City of New Ulm,
Minnesota

Annual Financial Report

For the Fiscal year ended December 31, 2016

City of New Ulm, Minnesota

Annual Financial Report
For the fiscal year ended December 31, 2016

Nicole Jorgensen
Finance Director

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INTRODUCTORY SECTION

City of New Ulm, Minnesota

List of Principal Officials

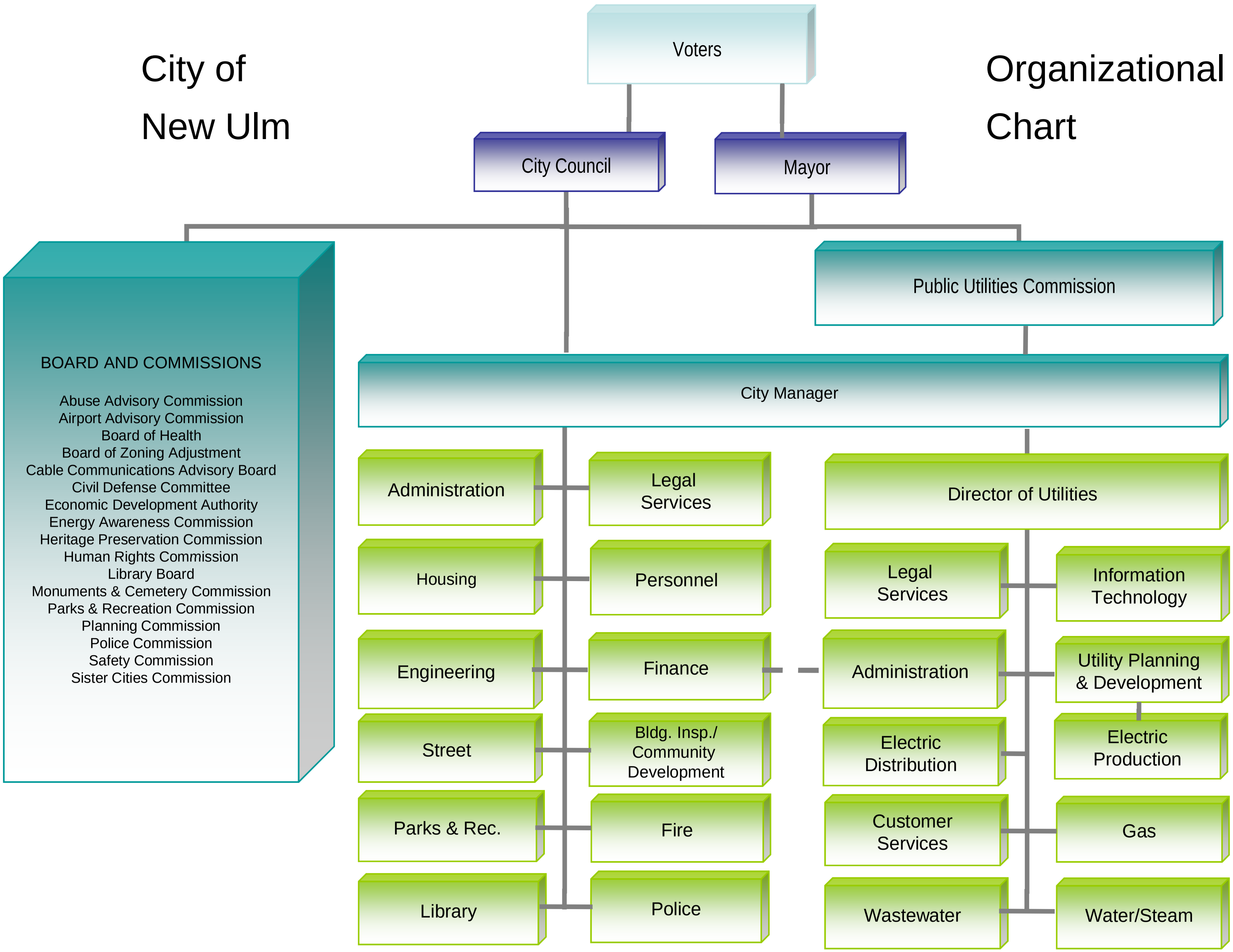
Elected Officials

OFFICIAL	OFFICE	TERM EXPIRES
Robert J. Beussman	Mayor	December 31, 2018
Charles E. Schmitz	President, City Council	December 31, 2016
Ruth Ann Webster	Councilor, Ward 1	December 31, 2016
Lisa K. Fischer	Councilor, Ward 2	December 31, 2018
Les P. Schultz	Councilor, Ward 3	December 31, 2016
Larry A. Mack	Councilor, Ward 4	December 31, 2018

