

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

ANNUAL FINANCIAL REPORT

**YEAR ENDED
December 31, 2023**

**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, 2023**

		<u>TERM EXPIRES</u>
John Dahl	Mayor	12/31/24
Steve Slominski	Council Member	12/31/24
Tony Schaefer	Council Member	12/31/24
Tim Johnson	Council Member	12/31/26
Heidi Manson	Council Member	12/31/26
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, 2023, 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, 2023, 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 July 3, 2024, 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 the City of New London, Minnesota's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

July 3, 2024

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2023

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 2,965,742	\$ 2,080,289	\$ 5,046,031
Receivables:			
Accounts	249,909	84,066	333,975
Delinquent taxes	18,413	2,118	20,531
Special assessments	287,844	221,899	509,743
Delinquent special assessments	599	-	599
Interest	2,880	-	2,880
Due from other governments	-	39,199	39,199
Prepaid expenses	27,786	-	27,786
Capital assets:			
Non-depreciable	3,819,595	2,183,002	6,002,597
Depreciable, net of accumulated depreciation	<u>5,024,442</u>	<u>3,553,498</u>	<u>8,577,940</u>
TOTAL ASSETS	<u>12,397,210</u>	<u>8,164,071</u>	<u>20,561,281</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>49,555</u>	<u>9,503</u>	<u>59,058</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>49,555</u>	<u>9,503</u>	<u>59,058</u>
 LIABILITIES			
Accounts payable	585,163	68,510	653,673
Long-term liabilities:			
Due within one year	214,000	212,000	426,000
Due in more than one year	2,485,369	2,934,989	5,420,358
Net pension liability	<u>171,269</u>	<u>30,039</u>	<u>201,308</u>
TOTAL LIABILITIES	<u>3,455,801</u>	<u>3,245,538</u>	<u>6,701,339</u>
 DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>51,133</u>	<u>7,463</u>	<u>58,596</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>51,133</u>	<u>7,463</u>	<u>58,596</u>
 NET POSITION			
Net investment in capital assets	6,144,668	2,589,511	8,734,179
Restricted for:			
Public safety aid funds	55,838	-	55,838
Debt service	743,991	534,503	1,278,494
Capital replacement	-	231,362	231,362
Unrestricted	<u>1,995,334</u>	<u>1,565,197</u>	<u>3,560,531</u>
TOTAL NET POSITION	<u>\$ 8,939,831</u>	<u>\$ 4,920,573</u>	<u>\$ 13,860,404</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, 2023

	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	\$ 367,039	\$ 102,517	\$ -	\$ -	\$ (264,522)	\$ -	\$ (264,522)
Public safety	680,840	540,675	251,017	3,154	114,006	-	114,006
Streets and highways	522,316	-	-	637,657	115,341	-	115,341
Culture and recreation	95,656	15,153	-	665,000	584,497	-	584,497
Economic development	227,771	-	-	-	(227,771)	-	(227,771)
Interest and fiscal charges on long term debt	<u>71,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,171)</u>	<u>-</u>	<u>(71,171)</u>
Total Governmental Activities	<u>1,964,793</u>	<u>658,345</u>	<u>251,017</u>	<u>1,305,811</u>	<u>250,380</u>	<u>-</u>	<u>250,380</u>
Business-Type Activities:							
Water	442,417	501,657	854,492	27,376	-	941,108	941,108
Sewer	<u>635,157</u>	<u>655,893</u>	<u>455,772</u>	<u>3,445</u>	<u>-</u>	<u>479,953</u>	<u>479,953</u>
Total Business-Type Activities	<u>1,077,574</u>	<u>1,157,550</u>	<u>1,310,264</u>	<u>30,821</u>	<u>-</u>	<u>1,421,061</u>	<u>1,421,061</u>
TOTAL	<u>\$ 3,042,367</u>	<u>\$ 1,815,895</u>	<u>\$ 1,561,281</u>	<u>\$ 1,336,632</u>	<u>250,380</u>	<u>1,421,061</u>	<u>1,671,441</u>
General revenues:							
Property taxes levied for general purposes					466,762	-	466,762
Property taxes levied for debt service					237,014	85,390	322,404
Tax increments					304,336	-	304,336
Sales taxes					132,360	-	132,360
Intergovernmental revenue not restricted to specific programs					375,467	-	375,467
Investment income					101,441	62,450	163,891
Gain on sale of asset					204,234	-	204,234
Miscellaneous					<u>48,720</u>	<u>3,069</u>	<u>51,789</u>
Total general revenues and transfers					<u>1,870,334</u>	<u>150,909</u>	<u>2,021,243</u>
Change in net position					2,120,714	1,571,970	3,692,684
Net Position - Beginning					<u>6,819,117</u>	<u>3,348,603</u>	<u>10,167,720</u>
Net Position - Ending					<u>\$ 8,939,831</u>	<u>\$ 4,920,573</u>	<u>\$ 13,860,404</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, 2023**

	General Fund	Special Revenue		Debt Service Fund	Library Fund	Permanent Improvement Fund	NonMajor	Totals
		Fire Fund	Ambulance Fund					
ASSETS								
Cash and investments	\$ 628,328	\$ 864,536	\$ 300,612	\$ 740,305	\$ (31,998)	\$ 24,522	\$ 439,437	\$ 2,965,742
Receivables:								
Accounts	32,605	2,000	199,923	-	15,381	-	-	249,909
Delinquent taxes	11,578	-	-	6,135	-	-	700	18,413
Special assessments	-	-	-	287,844	-	-	-	287,844
Delinquent special assessments	-	-	-	599	-	-	-	599
Interest	2,880	-	-	-	-	-	-	2,880
Due from other funds	279,330	-	25	67,660	-	-	-	347,015
Prepaid expenses	10,487	10,420	6,879	-	-	-	-	27,786
TOTAL ASSETS	\$ 965,208	\$ 876,956	\$ 507,439	\$ 1,102,543	\$ (16,617)	\$ 24,522	\$ 440,137	\$ 3,900,188
LIABILITIES								
Accounts payable	\$ 12,479	\$ 18,585	\$ 5,125	\$ -	\$ 179,035	\$ 259,091	\$ 110,848	\$ 585,163
Due to other funds	-	25	67,660	-	-	279,330	-	347,015
TOTAL LIABILITIES	12,479	18,610	72,785	-	179,035	538,421	110,848	932,178
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - taxes	4,140	-	-	2,357	-	-	-	6,497
Unavailable revenue - special assessments	-	-	-	286,195	-	-	-	286,195
TOTAL DEFERRED INFLOWS OF RESOURCES	4,140	-	-	288,552	-	-	-	292,692
FUND BALANCES								
Nonspendable	10,487	10,420	6,879	-	-	-	-	27,786
Restricted	-	55,838	-	743,991	-	-	196,153	995,982
Committed	1,484	32,259	-	70,000	-	-	-	103,743
Assigned	590,639	759,829	427,775	-	-	-	133,136	1,911,379
Unassigned	345,979	-	-	-	(195,652)	(513,899)	-	(363,572)
TOTAL FUND BALANCES	948,589	858,346	434,654	813,991	(195,652)	(513,899)	329,289	2,675,318
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 965,208	\$ 876,956	\$ 507,439	\$ 1,102,543	\$ (16,617)	\$ 24,522	\$ 440,137	\$ 3,900,188

