 | 7.50% |
| 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, 2022

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

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

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.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

General Employees Fund (continued)

2019 Changes

Changes in Actuarial Assumptions:

- The morality 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 morality 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.

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.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

General Employees Fund (continued)

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, 2022**

| | Special Revenue Funds | Capital Project Funds | Total Non-Major Governmental Funds |
|--|-----------------------------|-----------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 328,328 | \$ 142,967 | \$ 471,295 |
| Accounts receivable | 13,619 | - | 13,619 |
| TOTAL ASSETS | \$ 341,947 | \$ 142,967 | \$ 484,914 |
| LIABILITIES | | | |
| Accounts payable | \$ 53,090 | \$ 35,948 | \$ 89,038 |
| TOTAL LIABILITIES | 53,090 | 35,948 | 89,038 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - unearned revenue | \$ 429 | \$ - | \$ 429 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 429 | - | 429 |
| FUND BALANCES | | | |
| Restricted | 155,096 | 107,019 | 262,115 |
| Committed | 30,000 | - | 30,000 |
| Assigned | 103,332 | - | 103,332 |
| TOTAL FUND BALANCES | 288,428 | 107,019 | 395,447 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 341,947 | \$ 142,967 | \$ 484,914 |

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, 2022

| | <u>Special Revenue Funds</u> | <u>Capital Project Funds</u> | <u>Total Non-Major Governmental Funds</u> |
|--|--------------------------------------|--------------------------------------|---|
| REVENUES | | | |
| Taxes | | | |
| Tax increments | \$ - | \$ 107,122 | \$ 107,122 |
| Local option sales tax | 124,908 | - | 124,908 |
| Charges for services | 2,397 | - | 2,397 |
| Miscellaneous revenue | | | |
| Grants and contributions | 14,584 | - | 14,584 |
| Interest | <u>102</u> | <u>96</u> | <u>198</u> |
| TOTAL REVENUES | <u>141,991</u> | <u>107,218</u> | <u>249,209</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | 1,050 | - | 1,050 |
| Culture and recreation | 19,488 | - | 19,488 |
| Economic development | 2,603 | 89,593 | 92,196 |
| Capital outlay | | | |
| Public safety | 99,852 | - | 99,852 |
| Streets and highways | - | 37,085 | 37,085 |
| Culture and recreation | <u>548,007</u> | <u>-</u> | <u>548,007</u> |
| TOTAL EXPENDITURES | <u>671,000</u> | <u>126,678</u> | <u>797,678</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (529,009) | (19,460) | (548,469) |
| OTHER FINANCING SOURCES | | | |
| Transfer in | <u>419,091</u> | <u>37,085</u> | <u>456,176</u> |
| NET CHANGE IN FUND BALANCE | (109,918) | 17,625 | (92,293) |
| FUND BALANCE, JANUARY 1 | <u>398,346</u> | <u>89,394</u> | <u>487,740</u> |
| FUND BALANCE, DECEMBER 31 | <u>\$ 288,428</u> | <u>\$ 107,019</u> | <u>\$ 395,447</u> |

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
December 31, 2022**

| | Firefighter/ EMT Fund | Park Fund | Economic Development Authority | Library Fund | Totals |
|--|--------------------------|------------------|--------------------------------------|-------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,023 | \$ 48,204 | \$ 82,105 | \$ 194,996 | \$ 328,328 |
| Accounts receivable | - | - | - | 13,619 | 13,619 |
| TOTAL ASSETS | \$ 3,023 | \$ 48,204 | \$ 82,105 | \$ 208,615 | \$ 341,947 |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 53,090 | \$ 53,090 |
| Unearned revenue | - | - | - | 429 | \$ 429 |
| TOTAL LIABILITIES | - | - | - | 53,519 | 53,519 |
| FUND BALANCES | | | | | |
| Restricted | - | - | - | 155,096 | 155,096 |
| Committed | - | - | 30,000 | - | 30,000 |
| Assigned | 3,023 | 48,204 | 52,105 | - | 103,332 |
| TOTAL FUND BALANCES | 3,023 | 48,204 | 82,105 | 155,096 | 288,428 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,023 | \$ 48,204 | \$ 82,105 | \$ 208,615 | \$ 341,947 |

