

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

ANNUAL FINANCIAL REPORT

**YEAR ENDED
December 31, 2024**

**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, 2024**

		<u>TERM EXPIRES</u>
John Dahl	Mayor	12/31/26
Tim Johnson	Council Member	12/31/26
Dominique Nash	Council Member	12/31/26
Steve Slominski	Council Member	12/31/28
Tony Schaefer	Council Member	12/31/28
Trudie Gupthill	City Administrator	Appointed
Jen Dahl	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, 2024, 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, 2024, 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 schedules of revenues, expenditures, and changes in fund balances is presented for purposes of additional analysis and are 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, the schedules of revenues, expenditures, and changes in fund 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 June 4, 2025, 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

June 4, 2025

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2024

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 3,449,087	\$ 2,000,273	\$ 5,449,360
Receivables:			
Accounts	75,217	116,716	191,933
Delinquent taxes	28,323	2,996	31,319
Special assessments	260,066	528,033	788,099
Delinquent special assessments	785	-	785
Interest	2,880	-	2,880
Prepaid expenses	27,450	-	27,450
Internal activity	525	(525)	-
Capital assets:			
Non-depreciable	366,376	1,000	367,376
Depreciable, net of accumulated depreciation	<u>8,447,828</u>	<u>5,844,631</u>	<u>14,292,459</u>
TOTAL ASSETS	<u>12,658,537</u>	<u>8,493,124</u>	<u>21,151,661</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>31,996</u>	<u>7,123</u>	<u>39,119</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>31,996</u>	<u>7,123</u>	<u>39,119</u>
LIABILITIES			
Accounts payable	124,038	68,647	192,685
Long-term liabilities:			
Due within one year	218,000	258,447	476,447
Due in more than one year	2,268,005	2,758,952	5,026,957
Net pension liability	<u>113,908</u>	<u>23,121</u>	<u>137,029</u>
TOTAL LIABILITIES	<u>2,723,951</u>	<u>3,109,167</u>	<u>5,833,118</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>77,053</u>	<u>10,975</u>	<u>88,028</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>77,053</u>	<u>10,975</u>	<u>88,028</u>
NET POSITION			
Net investment in capital assets	6,328,199	2,828,232	9,156,431
Restricted for:			
Emergency ambulance service aid	98,069	-	98,069
Debt service	816,023	832,236	1,648,259
TIF districts	163,955	-	163,955
Capital replacement	-	214,700	214,700
Unrestricted	<u>2,483,283</u>	<u>1,504,937</u>	<u>3,988,220</u>
TOTAL NET POSITION	<u>\$ 9,889,529</u>	<u>\$ 5,380,105</u>	<u>\$ 15,269,634</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, 2024

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Business-Type	Total
					Activities	Activities	
Governmental Activities:							
General government	\$ 413,450	\$ 70,042	\$ -	\$ -	\$ (343,408)	\$ -	\$ (343,408)
Public safety	730,802	423,191	266,716	4,435	(36,460)	-	(36,460)
Streets and highways	508,368	-	-	255,640	(252,728)	-	(252,728)
Culture and recreation	95,150	11,863	1,350	-	(81,937)	-	(81,937)
Economic development	338,717	-	-	-	(338,717)	-	(338,717)
Interest and fiscal charges on long term debt	67,755	-	-	-	(67,755)	-	(67,755)
Total Governmental Activities	2,154,242	505,096	268,066	260,075	(1,121,005)	-	(1,121,005)
Business-Type Activities:							
Water	506,372	524,701	-	505,056	-	523,385	523,385
Sewer	672,730	702,888	-	52,135	-	82,293	82,293
Total Business-Type Activities	1,179,102	1,227,589	-	557,191	-	605,678	605,678
TOTAL	\$ 3,333,344	\$ 1,732,685	\$ 268,066	\$ 817,266	(1,121,005)	605,678	(515,327)
General revenues:							
Property taxes levied for general purposes					530,637	-	530,637
Property taxes levied for debt service					240,867	88,953	329,820
Tax increments					298,063	-	298,063
Sales taxes					141,140	-	141,140
Intergovernmental revenue not restricted to specific programs					420,246	-	420,246
Investment income					75,041	65,176	140,217
Gain on sale of asset					2,000	-	2,000
Miscellaneous					58,598	3,836	62,434
Transfers					304,111	(304,111)	-
Total general revenues and transfers					2,070,703	(146,146)	1,924,557
Change in net position					949,698	459,532	1,409,230
Net Position - Beginning					8,939,831	4,920,573	13,860,404
Net Position - Ending					\$ 9,889,529	\$ 5,380,105	\$ 15,269,634

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

**CITY OF NEW LONDON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024**

	General Fund	Special Revenue		Debt Service Fund	Library Fund	Permanent Improvement Fund	NonMajor	Totals
		Fire Fund	Ambulance Fund					
ASSETS								
Cash and investments	\$ 794,527	\$ 952,900	\$ 485,558	\$ 826,679	\$ (55,291)	\$ -	\$ 444,714	\$ 3,449,087
Receivables:								
Accounts	2,986	5,850	44,805	-	21,576	-	-	75,217
Delinquent taxes	17,931	-	-	8,172	-	-	2,220	28,323
Special assessments	-	-	-	260,066	-	-	-	260,066
Delinquent special assessments	-	-	-	785	-	-	-	785
Interest	2,880	-	-	-	-	-	-	2,880
Due from other funds	280,400	1,387	122	51,660	-	-	-	333,569
Prepaid expenses	9,874	9,167	8,409	-	-	-	-	27,450
TOTAL ASSETS	\$ 1,108,598	\$ 969,304	\$ 538,894	\$ 1,147,362	\$ (33,715)	\$ -	\$ 446,934	\$ 4,177,377
LIABILITIES								
Accounts payable	\$ 6,431	\$ 16,876	\$ 2,670	\$ -	\$ -	\$ -	\$ 98,061	\$ 124,038
Due to other funds	984	942	51,788	-	-	279,330	-	333,044
TOTAL LIABILITIES	7,415	17,818	54,458	-	-	279,330	98,061	457,082
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - taxes	5,417	-	-	2,482	-	-	-	7,899
Unavailable revenue - special assessments	-	-	-	258,857	-	-	-	258,857
TOTAL DEFERRED INFLOWS OF RESOURCES	5,417	-	-	261,339	-	-	-	266,756
FUND BALANCES								
Nonspendable	9,874	9,167	8,409	-	-	-	-	27,450
Restricted	-	-	98,069	816,023	-	-	163,955	1,078,047
Committed	4,555	69,604	-	70,000	-	-	-	144,159
Assigned	608,518	872,715	377,958	-	-	-	184,918	2,044,109
Unassigned	472,819	-	-	-	(33,715)	(279,330)	-	159,774
TOTAL FUND BALANCES	1,095,766	951,486	484,436	886,023	(33,715)	(279,330)	348,873	3,453,539
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,108,598	\$ 969,304	\$ 538,894	\$ 1,147,362	\$ (33,715)	\$ -	\$ 446,934	\$ 4,177,377