Appointed Officials

Brian D. Gramentz	City Manager
Ellwood A. Zabel	Building Official
Roger H. Hippert	City Attorney
Nicole L. Jorgensen	Finance Director
Steven P. Koehler, P.E.	City Engineer
David J. Schnobrich	Community Development Director
Nathan Beran	Information Technology Coordinator
Larry Botten	Electric Distribution Supervisor
Paul Macho	Fire Chief
Kristen L. Wiley	Library Director
Dave O'Brien	Natural Gas Supervisor
Thomas E. Schmitz	Park & Recreation Director
Shawna Boomgarden	Personnel Officer
Myron N. Wieland	Police Chief
Gary M. Domeier	Power Plant Chief Engineer
Curtis Curry	Public Works Superintendent
Patrick E. Wrase	Utilities Director
Dan O'Connor	Wastewater Treatment Supervisor
George I. Brown.	Water/District Energy Supervisor
Daniel Pirsig	Utility Graduate Engineer
Shannon Hillesheim	Public Utilities Commissioner
William Swan	Vice President Public Utilities Commission
Daniel Beranek	Public Utilities Commissioner
Sean Fingland	Public Utilities Commissioner
Linda Heine	President Public Utilities Commission

City of New Ulm Organizational Chart



Financial Section

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of New Ulm
New Ulm, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Ulm, Minnesota (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison schedule for the General fund and Park and Recreation special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Mankato, MN 56002-3166
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page v and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Employer's Funding Progress for the Retiree Health Plan starting on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 24, 2017

People + Process® Going Beyond the Numbers

CITY OF NEW ULM

Management's Discussion and Analysis

As management of the City of New Ulm (the City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved annual budget), and (5) identify individual fund issues or concerns.

The management discussion and analysis (MD&A) is designed to be read in conjunction with the accompanying notes to the financial statements. Recommendations for further enhancement to the Annual Financial Report are welcome, and may be submitted via our website at www.ci.new-ulm.mn.us.

Financial Highlights

- The City and its component units' total net position increased $6,321,474 (3.7 percent) in 2016. The City's total net position for governmental activities increased $3,214,177 (3.6 percent) in 2016. The PUC's total net position increased $2,735,912 (3.6 percent) in 2016. The EDA's total net position increased $371,385 (6.4 percent) in 2016.

- Total net position of the City (including component units) is $178,120,576, of which $34,677,280 is unrestricted.

- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of $25,532,851, an increase of $190,384 in comparison with the prior year. Of the ending balance, $6,665,895 (26.1 percent) was unassigned (*available for spending* at the City's discretion).

- At the end of the current fiscal year the unassigned fund balance of the General fund was $7,426,301, or 81.3 percent of total General fund expenditures.

- General fund revenues exceeded budget by $174,290 due to an insurance dividend of $131,134 and FEMA funds received for 2010 storm damage. Expenditures were under by $2,689,079. This difference was caused by a large land purchase and airport consulting services being delayed to 2017. Personnel services were also under budget by $164,600.

- The City's total debt (including component units) decreased by $3,189,424, or 11.7 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