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, 2022

| | Firefighter/ EMT Fund | Park Fund | Economic Development Authority | Library Fund | Total |
|--|--------------------------|------------------|--------------------------------------|-------------------|-------------------|
| REVENUES | | | | | |
| Local option sales tax | \$ - | \$ - | \$ - | \$ 124,908 | \$ 124,908 |
| Charges for services | - | - | - | 2,397 | 2,397 |
| Miscellaneous revenue | | | | | |
| Grants and contributions | - | - | - | 14,584 | 14,584 |
| Interest income | - | 56 | - | 46 | 102 |
| TOTAL REVENUES | <u>-</u> | <u>56</u> | <u>-</u> | <u>141,935</u> | <u>141,991</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Public safety | 1,050 | - | - | - | 1,050 |
| Culture and recreation | - | 18,679 | - | 809 | 19,488 |
| Economic development | - | - | 2,603 | - | 2,603 |
| Capital outlay | | | | | |
| Public safety | - | - | - | 99,852 | 99,852 |
| Culture and recreation | - | 775 | - | 547,232 | 548,007 |
| TOTAL EXPENDITURES | <u>1,050</u> | <u>19,454</u> | <u>2,603</u> | <u>647,893</u> | <u>671,000</u> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (1,050) | (19,398) | (2,603) | (505,958) | (529,009) |
| OTHER FINANCING SOURCES | | | | | |
| Transfer in | - | 10,035 | 20,000 | 389,056 | 419,091 |
| NET CHANGE IN FUND BALANCE | (1,050) | (9,363) | 17,397 | (116,902) | (109,918) |
| FUND BALANCES, JANUARY 1 | <u>4,073</u> | <u>57,567</u> | <u>64,708</u> | <u>271,998</u> | <u>398,346</u> |
| FUND BALANCES, DECEMBER 31 | <u>\$ 3,023</u> | <u>\$ 48,204</u> | <u>\$ 82,105</u> | <u>\$ 155,096</u> | <u>\$ 288,428</u> |

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 December 31, 2022**

| | <u>Capital Projects</u> | <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 | \$ - | \$ 57,735 | \$ 35,411 | \$ 61,445 | \$ (11,624) | \$ 142,967 |
| TOTAL ASSETS | <u>-</u> | <u>\$ 57,735</u> | <u>\$ 35,411</u> | <u>\$ 61,445</u> | <u>\$ (11,624)</u> | <u>\$ 142,967</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ 12,786 | \$ 2,090 | \$ 21,072 | \$ - | \$ 35,948 |
| TOTAL LIABILITIES | <u>-</u> | <u>12,786</u> | <u>2,090</u> | <u>21,072</u> | <u>-</u> | <u>35,948</u> |
| FUND BALANCES | | | | | | |
| Restricted | - | 44,949 | 33,321 | 40,373 | (11,624) | 107,019 |
| TOTAL FUND BALANCES | <u>-</u> | <u>44,949</u> | <u>33,321</u> | <u>40,373</u> | <u>(11,624)</u> | <u>107,019</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ -</u> | <u>\$ 57,735</u> | <u>\$ 35,411</u> | <u>\$ 61,445</u> | <u>\$ (11,624)</u> | <u>\$ 142,967</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, 2022

| | Capital Projects | TIF District 1-12 | TIF District 1-13 | TIF District 1-14 | TIF District 1-15 | Total |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| REVENUES | | | | | | |
| Taxes | | | | | | |
| Tax increments | \$ - | \$ 35,658 | \$ 8,012 | \$ 63,452 | \$ - | \$ 107,122 |
| Miscellaneous Revenue | | | | | | |
| Interest | - | 41 | 28 | 27 | - | 96 |
| TOTAL REVENUES | <u>-</u> | <u>35,699</u> | <u>8,040</u> | <u>63,479</u> | <u>-</u> | <u>107,218</u> |
| EXPENDITURES | | | | | | |
| Economic development | | | | | | |
| Professional fees | - | 1,075 | 1,075 | 1,076 | 1,075 | 4,301 |
| Tax increments | - | 34,793 | 4,181 | 46,318 | - | 85,292 |
| Capital Outlay | | | | | | |
| Streets and highways | 37,085 | - | - | - | - | 37,085 |
| TOTAL EXPENDITURES | <u>37,085</u> | <u>35,868</u> | <u>5,256</u> | <u>47,394</u> | <u>1,075</u> | <u>126,678</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (37,085) | (169) | 2,784 | 16,085 | (1,075) | (19,460) |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | 37,085 | - | - | - | - | 37,085 |
| NET CHANGE IN FUND BALANCE | - | (169) | 2,784 | 16,085 | (1,075) | 17,625 |
| FUND BALANCE, JANUARY 1 | - | 45,118 | 30,537 | 24,288 | (10,549) | 89,394 |
| FUND BALANCE, DECEMBER 31 | <u>\$ -</u> | <u>\$ 44,949</u> | <u>\$ 33,321</u> | <u>\$ 40,373</u> | <u>\$ (11,624)</u> | <u>\$ 107,019</u> |