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, 2023**

Total Fund Balances-Governmental Funds	\$ 2,675,318
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	15,476,818
Less: accumulated depreciation	(6,632,781)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes	6,497
Special assessments receivable	286,195
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	49,555
Deferred inflows - pensions	(51,133)
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	7,631
General obligation bonds	(2,707,000)
Net pension liability	<u>(171,269)</u>
Total Net Position-Governmental Activities	<u>\$ 8,939,831</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, 2023

	General Fund	Special Revenue		Debt Service Fund	Library Fund	Permanent Improvement Fund	NonMajor	Totals
		Fire Fund	Ambulance Fund					
REVENUES								
Property taxes	\$ 466,148	\$ -	\$ -	\$ 237,014	\$ -	\$ -	\$ 304,336	\$ 1,007,498
Local option sales tax	-	-	-	-	132,360	-	-	132,360
Special assessments	-	-	-	52,219	-	-	-	52,219
License and permits	100,002	-	-	-	-	-	-	100,002
Intergovernmental	431,280	64,049	2,800	-	665,000	623,474	-	1,786,603
Charges for services	7,840	233,218	307,361	-	9,828	-	-	558,247
Fines and forfeits	1,227	-	-	-	-	-	-	1,227
Interest income	20,683	25,360	7,118	30,334	7,827	-	10,119	101,441
Miscellaneous	32,646	10,380	121,200	-	14,847	-	-	179,073
Total Revenues	1,059,826	333,007	438,479	319,567	829,862	623,474	314,455	3,918,670
EXPENDITURES								
Current:								
General government	345,938	-	-	-	-	-	-	345,938
Public safety	64,773	275,277	244,409	-	-	-	1,108	585,567
Streets and highways	182,774	-	-	-	-	-	-	182,774
Culture and recreation	67,516	-	-	-	10,710	-	9,098	87,324
Economic development	-	-	-	-	-	-	227,771	227,771
Capital outlay:								
General government	531	-	-	-	-	-	-	531
Public safety	-	-	283,110	-	-	-	-	283,110
Streets and highways	68,987	-	-	-	-	1,052,308	-	1,121,295
Culture and recreation	-	-	-	-	1,398,989	-	-	1,398,989
Debt service:								
Principal	-	-	16,000	205,000	-	-	-	221,000
Interest	-	-	196	68,439	-	-	-	68,635
Bond fees	-	-	-	1,900	-	-	-	1,900
Total Expenditures	730,519	275,277	543,715	275,339	1,409,699	1,052,308	237,977	4,524,834
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	329,307	57,730	(105,236)	44,228	(579,837)	(428,834)	76,478	(606,164)
OTHER FINANCING SOURCES (USES)								
Sale of assets	30,101	-	-	-	219,089	-	-	249,190
Transfer from other funds	-	171,367	-	-	10,000	194,265	12,460	388,092
Transfer to other funds	(193,827)	-	-	(194,265)	-	-	-	(388,092)
Total Other Financing Sources (Uses)	(163,726)	171,367	-	(194,265)	229,089	194,265	12,460	249,190
NET CHANGE IN FUND BALANCE	165,581	229,097	(105,236)	(150,037)	(350,748)	(234,569)	88,938	(356,974)
FUND BALANCE JANUARY 1	783,008	629,249	539,890	964,028	155,096	(279,330)	240,351	3,032,292
FUND BALANCE DECEMBER 31	\$ 948,589	\$ 858,346	\$ 434,654	\$ 813,991	\$ (195,652)	\$ (513,899)	\$ 329,289	\$ 2,675,318

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, 2023

Net Change in Fund Balances-Governmental Funds \$ (356,974)

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	2,803,394
Depreciation expense	(451,646)

The statement of activities reports gains and losses arising from the disposal of capital assets. Governmental funds do not report any gain or loss on disposal of capital assets.

Sale of asset	(44,956)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	614
Special assessments	(38,036)

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	221,000
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	(12,046)
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Change in Net Position-Governmental Activities \$ 2,120,714

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, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 768,512	\$ 767,811	\$ 1,536,323
Receivables:			
Accounts receivable	83,056	1,010	84,066
Delinquent taxes	1,860	258	2,118
Due from other governments	<u>30,256</u>	<u>8,943</u>	<u>39,199</u>
Total Current Assets	<u>883,684</u>	<u>778,022</u>	<u>1,661,706</u>
Noncurrent Assets			
Cash restricted for capital replacement	121,916	109,446	231,362
Cash restricted for debt service	268,145	44,459	312,604
Special assessments receivable	172,454	49,445	221,899
Capital assets:			
Non-depreciable	1,612,287	570,715	2,183,002
Depreciable assets	3,764,305	2,333,949	6,098,254
Less accumulated depreciation	<u>(1,334,597)</u>	<u>(1,210,159)</u>	<u>(2,544,756)</u>
Total capital assets, net	<u>4,041,995</u>	<u>1,694,505</u>	<u>5,736,500</u>
Total Noncurrent Assets	<u>4,604,510</u>	<u>1,897,855</u>	<u>6,502,365</u>
TOTAL ASSETS	<u>5,488,194</u>	<u>2,675,877</u>	<u>8,164,071</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>5,425</u>	<u>4,078</u>	<u>9,503</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,425</u>	<u>4,078</u>	<u>9,503</u>
LIABILITIES			
Current Liabilities			
Accounts payable	21,447	47,063	68,510
Current portion bonds payable	<u>121,000</u>	<u>91,000</u>	<u>212,000</u>
Total Current Liabilities	<u>142,447</u>	<u>138,063</u>	<u>280,510</u>
Noncurrent Liabilities			
Bonds payable	2,254,047	680,942	2,934,989
Net pension liability	<u>17,162</u>	<u>12,877</u>	<u>30,039</u>
Total Noncurrent Liabilities	<u>2,271,209</u>	<u>693,819</u>	<u>2,965,028</u>
TOTAL LIABILITIES	<u>2,413,656</u>	<u>831,882</u>	<u>3,245,538</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>4,265</u>	<u>3,198</u>	<u>7,463</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,265</u>	<u>3,198</u>	<u>7,463</u>
NET POSITION			
Net investment in capital assets	1,666,948	922,563	2,589,511
Restricted			
Debt service	440,599	93,904	534,503
Capital replacement	121,916	109,446	231,362
Unrestricted	<u>846,235</u>	<u>718,962</u>	<u>1,565,197</u>
TOTAL NET POSITION	<u>\$ 3,075,698</u>	<u>\$ 1,844,875</u>	<u>\$ 4,920,573</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, 2023