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, 2024

Total Fund Balances-Governmental Funds	\$ 3,453,539
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	15,980,544
Less: accumulated depreciation	(7,166,340)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes	7,899
Special assessments receivable	258,857
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	31,996
Deferred inflows - pensions	(77,053)
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	6,995
General obligation bonds	(2,493,000)
Net pension liability	<u>(113,908)</u>
Total Net Position-Governmental Activities	<u>\$ 9,889,529</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, 2024

	General Fund	Special Revenue		Debt Service Fund	Library Fund	Permanent Improvement Fund	NonMajor	Totals
		Fire Fund	Ambulance Fund					
REVENUES								
Property taxes	\$ 529,235	\$ -	\$ -	\$ 240,867	\$ -	\$ -	\$ 298,063	\$ 1,068,165
Local option sales tax	-	-	-	-	141,140	-	-	141,140
Special assessments	-	-	-	60,454	-	-	-	60,454
License and permits	70,042	-	-	-	-	-	-	70,042
Intergovernmental	435,927	83,528	116,732	-	-	200,604	-	836,791
Charges for services	1,988	227,629	195,494	-	9,875	-	-	434,986
Fines and forfeits	1,230	-	-	-	-	-	-	1,230
Interest income	1,853	27,935	2,437	31,758	-	-	11,058	75,041
Miscellaneous	11,755	45,879	25,080	3,071	12,542	-	31,350	129,677
Total Revenues	<u>1,052,030</u>	<u>384,971</u>	<u>339,743</u>	<u>336,150</u>	<u>163,557</u>	<u>200,604</u>	<u>340,471</u>	<u>2,817,526</u>
EXPENDITURES								
Current:								
General government	383,110	-	-	-	-	-	-	383,110
Public safety	64,549	292,556	249,004	-	-	-	1,320	607,429
Streets and highways	160,939	-	-	-	-	-	-	160,939
Culture and recreation	59,058	-	-	-	3,902	-	-	62,960
Economic development	-	-	-	-	-	-	338,717	338,717
Capital outlay:								
General government	1,650	-	-	-	-	-	-	1,650
Public safety	-	118,404	40,957	-	-	-	-	159,361
Streets and highways	-	-	-	-	-	270,146	-	270,146
Culture and recreation	11,527	-	-	-	19,408	-	49,050	79,985
Debt service:								
Principal	-	-	-	214,000	-	-	-	214,000
Interest	-	-	-	64,202	-	-	-	64,202
Bond fees	-	-	-	2,917	-	-	-	2,917
Total Expenditures	<u>680,833</u>	<u>410,960</u>	<u>289,961</u>	<u>281,119</u>	<u>23,310</u>	<u>270,146</u>	<u>389,087</u>	<u>2,345,416</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>371,197</u>	<u>(25,989)</u>	<u>49,782</u>	<u>55,031</u>	<u>140,247</u>	<u>(69,542)</u>	<u>(48,616)</u>	<u>472,110</u>
OTHER FINANCING SOURCES (USES)								
Sale of assets	2,000	-	-	-	-	-	-	2,000
Transfer from other funds	-	119,129	-	17,001	21,690	304,111	68,200	530,131
Transfer to other funds	(226,020)	-	-	-	-	-	-	(226,020)
Total Other Financing Sources (Uses)	<u>(224,020)</u>	<u>119,129</u>	<u>-</u>	<u>17,001</u>	<u>21,690</u>	<u>304,111</u>	<u>68,200</u>	<u>306,111</u>
NET CHANGE IN FUND BALANCE	147,177	93,140	49,782	72,032	161,937	234,569	19,584	778,221
FUND BALANCE JANUARY 1	<u>948,589</u>	<u>858,346</u>	<u>434,654</u>	<u>813,991</u>	<u>(195,652)</u>	<u>(513,899)</u>	<u>329,289</u>	<u>2,675,318</u>
FUND BALANCE DECEMBER 31	<u>\$ 1,095,766</u>	<u>\$ 951,486</u>	<u>\$ 484,436</u>	<u>\$ 886,023</u>	<u>\$ (33,715)</u>	<u>\$ (279,330)</u>	<u>\$ 348,873</u>	<u>\$ 3,453,539</u>

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, 2024

Net Change in Fund Balances-Governmental Funds	\$ 778,221
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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	503,728
Depreciation expense	(533,561)

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

Property taxes	1,402
Special assessments	(27,338)

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	214,000
Bond amortization	(636)

In the statement of activities, pension expense is measured by the amount earned during the year. In the governmental funds, however, expenditures for the items are measured by the amount of financial resources used.

Change in net pension liability, deferred outflows, and deferred inflows	<u>13,882</u>
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Change in Net Position-Governmental Activities	<u>\$ 949,698</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF NEW LONDON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2024