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2022**

| | 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 2019B | G.O. Refunding Note Series 2021A | G.O. Improvement Bonds - 2016A | Total |
|--|---------------------------------|----------------------------|---|--------------------------------------|---|---|--------------------------------------|---------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 1,042,878 | \$ - | \$ - | \$ - | \$ (418,555) | \$ 136,466 | \$ 197,999 | \$ 958,788 |
| Receivables | | | | | | | | |
| Delinquent taxes | 139 | - | - | - | 2,820 | 1,043 | 1,416 | 5,418 |
| Special assessments | 35,376 | - | - | - | - | - | 290,682 | 326,058 |
| Delinquent assessments | - | - | - | - | 154 | - | 292 | 446 |
| TOTAL ASSETS | <u>\$ 1,078,393</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (415,581)</u> | <u>\$ 137,509</u> | <u>\$ 490,389</u> | <u>\$ 1,290,710</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue - taxes | \$ 60 | \$ - | \$ - | \$ - | \$ 1,277 | \$ 471 | \$ 643 | \$ 2,451 |
| Unavailable revenue - special assessments | 35,376 | - | - | - | - | - | 288,855 | 324,231 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>35,436</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,277</u> | <u>471</u> | <u>289,498</u> | <u>326,682</u> |
| FUND BALANCES | | | | | | | | |
| Restricted | 972,957 | - | - | - | (416,858) | 137,038 | 200,891 | 894,028 |
| Committed | 70,000 | - | - | - | - | - | - | 70,000 |
| TOTAL FUND BALANCES | <u>1,042,957</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(416,858)</u> | <u>137,038</u> | <u>200,891</u> | <u>964,028</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 1,078,393</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (415,581)</u> | <u>\$ 137,509</u> | <u>\$ 490,389</u> | <u>\$ 1,290,710</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, 2022

| | 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 2019B | G.O. Refunding Note Series 2021A | G.O. Improvement Bonds - 2016A | Total |
|--|---------------------------------|----------------------------|---|--------------------------------------|---|---|--------------------------------------|-------------------|
| REVENUES | | | | | | | | |
| General property tax | \$ 79 | \$ - | \$ - | \$ - | \$ 131,705 | \$ 49,482 | \$ 66,984 | \$ 248,250 |
| Special assessments | 3,366 | - | - | - | 642 | - | 34,793 | 38,801 |
| Interest income | 1,273 | - | - | - | - | 88 | 101 | 1,462 |
| Federal grant | 77,590 | - | - | - | - | - | - | 77,590 |
| Total Revenues | <u>82,308</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>132,347</u> | <u>49,570</u> | <u>101,878</u> | <u>366,103</u> |
| EXPENDITURES | | | | | | | | |
| Debt service | | | | | | | | |
| Principal | - | - | - | - | 82,000 | 34,000 | 85,000 | 201,000 |
| Interest | - | - | - | - | 45,875 | 4,341 | 21,369 | 71,585 |
| Other charges | 749 | - | - | - | - | 325 | 1,150 | 2,224 |
| Total Expenditures | <u>749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>127,875</u> | <u>38,666</u> | <u>107,519</u> | <u>274,809</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 81,559 | - | - | - | 4,472 | 10,904 | (5,641) | 91,294 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfer from other funds | - | 338,250 | 58,198 | - | - | - | 137,096 | 533,544 |
| Transfer to other funds | (457,410) | - | - | (137,096) | - | - | - | (594,506) |
| Total Other Financing Sources (Uses) | <u>(457,410)</u> | <u>338,250</u> | <u>58,198</u> | <u>(137,096)</u> | <u>-</u> | <u>-</u> | <u>137,096</u> | <u>(60,962)</u> |
| NET CHANGE IN FUND BALANCE | (375,851) | 338,250 | 58,198 | (137,096) | 4,472 | 10,904 | 131,455 | 30,332 |
| FUND BALANCE JANUARY 1 | <u>1,418,808</u> | <u>(338,250)</u> | <u>(58,198)</u> | <u>137,096</u> | <u>(421,330)</u> | <u>126,134</u> | <u>69,436</u> | <u>933,696</u> |
| FUND BALANCE DECEMBER 31 | <u>\$ 1,042,957</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (416,858)</u> | <u>\$ 137,038</u> | <u>\$ 200,891</u> | <u>\$ 964,028</u> |