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ 501,657	\$ 658,144	\$ 1,159,801
Total Operating Revenues	<u>501,657</u>	<u>658,144</u>	<u>1,159,801</u>
 OPERATING EXPENSES			
Personal services	27,522	20,641	48,163
Contract services	278,703	481,126	759,829
Materials and supplies	11,838	10,564	22,402
Repairs and maintenance	700	61,214	61,914
Professional fees	1,700	1,287	2,987
Occupancy	-	1,178	1,178
Permits	6,898	-	6,898
Other expenses	400	-	400
Depreciation	96,783	51,657	148,440
Total Operating Expenses	<u>424,544</u>	<u>627,667</u>	<u>1,052,211</u>
 Operating Income	77,113	30,477	107,590
 NON-OPERATING REVENUES (EXPENSES)			
Capital grants	854,492	455,772	1,310,264
Property taxes	75,373	10,017	85,390
Special assessments	27,376	3,445	30,821
Interest income	30,107	32,343	62,450
Miscellaneous income	534	284	818
Interest expense	(17,873)	(7,490)	(25,363)
Total Non-Operating Revenues (Expenses)	<u>970,009</u>	<u>494,371</u>	<u>1,464,380</u>
 Change in Net Position	1,047,122	524,848	1,571,970
 NET POSITION, JANUARY 1	<u>2,028,576</u>	<u>1,320,027</u>	<u>3,348,603</u>
 NET POSITION, DECEMBER 31	<u>\$ 3,075,698</u>	<u>\$ 1,844,875</u>	<u>\$ 4,920,573</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, 2023

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 507,165	\$ 659,774	\$ 1,166,939
Payments to suppliers	(299,076)	(544,797)	(843,873)
Payments to employees	(26,438)	(19,828)	(46,266)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>181,651</u>	<u>95,149</u>	<u>276,800</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Non operating revenue	534	283	817
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>534</u>	<u>283</u>	<u>817</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,612,287)	(569,715)	(2,182,002)
Property taxes	75,056	9,974	85,030
Special assessments	67,073	19,224	86,297
Capital grants	824,236	446,829	1,271,065
Proceeds from bond issuance	757,796	113,942	871,738
Principal paid on long-term debt	(120,000)	(91,000)	(211,000)
Interest paid on long-term debt	(17,873)	(7,490)	(25,363)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,999)</u>	<u>(78,236)</u>	<u>(104,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	30,107	32,343	62,450
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>30,107</u>	<u>32,343</u>	<u>62,450</u>
NET INCREASE IN CASH	186,293	49,539	235,832
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>972,280</u>	<u>872,177</u>	<u>1,844,457</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,158,573</u>	<u>\$ 921,716</u>	<u>\$ 2,080,289</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 77,113	\$ 30,477	\$ 107,590
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	96,783	51,657	148,440
Change in assets and liabilities:			
Decrease in receivables	5,508	1,630	7,138
Decrease in deferred outflows	2,720	2,039	4,759
Increase (decrease) in accounts payable	1,163	10,572	11,735
Decrease in pension liabilities	(5,901)	(4,424)	(10,325)
Increase in deferred inflows	4,265	3,198	7,463
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 181,651</u>	<u>\$ 95,149</u>	<u>\$ 276,800</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 768,512	\$ 767,811	\$ 1,536,323
Restricted cash	390,061	153,905	543,966
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,158,573</u>	<u>\$ 921,716</u>	<u>\$ 2,080,289</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, 2023

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, 2023. 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, 2023

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.

Library Fund

The Library Fund is used to account for resources restricted for the acquisition and construction of the City Hall and Library projects.

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, 2023

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 Outflows/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, 2023, 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 2023 was \$163,891.

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 2023. 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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 net 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, a deferred inflow relating to pension activity is reported in the government-wide statement of net 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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Position/Fund Balances (continued)

Fund balances at December 31, 2023, consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund
FUND BALANCES				
Nonspendable - prepaid	\$ 10,487	\$ 10,420	\$ 6,879	\$ -
Restricted				
Debt service	-	-	-	743,991
Public Safety Aid	-	55,838	-	-
Tax increment financing	-	-	-	-
Committed				
Arts	1,484	-	-	-
Truck replacement	-	32,259	-	-
Future capital projects	-	-	-	70,000
Assigned				
Working capital	499,307	75,000	102,000	-
Public safety	-	684,829	325,775	-
Community improvement	-	-	-	-
Economic development	-	-	-	-
Contingencies	91,332	-	-	-
Unassigned	<u>345,979</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 948,589</u>	<u>\$ 858,346</u>	<u>\$ 434,654</u>	<u>\$ 813,991</u>
	Library Fund	PIR Fund	Non-Major Funds	Totals
FUND BALANCES				
Nonspendable - prepaid	\$ -	\$ -	\$ -	\$ 27,786
Restricted				
Debt service	-	-	-	743,991
Public Safety Aid	-	-	-	55,838
Tax increment financing	-	-	196,153	203,880
Committed				
Arts	-	-	-	1,484
Truck replacement	-	-	-	32,259
Future capital projects	-	-	-	70,000
Assigned				
Working capital	-	-	-	676,307
Public safety	-	-	1,915	1,012,519
Community improvement	-	-	43,313	43,313
Economic development	-	-	87,908	80,181
Contingencies	-	-	-	91,332
Unassigned	<u>(195,652)</u>	<u>(513,899)</u>	<u>-</u>	<u>(363,572)</u>
Total Fund Balances	<u>\$ (195,652)</u>	<u>\$ (513,899)</u>	<u>\$ 329,289</u>	<u>\$ 2,675,318</u>

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

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)

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.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City Clerk submits an annual budget to the City Council for the General Fund. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

B. Deficit Fund Balances

Permanent Improvement Fund has a deficit fund balance of \$(513,899). The Library Fund has a deficit fund balance of \$(195,652). The nonmajor TIF District 1-16 has a deficit fund balance of \$(7,727). The nonmajor G.O. PIR Refunding bonds 2019B Fund has a deficit fund balance of \$(414,703).