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 632,925	\$ 848,445	\$ 1,481,370
Receivables:			
Accounts receivable	115,276	1,440	116,716
Delinquent taxes	2,551	445	2,996
Total Current Assets	<u>750,752</u>	<u>850,330</u>	<u>1,601,082</u>
Noncurrent Assets			
Cash restricted for capital replacement	101,645	113,055	214,700
Cash restricted for debt service	279,127	25,076	304,203
Special assessments receivable	494,082	33,951	528,033
Capital assets:			
Non-depreciable	-	1,000	1,000
Depreciable assets	5,577,037	2,965,316	8,542,353
Less accumulated depreciation	<u>(1,434,737)</u>	<u>(1,262,985)</u>	<u>(2,697,722)</u>
Total capital assets, net	<u>4,142,300</u>	<u>1,703,331</u>	<u>5,845,631</u>
Total Noncurrent Assets	<u>5,017,154</u>	<u>1,875,413</u>	<u>6,892,567</u>
TOTAL ASSETS	<u>5,767,906</u>	<u>2,725,743</u>	<u>8,493,649</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>4,065</u>	<u>3,058</u>	<u>7,123</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,065</u>	<u>3,058</u>	<u>7,123</u>
LIABILITIES			
Current Liabilities			
Accounts payable	23,120	45,527	68,647
Due to other funds	525	-	525
Current portion bonds payable	<u>160,593</u>	<u>97,854</u>	<u>258,447</u>
Total Current Liabilities	<u>184,238</u>	<u>143,381</u>	<u>327,619</u>
Noncurrent Liabilities			
Bonds payable	2,165,252	593,700	2,758,952
Net pension liability	<u>13,209</u>	<u>9,912</u>	<u>23,121</u>
Total Noncurrent Liabilities	<u>2,178,461</u>	<u>603,612</u>	<u>2,782,073</u>
TOTAL LIABILITIES	<u>2,362,699</u>	<u>746,993</u>	<u>3,109,692</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>6,272</u>	<u>4,703</u>	<u>10,975</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,272</u>	<u>4,703</u>	<u>10,975</u>
NET POSITION			
Net investment in capital assets	1,816,455	1,011,777	2,828,232
Restricted			
Debt service	773,209	59,027	832,236
Capital replacement	101,645	113,055	214,700
Unrestricted	<u>711,691</u>	<u>793,246</u>	<u>1,504,937</u>
TOTAL NET POSITION	<u>\$ 3,403,000</u>	<u>\$ 1,977,105</u>	<u>\$ 5,380,105</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, 2024

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 524,701	\$ 705,784	\$ 1,230,485
Total Operating Revenues	<u>524,701</u>	<u>705,784</u>	<u>1,230,485</u>
OPERATING EXPENSES			
Personal services	27,239	20,428	47,667
Contract services	283,225	542,829	826,054
Materials and supplies	16,958	10,736	27,694
Repairs and maintenance	42,772	35,408	78,180
Professional fees	2,517	1,927	4,444
Occupancy	-	1,060	1,060
Permits	6,976	-	6,976
Other expenses	400	-	400
Depreciation	100,140	52,826	152,966
Total Operating Expenses	<u>480,227</u>	<u>665,214</u>	<u>1,145,441</u>
Operating Income	44,474	40,570	85,044
NON-OPERATING REVENUES (EXPENSES)			
Capital grants	106,234	49,321	155,555
Property taxes	75,757	13,196	88,953
Special assessments	398,822	2,814	401,636
Interest income	31,549	33,627	65,176
Miscellaneous income	722	218	940
Interest expense	(26,145)	(7,516)	(33,661)
Total Non-Operating Revenues	<u>586,939</u>	<u>91,660</u>	<u>678,599</u>
TRANSFERS			
Transfers out	(304,111)	-	(304,111)
Total Transfers	<u>(304,111)</u>	<u>-</u>	<u>(304,111)</u>
Change in Net Position	327,302	132,230	459,532
NET POSITION, JANUARY 1	<u>3,075,698</u>	<u>1,844,875</u>	<u>4,920,573</u>
NET POSITION, DECEMBER 31	<u><u>\$ 3,403,000</u></u>	<u><u>\$ 1,977,105</u></u>	<u><u>\$ 5,380,105</u></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, 2024

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 522,737	\$ 714,297	\$ 1,237,034
Payments to suppliers	(351,175)	(593,496)	(944,671)
Payments to employees	(27,825)	(20,868)	(48,693)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>143,737</u>	<u>99,933</u>	<u>243,670</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Non operating revenue	722	217	939
Advance from other funds	525	-	525
Transfers out	(304,111)	-	(304,111)
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>(302,864)</u>	<u>217</u>	<u>(302,647)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(200,445)	(61,652)	(262,097)
Property taxes	75,066	13,009	88,075
Special assessments	77,194	18,309	95,503
Capital grants	106,234	49,321	155,555
Proceeds from bond issuance	94,212	12,330	106,542
Principal paid on long-term debt	(143,414)	(92,718)	(236,132)
Interest paid on long-term debt	(26,145)	(7,516)	(33,661)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,298)</u>	<u>(68,917)</u>	<u>(86,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	31,549	33,627	65,176
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>31,549</u>	<u>33,627</u>	<u>65,176</u>
NET INCREASE (DECREASE) IN CASH	(144,876)	64,860	(80,016)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,158,573</u>	<u>921,716</u>	<u>2,080,289</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,013,697</u>	<u>\$ 986,576</u>	<u>\$ 2,000,273</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 44,474	\$ 40,570	\$ 85,044
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	100,140	52,826	152,966
Change in assets and liabilities:			
Increase in receivables	(32,220)	(430)	(32,650)
Decrease in due from	30,256	8,943	39,199
Decrease in deferred outflows	1,360	1,020	2,380
Increase (decrease) in accounts payable	1,673	(1,536)	137
Decrease in pension liabilities	(3,953)	(2,965)	(6,918)
Increase in deferred inflows	2,007	1,505	3,512
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 143,737</u>	<u>\$ 99,933</u>	<u>\$ 243,670</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted	\$ 632,925	\$ 848,445	\$ 1,481,370
Restricted cash	380,772	138,131	518,903
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,013,697</u>	<u>\$ 986,576</u>	<u>\$ 2,000,273</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, 2024

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, 2024. 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, 2024

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, 2024

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, 2024, 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 2024 was \$140,217.

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 2024. 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 are 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, 2024**

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, 2024

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, 2024

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, 2024

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, 2024, consisted of the following:

	General Fund	Fire Fund	Ambulance Fund	Debt Service Fund
FUND BALANCES				
Nonspendable - prepaid	\$ 9,874	\$ 9,167	\$ 8,409	\$ -
Restricted				
Debt service	-	-	-	816,023
Emergency ambulance service aid	-	-	98,069	-
Tax increment financing	-	-	-	-
Committed				
Arts	4,555	-	-	-
Truck replacement	-	69,604	-	-
Future capital projects	-	-	-	70,000
Assigned				
Working capital	515,515	75,000	102,000	-
Public safety	-	797,715	275,958	-
Community improvement	-	-	-	-
Economic development	-	-	-	-
Contingencies	93,003	-	-	-
Unassigned	472,819	-	-	-
Total Fund Balances	<u>\$ 1,095,766</u>	<u>\$ 951,486</u>	<u>\$ 484,436</u>	<u>\$ 886,023</u>
	Library Fund	PIR Fund	Non-Major Funds	Totals
FUND BALANCES				
Nonspendable - prepaid	\$ -	\$ -	\$ -	\$ 27,450
Restricted				
Debt service	-	-	-	816,023
Public Safety Aid	-	-	-	98,069
Tax increment financing	-	-	163,955	163,955
Committed				
Arts	-	-	-	4,555
Truck replacement	-	-	-	69,604
Future capital projects	-	-	-	70,000
Assigned				
Working capital	-	-	-	692,515
Public safety	-	-	3,595	1,077,268
Community improvement	-	-	48,039	48,039
Economic development	-	-	133,284	133,284
Contingencies	-	-	-	93,003
Unassigned	(33,715)	(279,330)	-	159,774
Total Fund Balances	<u>\$ (33,715)</u>	<u>\$ (279,330)</u>	<u>\$ 348,873</u>	<u>\$ 3,453,539</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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 \$(279,330). The Library Fund has a deficit fund balance of \$(33,715). 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 \$(413,749).