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| | 2022 | | Over(Under) Final Budget | 2021 |
|---------------------------------|-----------------|-------------------|-----------------------------|-------------------|
| | Final Budget | Actual Amounts | | Actual Amounts |
| REVENUES | | | | |
| Taxes | | | | |
| General property taxes | \$ 355,809 | \$ 363,178 | \$ 7,369 | \$ 334,884 |
| License and permits | 39,430 | 57,677 | 18,247 | 35,591 |
| Total Taxes | <u>395,239</u> | <u>420,855</u> | <u>25,616</u> | <u>370,475</u> |
| Intergovernmental Revenue | | | | |
| Federal grants | - | - | - | 77,590 |
| State Grants and Aid | | | | |
| Local government aid | 369,774 | 369,774 | - | 362,551 |
| Other state grants | - | - | - | 28,406 |
| Total Intergovernmental Revenue | <u>369,774</u> | <u>369,774</u> | <u>-</u> | <u>468,547</u> |
| Charges for Services | | | | |
| General government | 1,200 | 770 | (430) | 540 |
| Culture and recreation | 8,800 | 9,413 | 613 | 9,125 |
| Total Charges for Services | <u>10,000</u> | <u>10,183</u> | <u>183</u> | <u>9,665</u> |
| Fines and Forfeits | <u>1,000</u> | <u>1,945</u> | <u>945</u> | <u>779</u> |
| Miscellaneous Revenues | | | | |
| Investment income | 2,000 | 1,820 | (180) | 10,480 |
| Refunds and reimbursements | 3,500 | 9,110 | 5,610 | 4,557 |
| Total Miscellaneous Revenues | <u>5,500</u> | <u>10,930</u> | <u>5,430</u> | <u>15,037</u> |
| TOTAL REVENUES | <u>781,513</u> | <u>813,687</u> | <u>32,174</u> | <u>864,503</u> |

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| | 2022 | | Over(Under) Final Budget | 2021 |
|----------------------------------|-----------------|-------------------|-----------------------------|-------------------|
| | Final Budget | Actual Amounts | | Actual Amounts |
| EXPENDITURES | | | | |
| General Government | | | | |
| Governing Board | | | | |
| Salaries | 11,440 | 11,200 | (240) | 10,050 |
| Payroll taxes and benefits | 875 | 857 | (18) | 769 |
| Other expenses | 1,535 | 2,064 | 529 | 409 |
| Total Governing Board | <u>13,850</u> | <u>14,121</u> | <u>271</u> | <u>11,228</u> |
| Administration and Finance | | | | |
| Salaries | 137,046 | 137,046 | - | 132,710 |
| Payroll taxes and benefits | 20,762 | 20,761 | (1) | 20,105 |
| Total Administration and Finance | <u>157,808</u> | <u>157,807</u> | <u>(1)</u> | <u>152,815</u> |
| Government Buildings | | | | |
| Salaries | 16,243 | 16,168 | (75) | 11,744 |
| Payroll taxes and benefits | 2,461 | 2,450 | (11) | 1,779 |
| Occupancy | 13,200 | 13,301 | 101 | 9,142 |
| Repairs and maintenance | 4,500 | 3,853 | (647) | 3,360 |
| Other expenses | 1,800 | 1,896 | 96 | 1,090 |
| Total Government Buildings | <u>38,204</u> | <u>37,668</u> | <u>(536)</u> | <u>27,115</u> |
| Other General Government | | | | |
| Salaries | 750 | 150 | (600) | 125 |
| Payroll taxes and benefits | 57 | 11 | (46) | 13 |
| Supplies | 5,400 | 6,693 | 1,293 | 6,486 |
| Occupancy | 2,200 | 2,051 | (149) | 2,060 |
| Insurance | 22,000 | 21,195 | (805) | 19,654 |
| Elections | 3,000 | 2,095 | (905) | - |
| Assessor | 11,250 | 12,147 | 897 | 10,878 |
| Professional services | 12,000 | 11,100 | (900) | 10,791 |
| Other expenses | 6,975 | 14,787 | 7,812 | 9,485 |
| Capital outlay | 56,275 | 16,239 | (40,036) | 11,766 |
| Total Other General Government | <u>119,907</u> | <u>86,468</u> | <u>(33,439)</u> | <u>71,258</u> |
| Total General Government | <u>329,769</u> | <u>296,064</u> | <u>(33,705)</u> | <u>262,416</u> |
| Public Safety | | | | |
| Police Department | | | | |
| Contracted services | 20,650 | 20,650 | - | 19,848 |
| Total Police Department | <u>20,650</u> | <u>20,650</u> | <u>-</u> | <u>19,848</u> |