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, 2023, none of the City's deposits were exposed to custodial credit risk.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

1. Deposits and Investments (continued)

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers’ acceptances of United States banks;

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

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

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.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 281,567	\$ -	\$ 24,000	\$ 257,567
Construction in progress	1,110,731	2,451,297	-	3,562,028
Total capital assets not being depreciated	<u>1,392,298</u>	<u>2,451,297</u>	<u>24,000</u>	<u>3,819,595</u>
Capital assets being depreciated:				
Buildings and structures	546,322	-	87,399	458,923
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	1,431,288	352,098	35,708	1,747,678
Total capital assets being depreciated	<u>11,428,233</u>	<u>352,098</u>	<u>123,107</u>	<u>11,657,224</u>
Less accumulated depreciation for:				
Buildings and structures	480,451	12,752	66,443	426,760
Infrastructure and improvements	4,589,041	333,267	-	4,922,308
Machinery and equipment	466,689	37,205	-	503,894
Office furniture and fixtures	6,151	355	-	6,506
Automotive equipment	740,954	68,068	35,708	773,314
Total accumulated depreciation	<u>6,283,286</u>	<u>451,647</u>	<u>102,151</u>	<u>6,632,782</u>
Total capital assets being depreciated, net	<u>5,144,947</u>	<u>(99,549)</u>	<u>20,956</u>	<u>5,024,442</u>
Governmental activities capital assets, net	<u>\$ 6,537,245</u>	<u>\$ 2,351,748</u>	<u>\$ 44,956</u>	<u>\$ 8,844,037</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in progress	-	2,182,002	-	2,182,002
Total capital assets not being depreciated	1,000	2,182,002	-	2,183,002
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	6,098,254	-	-	6,098,254
Less accumulated depreciation for:				
Infrastructure and improvements	2,161,833	139,267	-	2,301,100
Machinery and equipment	205,502	9,174	-	214,676
Office furniture and fixtures	17,746	-	-	17,746
Automotive equipment	11,234	-	-	11,234
Total accumulated depreciation	2,396,315	148,441	-	2,544,756
Total capital assets being depreciated, net	3,701,939	(148,441)	-	3,553,498
Business-type activities capital assets, net	\$ 3,702,939	\$ 2,033,561	\$ -	\$ 5,736,500

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

Governmental activities

General government	\$ 12,658
Public safety	93,825
Public works	337,916
Culture and recreation	7,248
Total depreciation expense - governmental activities	\$ 451,647

Business-type activities

Water	\$ 96,783
Sewer	51,658
Total depreciation expense - business-type activities	\$ 148,441

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

Receivable	Payable	Amount
General Fund	PIR Fund	\$ 279,330
Ambulance Fund	Fire Fund	25
Debt Service Fund	Ambulance Fund	67,660
		\$ 347,015

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	Permanent Improvement Fund	Library Fund	
General Fund	\$ 171,367	\$ 12,460	\$ -	\$ 10,000	\$ 193,827
Debt Service Fund	-	-	194,265	-	194,265
					\$ 388,092

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.

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (continued)

General obligation bonds (continued)

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	\$ 287,000
G.O. Obligation Improvement Bonds, Series 2016A	2016	2037	0.9-3.00%	1,375,000	<u>845,000</u>
Total Bonds					<u>1,132,000</u>
Notes from Direct Placements					
G.O. PIR Refunding Bonds, Series 2019B	2019	2038	2.70%	1,815,000	<u>1,575,000</u>
Total Notes from Direct Placements					<u>1,575,000</u>
Total General Obligation Bonds					<u><u>\$ 2,707,000</u></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	
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	88,000	14,972	96,000	31,482	230,454
2029-2033	342,000	51,097	522,000	116,423	1,031,520
2034-2038	230,000	13,990	596,000	41,095	881,085
Total	<u>\$ 1,132,000</u>	<u>\$ 158,719</u>	<u>\$ 1,575,000</u>	<u>\$ 339,916</u>	<u>\$ 3,205,635</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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	\$ 320,000
G.O. Sewer Improvement Note of 2011C	2011	2030	1.00%	1,668,210	658,000
G.O. Water Revenue Note of 2017	2017	2036	1.00%	145,000	106,100
G.O. Taxable Water Revenue Note of 2019	2019	2039	1.00%	1,468,547	1,191,151
G.O. Improvement Note	2023	**	**	757,796	757,796
G.O. Disposal System Note	2023	**	**	113,942	113,942
Total Notes from Direct Borrowings					<u>\$ 3,146,989</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
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	221,000	14,133	235,133
2029-2033	697,000	41,435	738,435
2034-2038	415,100	16,289	431,389
2039	80,151	801	80,952
Total	<u>\$ 2,275,251</u>	<u>\$ 150,844</u>	<u>\$ 2,426,095</u>

** All proceeds for G.O. Improvement Note and G.O. Disposal System Note have not been received at December 31, 2023. Annual debt service requirements will be provided when all note proceeds have been received.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (continued)

Long-term liability activity for the year ended December 31, 2023, was as follows:

Governmental activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds					
Bonds	\$ 1,253,000	\$ -	\$ 121,000	\$ 1,132,000	\$ 127,000
Notes from Direct Placements	1,675,000	-	100,000	1,575,000	87,000
Unamortized Bond Discount	(8,267)	-	(636)	(7,631)	-
Net Pension Liability	236,837	-	65,568	171,269	-
Total governmental activities	\$ 3,156,570	\$ -	\$ 285,932	\$ 2,870,638	\$ 214,000
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
General Obligation Revenue Bonds					
Notes from Direct Borrowings	\$ 2,486,251	\$ 871,738	\$ 211,000	\$ 3,146,989	\$ 212,000
Net Pension Liability	40,364	-	10,325	30,039	-
Total business-type activities	\$ 2,526,615	\$ 871,738	\$ 221,325	\$ 3,177,028	\$ 212,000

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, 2023, the amount outstanding was \$692,000.

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, 2023**

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. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$22,149. 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, 2023, the City of New London reported a liability of \$201,308 for its proportionate share of the General Employees Fund's net pension liability. The City of New London's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of New London's totaled \$5,551.