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, 2024, none of the City's deposits were exposed to custodial credit risk.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

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, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 257,567	\$ -	\$ -	\$ 257,567
Construction in progress	<u>3,562,028</u>	<u>289,554</u>	<u>3,742,773</u>	<u>108,809</u>
Total capital assets not being depreciated	<u>3,819,595</u>	<u>289,554</u>	<u>3,742,773</u>	<u>366,376</u>
Capital assets being depreciated:				
Buildings and structures	458,923	2,147,737	-	2,606,660
Infrastructure and improvements	8,710,005	1,571,423	-	10,281,428
Machinery and equipment	731,941	237,784	-	969,725
Office furniture and fixtures	8,677	-	-	8,677
Automotive equipment	<u>1,747,678</u>	<u>-</u>	<u>-</u>	<u>1,747,678</u>
Total capital assets being depreciated	<u>11,657,224</u>	<u>3,956,944</u>	<u>-</u>	<u>15,614,168</u>
Less accumulated depreciation for:				
Buildings and structures	426,760	50,554	-	477,314
Infrastructure and improvements	4,922,307	337,470	-	5,259,777
Machinery and equipment	503,894	48,478	-	552,372
Office furniture and fixtures	6,506	328	-	6,834
Automotive equipment	<u>773,314</u>	<u>96,729</u>	<u>-</u>	<u>870,043</u>
Total accumulated depreciation	<u>6,632,781</u>	<u>533,559</u>	<u>-</u>	<u>7,166,340</u>
Total capital assets being depreciated, net	<u>5,024,443</u>	<u>3,423,385</u>	<u>-</u>	<u>8,447,828</u>
Governmental activities capital assets, net	<u>\$ 8,844,038</u>	<u>\$ 3,712,939</u>	<u>\$ 3,742,773</u>	<u>\$ 8,814,204</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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	262,097	2,444,099	-
Total capital assets not being depreciated	2,183,002	262,097	2,444,099	1,000
Capital assets being depreciated:				
Infrastructure and improvements	5,800,128	2,444,099	-	8,244,227
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	2,444,099	-	8,542,353
Less accumulated depreciation for:				
Infrastructure and improvements	2,301,099	143,793	-	2,444,892
Machinery and equipment	214,676	9,174	-	223,850
Office furniture and fixtures	17,746	-	-	17,746
Automotive equipment	11,234	-	-	11,234
Total accumulated depreciation	2,544,755	152,967	-	2,697,722
Total capital assets being depreciated, net	3,553,499	2,291,132	-	5,844,631
Business-type activities capital assets, net	<u>\$ 5,736,501</u>	<u>\$ 2,553,229</u>	<u>\$ 2,444,099</u>	<u>\$ 5,845,631</u>

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

Governmental activities

General government	\$ 34,085
Public safety	118,389
Public works	348,309
Culture and recreation	32,776
Total depreciation expense - governmental activities	<u>\$ 533,559</u>

Business-type activities

Water	\$ 100,140
Sewer	52,827
Total depreciation expense - business-type activities	<u>\$ 152,967</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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
General Fund	Ambulance Fund	942
General Fund	Fire Fund	128
Fire Fund	Water Fund	525
Fire Fund	General Fund	862
Ambulance Fund	General Fund	122
Debt Service Fund	Ambulance Fund	51,660
		<u>\$ 333,569</u>

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

2. Interfund Transfers

Transfer from	Transfer to					Total
	Fire Fund	Permanent Improvement Fund	Non-Major Funds	Debt Service Fund	Library Fund	
General Fund	\$ 119,129	\$ -	\$ 68,200	\$ 17,001	\$ 21,690	\$ 226,020
Water Fund	-	304,111	-	-	-	304,111
						<u>\$ 530,131</u>

Transfer from the General Fund to the Fire Fund occurs annually to fund the City's share of fire protection. Transfer from the General Fund to the Non-Major Funds and Library Fund occur annually for capital improvements. Transfer from the General Fund to the Debt Service fund is for debt payments.

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 amounts 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, 2024

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	\$ 250,000
G.O. Obligation Improvement Bonds, Series 2016A	2016	2037	0.9-3.00%	1,375,000	755,000
Total Bonds					<u>1,005,000</u>
Notes from Direct Placements					
G.O. PIR Refunding Bonds, Series 2019B	2019	2038	2.70%	1,815,000	1,488,000
Total Notes from Direct Placements					<u>1,488,000</u>
Total General Obligation Bonds					<u>\$ 2,493,000</u>

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

Year Ending December 31	Governmental Activities				
	Bonds		Notes from Direct Placements		Total
	Principal	Interest	Principal	Interest	
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	93,000	13,305	99,000	28,849	234,154
2030-2034	304,000	43,757	536,000	102,141	985,898
2035-2038	175,000	8,025	483,000	26,528	692,553
Total	<u>\$ 1,005,000</u>	<u>\$ 135,870</u>	<u>\$ 1,488,000</u>	<u>\$ 298,566</u>	<u>\$ 2,927,436</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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	\$ 276,000
G.O. Sewer Improvement Note of 2011C	2011	2030	1.00%	1,668,210	567,000
G.O. Water Revenue Note of 2017	2017	2036	1.00%	145,000	98,100
G.O. Taxable Water Revenue Note of 2019	2019	2039	1.00%	1,468,547	1,122,151
G.O. Improvement Note	2023	2043	1.58%	852,007	829,594
G.O. Disposal System Note	2023	2043	1.07%	126,273	124,554
Total Notes from Direct Borrowings					<u>\$ 3,017,399</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
2025	\$ 258,447	\$ 34,948	\$ 293,395
2026	260,000	32,267	292,267
2027	264,000	29,442	293,442
2028	267,000	26,574	293,574
2029	270,000	23,667	293,667
2030-2034	799,000	82,471	881,471
2035-2039	674,252	37,854	712,106
2040-2043	224,700	8,570	233,270
Total	<u>\$ 3,017,399</u>	<u>\$ 275,793</u>	<u>\$ 3,293,192</u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (continued)