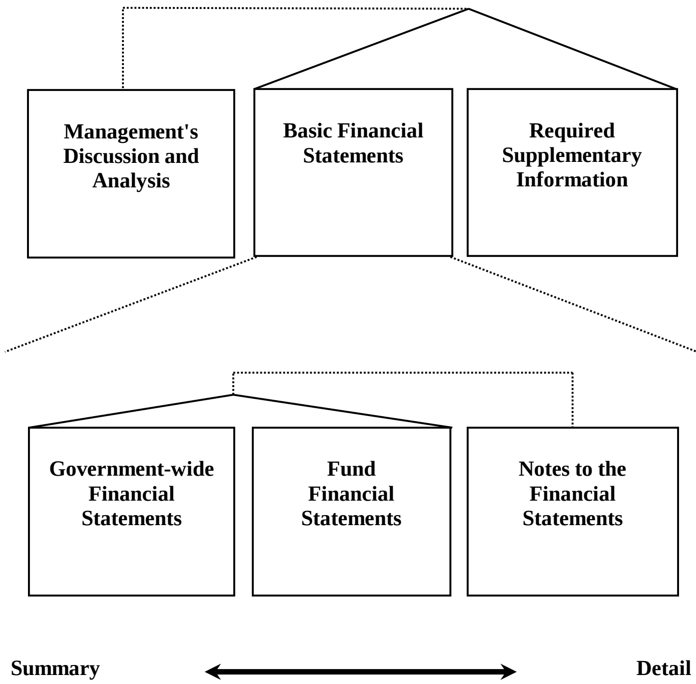


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of its infrastructure, should also be considered.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This statement is designed to provide the extent to which various functions depend on general taxes and revenues for support.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highway, sanitation and waste removal, economic development, and culture and recreation. The component units which include the business-type activities of the City include an Economic Development Authority (EDA) and a Public Utilities Commission (PUC).

The City is a municipal corporation that operates under a Home Rule Charter adopted on September 30, 1952. As required by generally accepted accounting principles, the government-wide financial statements of the reporting entity include those of the City (the primary government) and its component units. The PUC and EDA are reported as component units in this financial report. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 1 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Economic Development Loan Program fund, Park and Recreation fund, TIF Districts fund, Sales Tax Revenue fund, Bond Sinking fund, Capital Improvement fund, Airport Runway Extension fund, Airport Primary Runway fund, 2014 Bonds fund, 2015 Bonds fund and 2016 Bonds fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for a number of funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 3 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the functions presented as the component units in the government-wide financial statements. The City uses enterprise funds to account for its Public Utilities Commission operation and for the Economic Development Authority, both component units of the City. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City and PUC uses internal service funds to account for their (1) fleet of vehicles and equipment; (2) purchase, replacement, and maintenance of computer hardware and software; (3) employer and employee health insurance premiums and the associated cost of health insurance; and (4) general liability and workers compensation claims. These internal service funds have been included within either the governmental or the component unit activities depending on whether they predominantly serve the governmental or component unit activity in the government-wide financial statements.

The proprietary fund financial statements can be found starting on page 8 of this report.

Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found starting on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 12 of this report.

Required Supplementary Information Other than MD&A

Governments have an option of including the budgetary comparison statements for the General fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees starting on page 45 of this report. The City has disclosed this information in Notes IV and VI to the financial statements and as separate required supplementary information.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 50 of this report.

Government-wide Financial Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended December 31, 2016.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City (not including component units), assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $93,253,331 at the close of the current year.

By far, the largest portion of the City's (not including component units) net position (71.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of New Ulm Summary of Net Position

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2016	2015	Increase (Decrease)	2016	(Restated) 2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	$ 34,947,722	$ 33,595,279	$ 1,352,443	$ 33,378,091	$ 30,893,872	$ 2,484,219	$ 2,643,110	$ 2,495,665	$ 147,445
Capital assets	83,987,663	82,296,817	1,690,846	61,984,119	62,113,453	(129,334)	3,967,324	4,183,687	(216,363)
Total assets	118,935,385	115,892,096	3,043,289	95,362,210	93,007,325	2,354,885	6,610,434	6,679,352	(68,918)
Deferred outflows of resources	6,628,977	994,382	5,634,595	2,293,058	490,692	1,802,366	7,314	10,482	(3,168)
Long-term liabilities outstanding	29,396,816	24,441,895	4,954,921	14,431,663	13,217,093	1,214,570	56,834	480,364	(423,530)
Other liabilities	1,284,466	962,813	321,653	3,585,583	3,288,088	297,495	379,819	397,062	(17,243)
Total liabilities	30,681,282	25,404,708	5,276,574	18,017,246	16,505,181	1,512,065	436,653	877,426	(440,773)
Deferred inflows of resources	1,629,749	1,442,616	187,133	940,360	1,031,086	(90,726)	11,512	14,210	(2,698)
Net investment in capital assets	67,039,018	63,636,782	3,402,236	54,749,439	53,909,860	839,579	3,698,849	3,530,424	168,425
Restricted	14,360,809	14,246,738	114,071	3,590,163	3,563,229	26,934	5,018	-	5,018
Unrestricted	11,853,504	12,155,634	(302,130)	20,358,060	18,488,661	1,869,399	2,465,716	2,267,774	197,942
Total net position	$ 93,253,331	$ 90,039,154	$ 3,214,177	$ 78,697,662	$ 75,961,750	$ 2,735,912	$ 6,169,583	$ 5,798,198	$ 371,385

An additional portion of the City's net position (15.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (12.7 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the City, as well as for its separate component unit activities. The same situation held true for the prior fiscal year.