The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City of New London's proportionate share was .0036% at the end of the measurement period and .0035% for the beginning of the period.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

City's proportionate share of the net pension liability	\$ 201,308
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>5,551</u>
Totals	<u>\$ 206,859</u>

For the year ended December 31, 2023, the City of New London recognized pension expense of \$5,302 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of New London recognized an additional \$25 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, 2023, 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	\$ 6,568	\$ 1,233
Changes in actuarial assumptions	29,076	55,177
Net collective difference between projected and actual investment earnings	-	2,186
Changes in proportion	12,346	-
Contributions paid to PERA subsequent to the measurement date	<u>11,068</u>	<u>-</u>
Totals	<u>\$ 59,058</u>	<u>\$ 58,596</u>

The \$11,068 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, 2024. 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>
2024	\$ 9,506
2025	\$ (21,710)
2026	\$ 5,964
2027	\$ (4,366)

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

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, 2023 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 7.00%. 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 7.00% 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00%. 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	6.00%	\$ 356,130
Current Discount Rate	7.00%	\$ 201,308
1% Higher	8.00%	\$ 73,961

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, 2023, 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, 2023, was \$2,000 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 \$58,007 in fire state aid to the plan on behalf of the New London Fire Department for the year ended December 31, 2023, 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, 2023 and 2022, was \$-0- and \$-0-, respectively.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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

D. Pension Costs

For the year ended December 31, 2023, the City recognized pension expense of \$58,007. 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, 2023, 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 2023.

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.

In 2023, the City was wrapping up their City Hall and Library Project. The City has incurred \$2,151,942 in expenses relating to construction and engineering fees for the project. Contract balance, including retainage, remaining as of December 31, 2023, was \$40,683. The project will be completed in 2024. The funding for the project was provided by sales tax revenue.

In 2023, the City started their water, sewer, and street infrastructure project. The City has incurred \$603,179 in expenses relating to engineering fees and \$2,731,426 in construction expenses. Contract balance, including retainage, remaining as of December 31, 2023, was \$233,965. The City is expecting the project to be completed in 2024. The funding for the water and sewer portion of the project was provided by loan proceeds and grant funds.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

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
1-16	Redevelopment	July 19, 2023		December 31, 2033

NOTE 9 SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 3, 2024, 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, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 466,234	\$ 466,234	\$ 466,148	\$ (86)
License and permits	44,630	44,630	100,002	55,372
Intergovernmental	375,442	375,442	431,280	55,838
Charges for services	10,000	10,000	7,840	(2,160)
Fines and forfeits	1,000	1,000	1,227	227
Interest income	2,000	2,000	20,683	18,683
Miscellaneous revenues	<u>3,500</u>	<u>3,500</u>	<u>32,646</u>	<u>29,146</u>
Total Revenues	<u>902,806</u>	<u>902,806</u>	<u>1,059,826</u>	<u>157,020</u>
EXPENDITURES				
Current				
General government	361,216	361,216	345,938	(15,278)
Public safety	69,939	69,939	64,773	(5,166)
Streets and highways	203,957	203,957	182,774	(21,183)
Culture and recreation	72,665	72,665	67,516	(5,149)
Capital outlay				
General government	59,500	59,500	531	(58,969)
Streets and highways	<u>-</u>	<u>-</u>	<u>68,987</u>	<u>68,987</u>
Total Expenditures	<u>767,277</u>	<u>767,277</u>	<u>730,519</u>	<u>(36,758)</u>
EXCESS OF REVENUES OVER EXPENDITURES	135,529	135,529	329,307	193,778
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	30,101	30,101
Transfer to other funds	<u>(135,529)</u>	<u>(135,529)</u>	<u>(193,827)</u>	<u>58,298</u>
Total Other Financing Sources (Uses)	<u>(135,529)</u>	<u>(135,529)</u>	<u>(163,726)</u>	<u>88,399</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	165,581	<u>\$ 165,581</u>
FUND BALANCE JANUARY 1			<u>783,008</u>	
FUND BALANCE DECEMBER 31			<u>\$ 948,589</u>	

See notes to required supplementary information.

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City of New London (b)	Employer's Proportionate Share of the Net Pension Liability Associated With City of New London (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0036%	\$ 201,308	\$ 5,551	\$ 206,859	\$ 284,093	72.8%	83.10%
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, 2023	\$ 22,149	\$ 22,149	\$ -	\$ 295,320	7.50%
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.

See notes to required supplementary information.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

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

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

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

General Employees Fund (continued)

2020 Changes (continued)

Changes in Actuarial Assumptions: (continued)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changes 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.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

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

General Employees Fund (continued)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2023**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 133,136	\$ 306,301	\$ 439,437
Delinquent taxes	-	700	700
TOTAL ASSETS	<u>\$ 133,136</u>	<u>\$ 307,001</u>	<u>\$ 440,137</u>
LIABILITIES			
Accounts payable	\$ -	\$ 110,848	\$ 110,848
TOTAL LIABILITIES	<u>-</u>	<u>110,848</u>	<u>110,848</u>
FUND BALANCES			
Restricted	-	196,153	196,153
Assigned	133,136	-	133,136
TOTAL FUND BALANCES	<u>133,136</u>	<u>196,153</u>	<u>329,289</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 133,136</u>	<u>\$ 307,001</u>	<u>\$ 440,137</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Taxes			
Tax increments	\$ -	\$ 304,336	\$ 304,336
Miscellaneous revenue			
Interest	<u>4,709</u>	<u>5,410</u>	<u>10,119</u>
TOTAL REVENUES	<u>4,709</u>	<u>309,746</u>	<u>314,455</u>
EXPENDITURES			
Current			
Public safety	1,108	-	1,108
Culture and recreation	9,098	-	9,098
Economic development	<u>7,159</u>	<u>220,612</u>	<u>227,771</u>
TOTAL EXPENDITURES	<u>17,365</u>	<u>220,612</u>	<u>237,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,656)	89,134	76,478
OTHER FINANCING SOURCES			
Transfer in	<u>12,460</u>	<u>-</u>	<u>12,460</u>
NET CHANGE IN FUND BALANCE	(196)	89,134	88,938
FUND BALANCE, JANUARY 1	<u>133,332</u>	<u>107,019</u>	<u>240,351</u>
FUND BALANCE, DECEMBER 31	<u>\$ 133,136</u>	<u>\$ 196,153</u>	<u>\$ 329,289</u>

**CITY OF NEW LONDON, MINNESOTA
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 December 31, 2023**

	Firefighter/ EMT Fund	Park Fund	Economic Development Authority	Totals
ASSETS				
Cash and cash equivalents	\$ 1,915	\$ 43,313	\$ 87,908	\$ 133,136
TOTAL ASSETS	<u>\$ 1,915</u>	<u>\$ 43,313</u>	<u>\$ 87,908</u>	<u>\$ 133,136</u>
FUND BALANCES				
Assigned	\$ 1,915	\$ 43,313	\$ 87,908	\$ 133,136
TOTAL FUND BALANCES	<u>1,915</u>	<u>43,313</u>	<u>87,908</u>	<u>133,136</u>
TOTAL FUND BALANCES	<u>\$ 1,915</u>	<u>\$ 43,313</u>	<u>\$ 87,908</u>	<u>\$ 133,136</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2023