Long-term liability activity for the year ended December 31, 2024, was as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Bonds	\$ 1,132,000	\$ -	\$ 127,000	\$ 1,005,000	\$ 129,000
Notes from Direct Placements	1,575,000	-	87,000	1,488,000	89,000
Unamortized Bond Discount	(7,631)	-	(636)	(6,995)	-
Net Pension Liability	<u>171,269</u>	<u>-</u>	<u>57,361</u>	<u>113,908</u>	<u>-</u>
Total governmental activities	<u>\$ 2,870,638</u>	<u>\$ -</u>	<u>\$ 270,725</u>	<u>\$ 2,599,913</u>	<u>\$ 218,000</u>
Business-type activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Revenue Bonds					
Notes from Direct Borrowings	\$ 3,146,990	\$ 106,542	\$ 236,133	\$ 3,017,399	\$ 258,447
Net Pension Liability	<u>30,039</u>	<u>-</u>	<u>6,918</u>	<u>23,121</u>	<u>-</u>
Total business-type activities	<u>\$ 3,177,029</u>	<u>\$ 106,542</u>	<u>\$ 243,051</u>	<u>\$ 3,040,520</u>	<u>\$ 258,447</u>

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, 2024, the amount outstanding was \$581,000.

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 plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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%. The 2024 annual increase was 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 the June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City of New London was required to contribute 7.50% for General Plan members. The City of New London's contributions to the General Employees Fund for the year ended December 31, 2024, were \$26,574. 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, 2024, the City of New London reported a liability of \$137,029 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 \$3,543.

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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	\$ 137,029
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>3,543</u>
Totals	<u><u>\$ 140,572</u></u>

The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, The City of New London's proportionate share was .0037% at the end of the measurement period and .0036% for the beginning of the period.

For the year ended December 31, 2024, the City of New London recognized pension expense of \$7,006 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of New London recognized an additional \$(66) 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City of New London recognized \$6,305 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City of New London reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,740	\$ -
Changes in actuarial assumptions	632	50,775
Net collective difference between projected and actual investment earnings	-	37,253
Changes in proportion	11,633	-
Contributions paid to PERA subsequent to the measurement date	<u>14,114</u>	<u>-</u>
Totals	<u><u>\$ 39,119</u></u>	<u><u>\$ 88,028</u></u>

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

The \$14,114 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2025	\$ (32,512)
2026	\$ (4,839)
2027	\$ (15,170)
2028	\$ (10,502)

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 for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.00%. The 7.00% 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 considered reasonable by the actuary. An investment return of 7.00% is within that range.

- 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.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (continued)

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 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 Plan 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%	\$	299,293
Current Discount Rate	7.00%	\$	137,029
1% Higher	8.00%	\$	3,552

I. Pension Plan Fiduciary Net Position

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

CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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, 2024, the plan covered 24 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, 2024, was \$2,300 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

C. Contributions

The plan is funded by fire state aid, investment earnings and if necessary, employer contributions as specified in Minnesota Statutes, and discretionary City contributions. The State of Minnesota contributed \$65,018 in fire state aid and \$3,000 in supplemental benefit reimbursement to the plan on behalf of the New London Fire Department for the year ended December 31, 2024, 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, 2024, and 2023, were \$-0- and \$-0-, respectively.

D. Pension Costs

For the year ended December 31, 2024, the City recognized pension expense of \$68,018. 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, 2024, 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 2024.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

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 2024, the City started their street infrastructure project. The City has incurred \$108,809 in expenses relating to engineering fees for the project. The project is expected to be started in 2025 and completed in 2026.

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 June 4, 2025, the date the financial statements were available to be issued.

CITY OF NEW LONDON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 529,626	\$ 529,626	\$ 529,235	\$ (391)
License and permits	49,180	49,180	70,042	20,862
Intergovernmental	414,007	414,007	435,927	21,920
Charges for services	2,200	2,200	1,988	(212)
Fines and forfeits	800	800	1,230	430
Interest income	2,000	2,000	1,853	(147)
Miscellaneous revenues	<u>3,500</u>	<u>3,500</u>	<u>11,755</u>	<u>8,255</u>
Total Revenues	<u>1,001,313</u>	<u>1,001,313</u>	<u>1,052,030</u>	<u>50,717</u>
EXPENDITURES				
Current				
General government	408,843	408,843	383,110	(25,733)
Public safety	72,998	72,998	64,549	(8,449)
Streets and highways	233,737	233,737	160,939	(72,798)
Culture and recreation	76,546	76,546	59,058	(17,488)
Capital outlay				
General government	62,360	62,360	1,650	(60,710)
Culture and recreation	<u>-</u>	<u>-</u>	<u>11,527</u>	<u>11,527</u>
Total Expenditures	<u>854,484</u>	<u>854,484</u>	<u>680,833</u>	<u>(173,651)</u>
EXCESS OF REVENUES OVER EXPENDITURES	146,829	146,829	371,197	224,368
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	2,000	2,000
Transfer to other funds	<u>(144,129)</u>	<u>(144,129)</u>	<u>(226,020)</u>	<u>81,891</u>
Total Other Financing Uses	<u>(144,129)</u>	<u>(144,129)</u>	<u>(224,020)</u>	<u>83,891</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,700</u>	<u>\$ 2,700</u>	147,177	<u>\$ 144,477</u>
FUND BALANCE JANUARY 1			948,589	
FUND BALANCE DECEMBER 31			<u>\$ 1,095,766</u>	

See notes to required supplementary information.

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City of New London (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With City of New London (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0037%	\$ 137,029	\$ 3,543	\$ 140,572	\$ 313,707	44.8%	89.08%
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%

See notes to required supplementary information.

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

		Contributions in Relation to			Contributions as a
	Statutorily	the Statutorily	Contribution	Covered-	Percentage of
	Required	Required	Deficiency	Employee	Covered-
	Contribution	Contribution	(Excess)	Payroll	Employee
Fiscal Year Ending	(a)	(b)	(a-b)	(c)	Payroll
					(b/c)
December 31, 2024	\$ 26,574	\$ 26,574	\$ -	\$ 354,320	7.50%
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%

See notes to required supplementary information.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

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

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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%.

CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

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

General Employees Fund (continued)

2020 Changes (continued)

Changes in Actuarial Assumptions: (continued)

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

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

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.

**CITY OF NEW LONDON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024**

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

General Employees Fund (continued)

2017 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2024**

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 184,918	\$ 259,796	\$ 444,714
Delinquent taxes receivable	<u>-</u>	<u>2,220</u>	<u>2,220</u>
TOTAL ASSETS	<u><u>\$ 184,918</u></u>	<u><u>\$ 262,016</u></u>	<u><u>\$ 446,934</u></u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ 98,061</u>	<u>\$ 98,061</u>
TOTAL LIABILITIES	<u>-</u>	<u>98,061</u>	<u>98,061</u>
FUND BALANCES			
Restricted	-	163,955	163,955
Assigned	<u>184,918</u>	<u>-</u>	<u>184,918</u>
TOTAL FUND BALANCES	<u>184,918</u>	<u>163,955</u>	<u>348,873</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 184,918</u></u>	<u><u>\$ 262,016</u></u>	<u><u>\$ 446,934</u></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, 2024

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
REVENUES			
Taxes			
Tax increments	\$ -	\$ 298,063	\$ 298,063
Miscellaneous revenue			
Grants and contributions	31,350	-	31,350
Interest	5,394	5,664	11,058
TOTAL REVENUES	<u>36,744</u>	<u>303,727</u>	<u>340,471</u>
EXPENDITURES			
Current			
Public safety	1,320	-	1,320
Economic development	2,792	335,925	338,717
Capital outlay			
Culture and recreation	49,050	-	49,050
TOTAL EXPENDITURES	<u>53,162</u>	<u>335,925</u>	<u>389,087</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(16,418)	(32,198)	(48,616)
OTHER FINANCING SOURCES			
Transfer in	68,200	-	68,200
NET CHANGE IN FUND BALANCE	51,782	(32,198)	19,584
FUND BALANCE, JANUARY 1	<u>133,136</u>	<u>196,153</u>	<u>329,289</u>
FUND BALANCE, DECEMBER 31	<u>\$ 184,918</u>	<u>\$ 163,955</u>	<u>\$ 348,873</u>

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
December 31, 2024**

	Firefighter/ EMT Fund	Park Fund	Economic Development Authority	Totals
ASSETS				
Cash and cash equivalents	\$ 3,595	\$ 48,039	\$ 133,284	\$ 184,918
TOTAL ASSETS	<u>\$ 3,595</u>	<u>\$ 48,039</u>	<u>\$ 133,284</u>	<u>\$ 184,918</u>
FUND BALANCES				
Assigned	\$ 3,595	\$ 48,039	\$ 133,284	\$ 184,918
TOTAL FUND BALANCES	<u>\$ 3,595</u>	<u>\$ 48,039</u>	<u>\$ 133,284</u>	<u>\$ 184,918</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, 2024

	Firefighter/ EMT Fund	Park Fund	Economic Development Authority	Total
REVENUES				
Miscellaneous revenue				
Grants and contributions	\$ -	\$ 1,350	\$ 30,000	\$ 31,350
Interest income	-	2,226	3,168	5,394
TOTAL REVENUES	-	3,576	33,168	36,744
EXPENDITURES				
Current				
Public safety	1,320	-	-	1,320
Economic development	-	-	2,792	2,792
Capital outlay				
Culture and recreation	-	49,050	-	49,050
TOTAL EXPENDITURES	1,320	49,050	2,792	53,162
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,320)	(45,474)	30,376	(16,418)
OTHER FINANCING SOURCES				
Transfer in	3,000	50,200	15,000	68,200
NET CHANGE IN FUND BALANCE	1,680	4,726	45,376	51,782
FUND BALANCES, JANUARY 1	1,915	43,313	87,908	133,136
FUND BALANCES, DECEMBER 31	\$ 3,595	\$ 48,039	\$ 133,284	\$ 184,918

**CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
December 31, 2024**

	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	\$ 79,648	\$ 45,530	\$ -	\$ 142,345	\$ (7,727)	\$ 259,796
Delinquent taxes receivable	<u>2,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,220</u>
TOTAL ASSETS	<u>\$ 81,868</u>	<u>\$ 45,530</u>	<u>\$ -</u>	<u>\$ 142,345</u>	<u>\$ (7,727)</u>	<u>\$ 262,016</u>
LIABILITIES						
Accounts payable	\$ 22,764	\$ 2,903	\$ -	\$ 72,394	\$ -	\$ 98,061
TOTAL LIABILITIES	<u>22,764</u>	<u>2,903</u>	<u>-</u>	<u>72,394</u>	<u>-</u>	<u>98,061</u>
FUND BALANCES						
Restricted	59,104	42,627	-	69,951	(7,727)	163,955
TOTAL FUND BALANCES	<u>59,104</u>	<u>42,627</u>	<u>-</u>	<u>69,951</u>	<u>(7,727)</u>	<u>163,955</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 81,868</u>	<u>\$ 45,530</u>	<u>\$ -</u>	<u>\$ 142,345</u>	<u>\$ (7,727)</u>	<u>\$ 262,016</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, 2024

	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	\$ 55,186	\$ 11,024	\$ 49,277	\$ 182,576	\$ -	\$ 298,063
Miscellaneous Revenue						
Interest	<u>2,399</u>	<u>1,511</u>	<u>1,541</u>	<u>213</u>	<u>-</u>	<u>5,664</u>
TOTAL REVENUES	<u>57,585</u>	<u>12,535</u>	<u>50,818</u>	<u>182,789</u>	<u>-</u>	<u>303,727</u>
EXPENDITURES						
Economic development						
Professional fees	1,840	1,295	1,295	1,295	-	5,725
Tax increments	<u>48,300</u>	<u>5,806</u>	<u>131,305</u>	<u>144,789</u>	<u>-</u>	<u>330,200</u>
TOTAL EXPENDITURES	<u>50,140</u>	<u>7,101</u>	<u>132,600</u>	<u>146,084</u>	<u>-</u>	<u>335,925</u>
NET CHANGE IN FUND BALANCE	7,445	5,434	(81,782)	36,705	-	(32,198)
FUND BALANCE, JANUARY 1	<u>51,659</u>	<u>37,193</u>	<u>81,782</u>	<u>33,246</u>	<u>(7,727)</u>	<u>196,153</u>
FUND BALANCE, DECEMBER 31	<u>\$ 59,104</u>	<u>\$ 42,627</u>	<u>\$ -</u>	<u>\$ 69,951</u>	<u>\$ (7,727)</u>	<u>\$ 163,955</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2024