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| | 2022 | | Over(Under) Final Budget | 2021 |
|---------------------------------|-----------------|-------------------|-----------------------------|-------------------|
| | Final Budget | Actual Amounts | | Actual Amounts |
| EXPENDITURES (continued) | | | | |
| Other Protection | | | | |
| Building inspection | 47,622 | 39,841 | (7,781) | 41,236 |
| Animal control | 200 | - | (200) | - |
| Total Other Protection | <u>47,822</u> | <u>39,841</u> | <u>(7,981)</u> | <u>41,236</u> |
| Total Public Safety | <u>68,472</u> | <u>60,491</u> | <u>(7,981)</u> | <u>61,084</u> |
| Streets and Highways | | | | |
| Street Maintenance | | | | |
| Salaries | 32,487 | 32,337 | (150) | 23,544 |
| Payroll taxes and benefits | 4,921 | 4,898 | (23) | 3,555 |
| Supplies | 10,000 | 9,555 | (445) | 7,673 |
| Occupancy | 3,100 | 3,553 | 453 | 2,333 |
| Repairs and maintenance | 31,800 | 15,041 | (16,759) | 6,206 |
| Other expenses | 8,250 | 8,798 | 548 | 7,920 |
| Capital outlay | - | 3,450 | 3,450 | - |
| Total Street Maintenance | <u>90,558</u> | <u>77,632</u> | <u>(12,926)</u> | <u>51,231</u> |
| Snow and Ice Removal | | | | |
| Contract services | <u>80,000</u> | <u>66,566</u> | <u>(13,434)</u> | <u>47,188</u> |
| Total Snow and Ice Removal | <u>80,000</u> | <u>66,566</u> | <u>(13,434)</u> | <u>47,188</u> |
| Street Lighting | <u>31,000</u> | <u>32,505</u> | <u>1,505</u> | <u>24,547</u> |
| Total Streets and Highways | <u>201,558</u> | <u>176,703</u> | <u>(24,855)</u> | <u>122,966</u> |
| Culture and Recreation | | | | |
| Parks and Recreation | | | | |
| Salaries | 21,658 | 21,558 | (100) | 15,659 |
| Payroll taxes and benefits | 3,281 | 3,266 | (15) | 2,372 |
| Occupancy | 1,950 | 1,755 | (195) | 1,722 |
| Repairs and maintenance | 7,500 | 9,589 | 2,089 | 10,417 |
| Total Parks and Recreation | <u>34,389</u> | <u>36,168</u> | <u>1,779</u> | <u>30,170</u> |
| Community Education | <u>12,500</u> | <u>10,500</u> | <u>(2,000)</u> | <u>10,500</u> |
| Library | | | | |
| Occupancy | <u>16,200</u> | <u>15,820</u> | <u>(380)</u> | <u>9,034</u> |
| Total Culture and Recreation | <u>63,089</u> | <u>62,488</u> | <u>(601)</u> | <u>49,704</u> |

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| | 2022 | | Over(Under) Final Budget | 2021 |
|---|---------------------|-------------------|-----------------------------|---------------------|
| | Final Budget | Actual Amounts | | Actual Amounts |
| EXPENDITURES (continued) | | | | |
| TOTAL EXPENDITURES | <u>662,888</u> | <u>595,746</u> | <u>(67,142)</u> | <u>496,170</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 118,625 | 217,941 | 99,316 | 368,333 |
| OTHER FINANCING USES | | | | |
| Transfer out | <u>(109,880)</u> | <u>(475,094)</u> | <u>(365,214)</u> | <u>(277,989)</u> |
| NET CHANGE IN FUND BALANCE | 8,745 | (257,153) | <u>\$ (265,898)</u> | 93,544 |
| FUND BALANCE, JANUARY 1 | <u>1,040,161</u> | <u>1,040,161</u> | | <u>946,617</u> |
| FUND BALANCE, DECEMBER 31 | <u>\$ 1,048,906</u> | <u>\$ 783,008</u> | | <u>\$ 1,040,161</u> |