	<u>Firefighter/ EMT Fund</u>	<u>Park Fund</u>	<u>Economic Development Authority</u>	<u>Total</u>
REVENUES				
Miscellaneous revenue				
Interest income	\$ -	\$ 1,747	\$ 2,962	\$ 4,709
TOTAL REVENUES	<u>-</u>	<u>1,747</u>	<u>2,962</u>	<u>4,709</u>
EXPENDITURES				
Current				
Public safety	1,108	-	-	1,108
Culture and recreation	-	9,098	-	9,098
Economic development	-	-	7,159	7,159
TOTAL EXPENDITURES	<u>1,108</u>	<u>9,098</u>	<u>7,159</u>	<u>17,365</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,108)	(7,351)	(4,197)	(12,656)
OTHER FINANCING SOURCES				
Transfer in	-	2,460	10,000	12,460
NET CHANGE IN FUND BALANCE	(1,108)	(4,891)	5,803	(196)
FUND BALANCES, JANUARY 1	<u>3,023</u>	<u>48,204</u>	<u>82,105</u>	<u>133,332</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,915</u>	<u>\$ 43,313</u>	<u>\$ 87,908</u>	<u>\$ 133,136</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
December 31, 2023**

	TIF District 1-12	TIF District 1-13	TIF District 1-14	TIF District 1-15	TIF District 1-16	Total
ASSETS						
Cash and cash equivalents	\$ 75,685	\$ 40,027	\$ 93,543	\$ 104,773	\$ (7,727)	\$ 306,301
Delinquent taxes	700	-	-	-	-	700
TOTAL ASSETS	<u>\$ 76,385</u>	<u>\$ 40,027</u>	<u>\$ 93,543</u>	<u>\$ 104,773</u>	<u>\$ (7,727)</u>	<u>\$ 307,001</u>
LIABILITIES						
Accounts payable	\$ 24,726	\$ 2,834	\$ 11,761	\$ 71,527	\$ -	\$ 110,848
TOTAL LIABILITIES	<u>24,726</u>	<u>2,834</u>	<u>11,761</u>	<u>71,527</u>	<u>-</u>	<u>110,848</u>
FUND BALANCES						
Restricted	51,659	37,193	81,782	33,246	(7,727)	196,153
TOTAL FUND BALANCES	<u>51,659</u>	<u>37,193</u>	<u>81,782</u>	<u>33,246</u>	<u>(7,727)</u>	<u>196,153</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 76,385</u>	<u>\$ 40,027</u>	<u>\$ 93,543</u>	<u>\$ 104,773</u>	<u>\$ (7,727)</u>	<u>\$ 307,001</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, 2023

	TIF District 1-12	TIF District 1-13	TIF District 1-14	TIF District 1-15	TIF District 1-16	Total
REVENUES						
Taxes						
Tax increments	\$ 48,982	\$ 9,225	\$ 64,980	\$ 181,149	\$ -	\$ 304,336
Miscellaneous Revenue						
Interest	<u>2,332</u>	<u>1,465</u>	<u>1,527</u>	<u>86</u>	<u>-</u>	<u>5,410</u>
TOTAL REVENUES	<u>51,314</u>	<u>10,690</u>	<u>66,507</u>	<u>181,235</u>	<u>-</u>	<u>309,746</u>
EXPENDITURES						
Economic development						
Professional fees	1,150	1,150	1,150	1,150	7,727	12,327
Tax increments	<u>43,454</u>	<u>5,668</u>	<u>23,948</u>	<u>135,215</u>	<u>-</u>	<u>208,285</u>
TOTAL EXPENDITURES	<u>44,604</u>	<u>6,818</u>	<u>25,098</u>	<u>136,365</u>	<u>7,727</u>	<u>220,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,710	3,872	41,409	44,870	(7,727)	89,134
NET CHANGE IN FUND BALANCE	<u>6,710</u>	<u>3,872</u>	<u>41,409</u>	<u>44,870</u>	<u>(7,727)</u>	<u>89,134</u>
FUND BALANCE, JANUARY 1	<u>44,949</u>	<u>33,321</u>	<u>40,373</u>	<u>(11,624)</u>	<u>-</u>	<u>107,019</u>
FUND BALANCE, DECEMBER 31	<u>\$ 51,659</u>	<u>\$ 37,193</u>	<u>\$ 81,782</u>	<u>\$ 33,246</u>	<u>\$ (7,727)</u>	<u>\$ 196,153</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2023**

	Debt Service Reserve Fund	G.O. PIR Refunding Bonds 2019B	G.O. Refunding Note Series 2021A	G.O. Improvement Bonds - 2016A	Total
ASSETS					
Cash and cash equivalents	\$ 813,027	\$ (416,770)	\$ 138,597	\$ 205,451	\$ 740,305
Receivables					
Delinquent taxes	-	3,345	1,121	1,669	6,135
Special assessments	32,967	-	-	254,877	287,844
Delinquent assessments	-	-	-	599	599
Due from other funds	67,660	-	-	-	67,660
TOTAL ASSETS	\$ 913,654	\$ (413,425)	\$ 139,718	\$ 462,596	\$ 1,102,543
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	\$ -	\$ 1,278	\$ 437	\$ 642	\$ 2,357
Unavailable revenue - special assessments	32,967	-	-	253,228	286,195
TOTAL DEFERRED INFLOWS OF RESOURCES	32,967	1,278	437	253,870	288,552
FUND BALANCES					
Restricted	810,687	(414,703)	139,281	208,726	743,991
Committed	70,000	-	-	-	70,000
TOTAL FUND BALANCES	880,687	(414,703)	139,281	208,726	813,991
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 913,654	\$ (413,425)	\$ 139,718	\$ 462,596	\$ 1,102,543