The City's net position of governmental activities increased by $3,214,177 during the current fiscal year, compared to $4,427,556 in the previous year. Capital grants and contributions (mainly State street aids and special assessments) of $3,305,561 were major factors of this increase. Also, increases in revenues that were over budget, while keeping total expenditures under budget accounted for the majority of the increase from the previous year. A portion of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Governmental activities. Governmental activities increased the City's net position by $3,214,177, thereby accounting for 50.8 percent of the total growth in the net position of the City (including the component units). Capital grants and contributions of $3,305,561 were major factors of this increase. Also, this increase is due to management's planned increase of certain reserves and an increase in net capital assets.

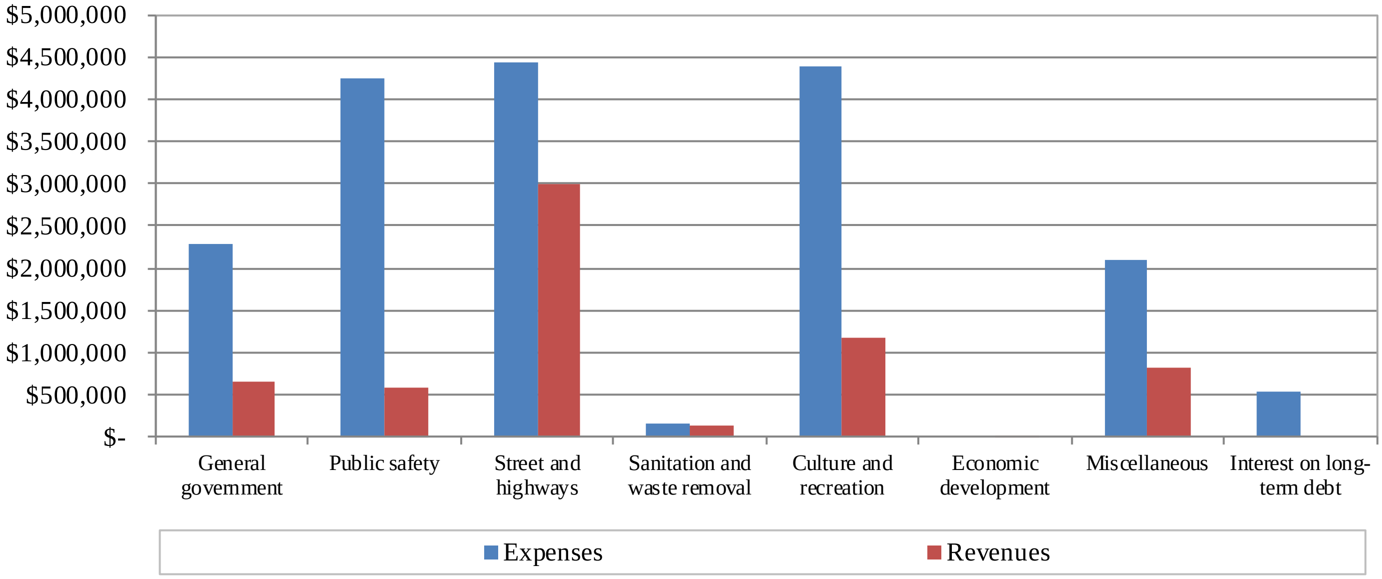
City of New Ulm Changes in Net Position

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2016	2015	Increase (Decrease)	2016	(Restated) 2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues									
Program revenues									
Charges for services	$ 2,506,015	$ 2,426,238	$ 79,777	$ 37,893,765	$ 37,616,174	$ 277,591	$ 1,045,443	$ 1,037,287	$ 8,156
Operating grants and contributions	599,640	761,443	(161,803)	31,059	12,228	18,831	453,939	418,433	35,506
Capital grants and contributions	3,305,561	3,463,388	(157,827)	423,766	600,399	(176,633)	75,209	29,551	45,658