	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	\$ 902,070	\$ (416,802)	\$ 140,761	\$ 200,650	\$ 826,679
Receivables					
Delinquent taxes	-	4,386	1,472	2,314	8,172
Special assessments	30,510	-	-	229,556	260,066
Delinquent assessments	-	-	-	785	785
Due from other funds	51,660	-	-	-	51,660
TOTAL ASSETS	<u>\$ 984,240</u>	<u>\$ (412,416)</u>	<u>\$ 142,233</u>	<u>\$ 433,305</u>	<u>\$ 1,147,362</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	\$ -	\$ 1,333	\$ 447	\$ 702	\$ 2,482
Unavailable revenue - special assessments	30,510	-	-	228,347	258,857
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>30,510</u>	<u>1,333</u>	<u>447</u>	<u>229,049</u>	<u>261,339</u>
FUND BALANCES					
Restricted	883,730	(413,749)	141,786	204,256	816,023
Committed	70,000	-	-	-	70,000
TOTAL FUND BALANCES	<u>953,730</u>	<u>(413,749)</u>	<u>141,786</u>	<u>204,256</u>	<u>886,023</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 984,240</u>	<u>\$ (412,416)</u>	<u>\$ 142,233</u>	<u>\$ 433,305</u>	<u>\$ 1,147,362</u>

CITY OF NEW LONDON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended December 31, 2024

	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	\$ 313	\$ 129,305	\$ 43,443	\$ 67,806	\$ 240,867
Special assessments	23,669	-	-	36,785	60,454
Interest income	30,816	-	635	307	31,758
Miscellaneous	<u>3,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,071</u>
Total Revenues	<u>57,869</u>	<u>129,305</u>	<u>44,078</u>	<u>104,898</u>	<u>336,150</u>
EXPENDITURES					
Debt service					
Principal	-	87,000	37,000	90,000	214,000
Interest	-	41,351	4,028	18,823	64,202
Other charges	<u>1,827</u>	<u>-</u>	<u>545</u>	<u>545</u>	<u>2,917</u>
Total Expenditures	<u>1,827</u>	<u>128,351</u>	<u>41,573</u>	<u>109,368</u>	<u>281,119</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	56,042	954	2,505	(4,470)	55,031
OTHER FINANCING SOURCES					
Transfer from other funds	<u>17,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,001</u>
Total Other Financing Sources	<u>17,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,001</u>
NET CHANGE IN FUND BALANCE	73,043	954	2,505	(4,470)	72,032
FUND BALANCE JANUARY 1	<u>880,687</u>	<u>(414,703)</u>	<u>139,281</u>	<u>208,726</u>	<u>813,991</u>
FUND BALANCE DECEMBER 31	<u>\$ 953,730</u>	<u>\$ (413,749)</u>	<u>\$ 141,786</u>	<u>\$ 204,256</u>	<u>\$ 886,023</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, 2024
With Comparative Actual Amounts for the Year Ended December 31, 2023

	2024		2023	
	Final Budget	Actual Amounts	Over(Under) Final Budget	Actual Amounts
REVENUES				
Taxes				
General property taxes	\$ 529,626	\$ 529,235	\$ (391)	\$ 466,148
License and permits	49,180	70,042	20,862	100,002
Total Taxes	578,806	599,277	20,471	566,150
Intergovernmental Revenue				
State Grants and Aid				
Local government aid	414,007	414,007	-	375,442
Other state grants	-	21,920	21,920	55,838
Total Intergovernmental Revenue	414,007	435,927	21,920	431,280
Charges for Services				
General government	1,200	-	(1,200)	2,515
Culture and recreation	1,000	1,988	988	5,325
Total Charges for Services	2,200	1,988	(212)	7,840
Fines and Forfeits	800	1,230	430	1,227
Miscellaneous Revenues				
Investment income	2,000	1,853	(147)	20,683
Donations	-	-	-	1,000
Refunds and reimbursements	3,500	11,755	8,255	31,646
Total Miscellaneous Revenues	5,500	13,608	8,108	53,329
TOTAL REVENUES	1,001,313	1,052,030	50,717	1,059,826
OTHER FINANCING SOURCES				
Sale of assets	-	2,000	2,000	30,101
TOTAL REVENUES AND OTHER FINANCING SOURCES	1,001,313	1,054,030	52,717	1,089,927

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, 2024
With Comparative Actual Amounts for the Year Ended December 31, 2023

		2024		2023
	Final	Actual	Over(Under)	Actual
	Budget	Amounts	Final Budget	Amounts
EXPENDITURES				
General Government				
Governing Board				
Salaries	11,440	9,455	(1,985)	9,795
Payroll taxes and benefits	875	723	(152)	749
Other expenses	3,035	3,280	245	3,048
Total Governing Board	15,350	13,458	(1,892)	13,592
Administration and Finance				
Salaries	235,026	201,286	(33,740)	149,827
Payroll taxes and benefits	33,361	30,495	(2,866)	22,698
Total Administration and Finance	268,387	231,781	(36,606)	172,525
Government Buildings				
Salaries	18,123	18,123	-	17,220
Payroll taxes and benefits	2,745	2,745	-	2,608
Occupancy	16,200	16,155	(45)	16,838
Repairs and maintenance	5,000	4,055	(945)	4,032
Professional services	12,000	12,000	-	-
Other expenses	2,500	2,311	(189)	12,918
Total Government Buildings	56,568	55,389	(1,179)	53,616
Other General Government				
Salaries	500	300	(200)	50
Payroll taxes and benefits	38	23	(15)	4
Supplies	9,200	12,657	3,457	8,364
Occupancy	2,300	1,217	(1,083)	2,071
Insurance	29,000	38,337	9,337	30,804
Elections	3,000	3,101	101	1,630
Assessor	-	-	-	12,560
Professional services	14,000	12,107	(1,893)	12,273
Other expenses	10,500	14,740	4,240	37,199
Capital outlay	62,360	1,650	(60,710)	531
Total Other General Government	130,898	84,132	(46,766)	105,486
Total General Government	471,203	384,760	(86,443)	345,219
Public Safety				
Police Department				
Contracted services	21,600	21,600	-	20,650
Total Police Department	21,600	21,600	-	20,650