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended December 31, 2023

	Debt Service Reserve Fund	G.O. PIR Refunding Bonds 2019B	G.O. Refunding Note Series 2021A	G.O. Improvement Bonds - 2016A	Total
REVENUES					
General property tax	\$ 60	\$ 129,620	\$ 42,990	\$ 64,344	\$ 237,014
Special assessments	3,179	219	-	48,821	52,219
Interest income	29,856	-	229	249	30,334
Total Revenues	<u>33,095</u>	<u>129,839</u>	<u>43,219</u>	<u>113,414</u>	<u>319,567</u>
EXPENDITURES					
Debt service					
Principal	-	84,000	36,000	85,000	205,000
Interest	-	43,684	4,576	20,179	68,439
Other charges	1,100	-	400	400	1,900
Total Expenditures	<u>1,100</u>	<u>127,684</u>	<u>40,976</u>	<u>105,579</u>	<u>275,339</u>
EXCESS OF REVENUES OVER EXPENDITURES	31,995	2,155	2,243	7,835	44,228
OTHER FINANCING USES					
Transfer to other funds	(194,265)	-	-	-	(194,265)
Total Other Financing Uses	<u>(194,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,265)</u>
NET CHANGE IN FUND BALANCE	(162,270)	2,155	2,243	7,835	(150,037)
FUND BALANCE JANUARY 1	<u>1,042,957</u>	<u>(416,858)</u>	<u>137,038</u>	<u>200,891</u>	<u>964,028</u>
FUND BALANCE DECEMBER 31	<u>\$ 880,687</u>	<u>\$ (414,703)</u>	<u>\$ 139,281</u>	<u>\$ 208,726</u>	<u>\$ 813,991</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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023		Over(Under) Final Budget	2022
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Taxes				
General property taxes	\$ 466,234	\$ 466,148	\$ (86)	\$ 363,178
License and permits	44,630	100,002	55,372	57,677
Total Taxes	<u>510,864</u>	<u>566,150</u>	<u>55,286</u>	<u>420,855</u>
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	375,442	375,442	-	369,774
Other state grants	-	55,838	55,838	-
Total Intergovernmental Revenue	<u>375,442</u>	<u>431,280</u>	<u>55,838</u>	<u>369,774</u>
Charges for Services				
General government	1,200	2,515	1,315	770
Culture and recreation	8,800	5,325	(3,475)	9,413
Total Charges for Services	<u>10,000</u>	<u>7,840</u>	<u>(2,160)</u>	<u>10,183</u>
Fines and Forfeits	<u>1,000</u>	<u>1,227</u>	<u>227</u>	<u>1,945</u>
Miscellaneous Revenues				
Investment income	2,000	20,683	18,683	1,820
Donations	-	1,000	1,000	-
Refunds and reimbursements	3,500	31,646	28,146	9,110
Total Miscellaneous Revenues	<u>5,500</u>	<u>53,329</u>	<u>47,829</u>	<u>10,930</u>
TOTAL REVENUES	<u>902,806</u>	<u>1,059,826</u>	<u>157,020</u>	<u>813,687</u>
OTHER SOURCES				
Sale of assets	-	30,101	30,101	-
TOTAL REVENUES AND OTHER SOURCES	<u>902,806</u>	<u>1,089,927</u>	<u>187,121</u>	<u>813,687</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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023			2022
	Final Budget	Actual Amounts	Over(Under) Final Budget	Actual Amounts
EXPENDITURES				
General Government				
Governing Board				
Salaries	11,440	9,795	(1,645)	11,200
Payroll taxes and benefits	875	749	(126)	857
Other expenses	2,535	3,048	513	2,064
Total Governing Board	<u>14,850</u>	<u>13,592</u>	<u>(1,258)</u>	<u>14,121</u>
Administration and Finance				
Salaries	196,837	149,827	(47,010)	137,046
Payroll taxes and benefits	21,943	22,698	755	20,761
Total Administration and Finance	<u>218,780</u>	<u>172,525</u>	<u>(46,255)</u>	<u>157,807</u>
Government Buildings				
Salaries	17,220	17,220	-	16,168
Payroll taxes and benefits	2,609	2,608	(1)	2,450
Occupancy	14,500	16,838	2,338	13,301
Repairs and maintenance	5,000	4,032	(968)	3,853
Other expenses	15,000	12,918	(2,082)	1,896
Total Government Buildings	<u>54,329</u>	<u>53,616</u>	<u>(713)</u>	<u>37,668</u>
Other General Government				
Salaries	750	50	(700)	150
Payroll taxes and benefits	57	4	(53)	11
Supplies	7,000	8,364	1,364	6,693
Occupancy	2,300	2,071	(229)	2,051
Insurance	23,500	30,804	7,304	21,195
Elections	2,500	1,630	(870)	2,095
Assessor	13,000	12,560	(440)	12,147
Professional services	13,000	12,273	(727)	11,100
Other expenses	11,150	38,449	27,299	14,787
Capital outlay	59,500	531	(58,969)	16,239
Total Other General Government	<u>132,757</u>	<u>106,736</u>	<u>(26,021)</u>	<u>86,468</u>
Total General Government	<u>420,716</u>	<u>346,469</u>	<u>(74,247)</u>	<u>296,064</u>
Public Safety				
Police Department				
Contracted services	20,650	20,650	-	20,650
Total Police Department	<u>20,650</u>	<u>20,650</u>	<u>-</u>	<u>20,650</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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023		Over(Under) Final Budget	2022
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
Other Protection				
Building inspection	49,089	44,123	(4,966)	39,841
Animal control	200	-	(200)	-
Total Other Protection	<u>49,289</u>	<u>44,123</u>	<u>(5,166)</u>	<u>39,841</u>
Total Public Safety	<u>69,939</u>	<u>64,773</u>	<u>(5,166)</u>	<u>60,491</u>
Streets and Highways				
Street Maintenance				
Salaries	34,440	34,440	-	32,337
Payroll taxes and benefits	5,217	5,217	-	4,898
Supplies	10,000	10,785	785	9,555
Occupancy	3,400	2,909	(491)	3,553
Repairs and maintenance	32,000	11,831	(20,169)	15,041
Other expenses	9,400	8,901	(499)	8,798
Capital outlay	-	68,987	68,987	3,450
Total Street Maintenance	<u>94,457</u>	<u>143,070</u>	<u>48,613</u>	<u>77,632</u>
Snow and Ice Removal				
Contract services	80,000	79,288	(712)	66,566
Total Snow and Ice Removal	<u>80,000</u>	<u>79,288</u>	<u>(712)</u>	<u>66,566</u>
Street Lighting	29,500	29,403	(97)	32,505
Total Streets and Highways	<u>203,957</u>	<u>251,761</u>	<u>47,804</u>	<u>176,703</u>
Culture and Recreation				
Parks and Recreation				
Salaries	27,460	25,062	(2,398)	21,558
Payroll taxes and benefits	4,161	3,639	(522)	3,266
Occupancy	2,200	1,623	(577)	1,755
Repairs and maintenance	11,500	10,613	(887)	9,589
Total Parks and Recreation	<u>45,321</u>	<u>40,937</u>	<u>(4,384)</u>	<u>36,168</u>
Community Education	11,000	10,500	(500)	10,500
Library				
Occupancy	16,344	16,079	(265)	15,820
Total Culture and Recreation	<u>72,665</u>	<u>67,516</u>	<u>(5,149)</u>	<u>62,488</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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023		Over(Under) Final Budget	2022
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (continued)				
TOTAL EXPENDITURES	<u>767,277</u>	<u>730,519</u>	<u>(36,758)</u>	<u>595,746</u>
EXCESS OF REVENUES OVER EXPENDITURES	135,529	359,408	223,879	217,941
OTHER FINANCING USES				
Transfer out	<u>(135,529)</u>	<u>(193,827)</u>	<u>(58,298)</u>	<u>(475,094)</u>
NET CHANGE IN FUND BALANCE	-	165,581	<u>\$ 165,581</u>	(257,153)
FUND BALANCE, JANUARY 1	<u>783,008</u>	<u>783,008</u>		<u>1,040,161</u>
FUND BALANCE, DECEMBER 31	<u>\$ 783,008</u>	<u>\$ 948,589</u>		<u>\$ 783,008</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FIRE DEPARTMENT FUND
For the Year Ended December 31, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