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FIRE DEPARTMENT FUND
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| REVENUES | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Intergovernmental | | |
| State grants | \$ 6,825 | \$ 13,635 |
| State grants - fire relief aid | 51,328 | 49,571 |
| Total Intergovernmental | <u>58,153</u> | <u>63,206</u> |
| Charges for Services | | |
| Fire contracts and calls | 153,572 | 147,194 |
| Total Charges for Services | <u>153,572</u> | <u>147,194</u> |
| Miscellaneous Revenues | | |
| Interest income | 660 | 968 |
| Donations | 3,795 | 3,825 |
| Refunds | 53,568 | 4,567 |
| Total Miscellaneous Revenues | <u>58,023</u> | <u>9,360</u> |
| TOTAL REVENUES | <u>269,748</u> | <u>219,760</u> |
| EXPENDITURES | | |
| Current | | |
| Salaries | 42,755 | 50,106 |
| Payroll taxes and benefits | 64,998 | 63,804 |
| Supplies | 19,064 | 17,423 |
| Occupancy | 9,375 | 6,964 |
| Repairs and maintenance | 12,188 | 15,041 |
| Insurance | 21,844 | 18,297 |
| Professional fees | 17,053 | 24,134 |
| Other expenses | 3,839 | 3,398 |
| Capital outlay | <u>67,070</u> | <u>128,172</u> |
| TOTAL EXPENDITURES | <u>258,186</u> | <u>327,339</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 11,562 | (107,579) |
| OTHER FINANCING SOURCES | | |
| Sale of assets | - | 9,750 |
| Transfers in | <u>79,880</u> | <u>78,437</u> |
| NET CHANGE IN FUND BALANCE | 91,442 | (19,392) |
| FUND BALANCE, JANUARY 1 | <u>537,807</u> | <u>557,199</u> |
| FUND BALANCE, DECEMBER 31 | <u>\$ 629,249</u> | <u>\$ 537,807</u> |

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AMBULANCE FUND
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| REVENUES | <u>2022</u> | <u>2021</u> |
|-----------------------------------|-------------------|-------------------|
| Intergovernmental | | |
| State grants | \$ 4,909 | \$ 1,925 |
| Federal grants | - | 10,868 |
| Total Intergovernmental | <u>4,909</u> | <u>12,793</u> |
| Charges for Services | | |
| Ambulance calls | <u>293,915</u> | <u>245,032</u> |
| Total Charges for Services | <u>293,915</u> | <u>245,032</u> |
| Miscellaneous Revenues | | |
| Interest income | 369 | 500 |
| Donations | <u>22,806</u> | <u>12,929</u> |
| Total Miscellaneous Revenues | <u>23,175</u> | <u>13,429</u> |
| TOTAL REVENUES | <u>321,999</u> | <u>271,254</u> |
| EXPENDITURES | | |
| Current | | |
| Salaries | 124,870 | 122,212 |
| Payroll taxes and benefits | 9,553 | 9,349 |
| Supplies | 20,761 | 18,120 |
| Occupancy | 1,556 | 1,419 |
| Repairs and maintenance | 6,949 | 12,721 |
| Insurance | 16,312 | 15,303 |
| Professional fees | 17,125 | 13,741 |
| Other expenses | 4,058 | 5,508 |
| Debt service | | |
| Principal | 16,000 | 15,000 |
| Interest | <u>588</u> | <u>968</u> |
| TOTAL EXPENDITURES | <u>217,772</u> | <u>214,341</u> |
| NET CHANGE IN FUND BALANCE | 104,227 | 56,913 |
| FUND BALANCE, JANUARY 1 | <u>435,663</u> | <u>378,750</u> |
| FUND BALANCE, DECEMBER 31 | <u>\$ 539,890</u> | <u>\$ 435,663</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 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, 2022, 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 26, 2023.

Report on 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 City’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 2022-001 that we consider to be a significant deficiency.

Report on 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

Government Auditing Standards require the auditor to perform limited procedures on the City of New London, Minnesota's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of New London, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 26, 2023

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2022**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2022-001

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 2022-001

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.