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, 2024
With Comparative Actual Amounts for the Year Ended December 31, 2023

		2024		2023
	Final Budget	Actual Amounts	Over(Under) Final Budget	Actual Amounts
EXPENDITURES (continued)				
Other Protection				
Building inspection	51,198	42,749	(8,449)	44,123
Animal control	200	200	-	-
Total Other Protection	51,398	42,949	(8,449)	44,123
Total Public Safety	72,998	64,549	(8,449)	64,773
Streets and Highways				
Street Maintenance				
Salaries	36,246	36,246	-	34,440
Payroll taxes and benefits	5,491	5,491	-	5,217
Supplies	11,000	7,803	(3,197)	10,785
Occupancy	3,500	2,683	(817)	2,909
Repairs and maintenance	37,500	21,637	(15,863)	11,831
Other expenses	10,000	8,683	(1,317)	8,901
Capital outlay	-	-	-	68,987
Total Street Maintenance	103,737	82,543	(21,194)	143,070
Snow and Ice Removal				
Contract services	100,000	50,150	(49,850)	79,288
Total Snow and Ice Removal	100,000	50,150	(49,850)	79,288
Street Lighting	30,000	28,246	(1,754)	29,403
Total Streets and Highways	233,737	160,939	(72,798)	251,761
Culture and Recreation				
Parks and Recreation				
Salaries	28,164	27,331	(833)	25,062
Payroll taxes and benefits	4,267	3,903	(364)	3,639
Occupancy	2,300	1,314	(986)	1,623
Repairs and maintenance	12,000	10,850	(1,150)	10,613
Other expenses	2,750	3,750	1,000	1,250
Capital outlay	-	11,527	11,527	-
Total Parks and Recreation	49,481	58,675	9,194	42,187
Community Education	10,500	10,500	-	10,500
Library				
Occupancy	16,565	1,410	(15,155)	16,079
Total Culture and Recreation	76,546	70,585	(5,961)	68,766

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, 2024
With Comparative Actual Amounts for the Year Ended December 31, 2023

	2024		2023	
	Final Budget	Actual Amounts	Over(Under) Final Budget	Actual Amounts
EXPENDITURES (continued)				
TOTAL EXPENDITURES	854,484	680,833	(173,651)	730,519
EXCESS OF REVENUES OVER EXPENDITURES	146,829	371,197	224,368	329,307
OTHER FINANCING USES				
Transfer out	(144,129)	(226,020)	(81,891)	(193,827)
NET CHANGE IN FUND BALANCE	\$ 2,700	147,177	\$ 144,477	165,581
FUND BALANCE, JANUARY 1		948,589		783,008
FUND BALANCE, DECEMBER 31		\$ 1,095,766		\$ 948,589

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FIRE DEPARTMENT FUND
For the Year Ended December 31, 2024
With Comparative Actual Amounts for the Year Ended December 31, 2023

REVENUES	<u>2024</u>	<u>2023</u>
Intergovernmental		
State grants	\$ 15,510	\$ 6,042
State grants - fire relief aid	68,018	58,007
Total Intergovernmental	<u>83,528</u>	<u>64,049</u>
Charges for Services		
Fire contracts and calls	227,629	233,218
Total Charges for Services	<u>227,629</u>	<u>233,218</u>
Miscellaneous Revenues		
Interest income	27,935	25,360
Donations	41,376	7,130
Refunds	4,503	3,250
Total Miscellaneous Revenues	<u>73,814</u>	<u>35,740</u>
TOTAL REVENUES	<u>384,971</u>	<u>333,007</u>
EXPENDITURES		
Current		
Salaries	98,050	88,255
Payroll taxes and benefits	85,919	75,159
Supplies	19,984	13,865
Occupancy	4,561	6,171
Repairs and maintenance	22,198	22,612
Insurance	23,254	25,510
Professional fees	18,412	22,427
Permits	205	55
Other expenses	19,973	21,223
Capital outlay	<u>118,404</u>	<u>-</u>
TOTAL EXPENDITURES	<u>410,960</u>	<u>275,277</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,989)	57,730
OTHER FINANCING SOURCES		
Transfers in	<u>119,129</u>	<u>171,367</u>
NET CHANGE IN FUND BALANCE	93,140	229,097
FUND BALANCE, JANUARY 1	<u>858,346</u>	<u>629,249</u>
FUND BALANCE, DECEMBER 31	<u>\$ 951,486</u>	<u>\$ 858,346</u>

CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AMBULANCE FUND
For the Year Ended December 31, 2024
With Comparative Actual Amounts for the Year Ended December 31, 2023

REVENUES	<u>2024</u>	<u>2023</u>
Intergovernmental		
State grants	\$ 116,732	\$ 2,800
Total Intergovernmental	<u>116,732</u>	<u>2,800</u>
Charges for Services		
Ambulance calls	<u>195,494</u>	<u>307,361</u>
Total Charges for Services	<u>195,494</u>	<u>307,361</u>
Miscellaneous Revenues		
Interest income	2,437	7,118
Donations	<u>25,080</u>	<u>121,200</u>
Total Miscellaneous Revenues	<u>27,517</u>	<u>128,318</u>
TOTAL REVENUES	<u>339,743</u>	<u>438,479</u>
EXPENDITURES		
Current		
Salaries	155,466	149,207
Payroll taxes and benefits	11,893	11,415
Supplies	24,404	45,194
Occupancy	5,741	4,278
Repairs and maintenance	14,249	2,508
Insurance	18,651	17,248
Professional fees	18,600	13,745
Other expenses	-	814
Capital outlay	40,957	283,110
Debt service		
Principal	-	16,000
Interest	<u>-</u>	<u>196</u>
TOTAL EXPENDITURES	<u>289,961</u>	<u>543,715</u>
NET CHANGE IN FUND BALANCE	49,782	(105,236)
FUND BALANCE, JANUARY 1	<u>434,654</u>	<u>539,890</u>
FUND BALANCE, DECEMBER 31	<u>\$ 484,436</u>	<u>\$ 434,654</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Council
City of New London, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London, Minnesota as of and for the year ended December 31, 2024, 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 June 4, 2025.

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 2024-001 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

June 4, 2025

**CITY OF NEW LONDON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2024**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2024-001

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 accepting 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 2024-001

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 accepting 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.