REVENUES	<u>2023</u>	<u>2022</u>
Intergovernmental		
State grants	\$ 6,042	\$ 6,825
State grants - fire relief aid	58,007	51,328
Total Intergovernmental	<u>64,049</u>	<u>58,153</u>
Charges for Services		
Fire contracts and calls	233,218	153,572
Total Charges for Services	<u>233,218</u>	<u>153,572</u>
Miscellaneous Revenues		
Interest income	25,360	660
Donations	7,130	3,795
Refunds	3,250	53,568
Total Miscellaneous Revenues	<u>35,740</u>	<u>58,023</u>
TOTAL REVENUES	<u>333,007</u>	<u>269,748</u>
EXPENDITURES		
Current		
Salaries	88,255	42,755
Payroll taxes and benefits	75,159	64,998
Supplies	13,865	19,064
Occupancy	6,171	9,375
Repairs and maintenance	22,612	12,188
Insurance	25,510	21,844
Professional fees	22,427	17,053
Permits	55	-
Other expenses	21,223	3,839
Capital outlay	<u>-</u>	<u>67,070</u>
TOTAL EXPENDITURES	<u>275,277</u>	<u>258,186</u>
EXCESS OF REVENUES OVER EXPENDITURES	57,730	11,562
OTHER FINANCING SOURCES		
Transfers in	<u>171,367</u>	<u>79,880</u>
NET CHANGE IN FUND BALANCE	229,097	91,442
FUND BALANCE, JANUARY 1	<u>629,249</u>	<u>537,807</u>
FUND BALANCE, DECEMBER 31	<u>\$ 858,346</u>	<u>\$ 629,249</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AMBULANCE FUND
For the Year Ended December 31, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

REVENUES	<u>2023</u>	<u>2022</u>
Intergovernmental		
State grants	\$ 2,800	\$ 4,909
Total Intergovernmental	<u>2,800</u>	<u>4,909</u>
Charges for Services		
Ambulance calls	<u>307,361</u>	<u>293,915</u>
Total Charges for Services	<u>307,361</u>	<u>293,915</u>
Miscellaneous Revenues		
Interest income	7,118	369
Donations	<u>121,200</u>	<u>22,806</u>
Total Miscellaneous Revenues	<u>128,318</u>	<u>23,175</u>
TOTAL REVENUES	<u>438,479</u>	<u>321,999</u>
EXPENDITURES		
Current		
Salaries	149,207	124,870
Payroll taxes and benefits	11,415	9,553
Supplies	45,194	20,761
Occupancy	4,278	1,556
Repairs and maintenance	2,508	6,949
Insurance	17,248	16,312
Professional fees	13,745	17,125
Other expenses	814	4,058
Capital outlay	283,110	-
Debt service		
Principal	16,000	16,000
Interest	<u>196</u>	<u>588</u>
TOTAL EXPENDITURES	<u>543,715</u>	<u>217,772</u>
NET CHANGE IN FUND BALANCE	(105,236)	104,227
FUND BALANCE, JANUARY 1	<u>539,890</u>	<u>435,663</u>
FUND BALANCE, DECEMBER 31	<u>\$ 434,654</u>	<u>\$ 539,890</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2023

Federal Grantor / Program Title	Federal ALN	Passed Through Entity	Passed Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
<i>Community Facilities Loans and Grants Cluster</i>					
United States Department of Agriculture Community Facilities Loans and Grants	10.766		N/A	\$ 665,000	
<i>Clean Water State Revolving Fund Cluster</i>					
United States Environmental Protection Agency Clean Water State Revolving Fund	66.458	Minnesota Public Facilities Authority	MPFA-CWRF-L-007-FY24 MPFA-CWRF-G-007-FY24	569,715	
<i>Drinking Water State Revolving Fund Cluster</i>					
United States Environmental Protection Agency Drinking Water State Revolving Fund	66.468	Minnesota Public Facilities Authority	MPFA-DWRF-L-014-FY24 MPFA-DWRF-G-014-FY24	<u>1,612,287</u>	
<i>Total Expenditures of Federal Awards</i>				<u>\$ 2,847,002</u>	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2023

NOTE 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of New London, Minnesota. The City's reporting entity is defined in Note 1 of the financial statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal loan and grant activity of the City of New London under programs of the federal government for the year ended December 31, 2023, . The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4 SUBRECIPIENTS

The City did not pass-through funds to subrecipients.

NOTE 5 DE MINIMIS COST RATE

The City elected not to charge the de minimis indirect cost rate of 10% to federal programs.



**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, 2023, 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 July 3, 2024.

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 2023-001 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

July 3, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mayor and City Council
City of New London, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of New London, Minnesota's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of New London, Minnesota's major federal programs for the year ended . City of New London, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of New London, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended .

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of New London, Minnesota's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of New London Care Center a component unit of the City, which expended federal awards which are not included in the City's Schedule of Expenditures of Federal Awards during the year ended . Our compliance audit, described in the Opinion on Each Major Federal Program section of this report, does not include the operations of New London Care Center because New London Care Center engaged other auditors to perform an audit of their financial statements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of New London, Minnesota's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of New London, Minnesota's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect a material

noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of New London, Minnesota's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of New London, Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of New London, Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
July 3, 2024

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023**

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? N

Significant deficiency (ies) identified? Y

Noncompliance material to financial statement noted? N

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? N

Significant deficiency (ies) identified? N

Any audit findings disclosed that are required to be reported in accordance with section 2CFR section 200.516(a) N

Identification of major programs:

ALN	Name of Federal Program or Cluster
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2023**

SECTION II: FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2023-001

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 2023-001

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.

SECTION III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None reported

SECTION IV: MINNESOTA LEGAL COMPLIANCE

None reported