General revenues									
Property taxes	6,695,094	6,511,861	183,233	-	-	-	116,868	116,538	330
Other taxes	3,557,316	3,510,303	47,013	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	4,264,062	4,238,879	25,183	-	-	-	241	5	236
Unrestricted investment earnings	231,882	275,990	(44,108)	228,695	297,492	(68,797)	13,121	8,253	4,868
Other	179,182	5,530	173,652	16,210	810	15,400	19,836	34,470	(14,634)
Total revenues	21,338,752	21,193,632	145,120	38,593,495	38,527,103	66,392	1,724,657	1,644,537	80,120

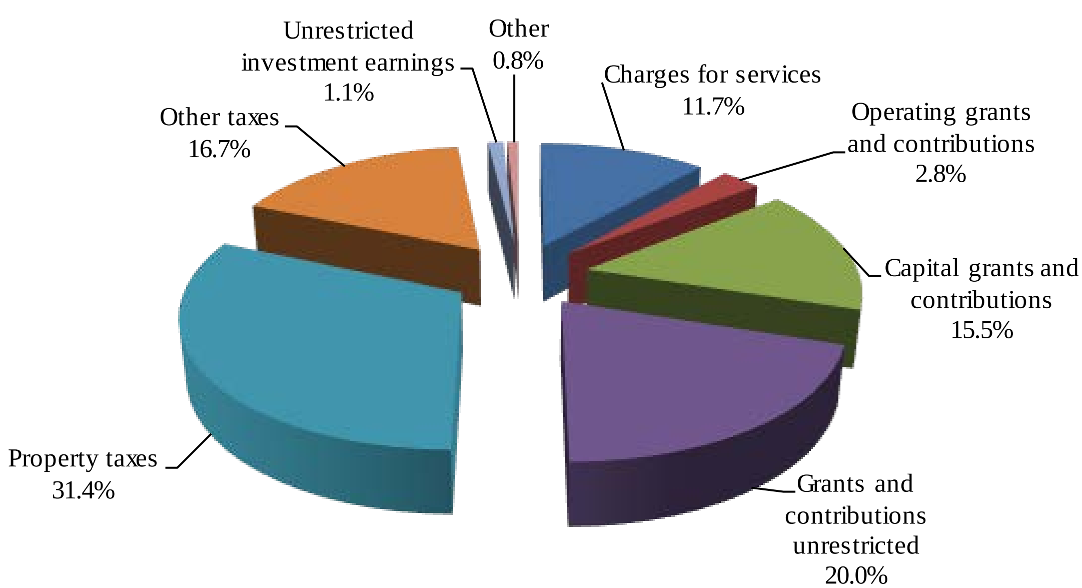
City of New Ulm Changes in Net Position - Continued

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Expenses									
General government	$ 2,289,103	$ 2,095,632	$ 193,471	$ -	$ -	$ -	$ -	$ -	$ -
Public safety	4,246,164	3,109,705	1,136,459	-	-	-	-	-	-
Streets and highways	4,427,420	4,592,583	(165,163)	-	-	-	-	-	-
Sanitation and waste removal	159,474	154,890	4,584	-	-	-	-	-	-
Culture and recreation	4,377,771	4,246,938	130,833	-	-	-	-	-	-
Miscellaneous	2,088,465	2,004,222	84,243	-	-	-	-	-	-
Interest and other costs	536,178	562,106	(25,928)	-	-	-	-	-	-
Electric	-	-	-	22,604,901	21,527,326	1,077,575	-	-	-
District energy	-	-	-	856,172	898,579	(42,407)	-	-	-
Natural gas	-	-	-	6,587,263	6,875,980	(288,717)	-	-	-
Water	-	-	-	2,684,643	2,576,597	108,046	-	-	-
Wastewater	-	-	-	3,124,604	3,172,903	(48,299)	-	-	-
Housing development	-	-	-	-	-	-	1,353,272	1,392,060	(38,788)
Total expenses	18,124,575	16,766,076	1,358,499	35,857,583	35,051,385	806,198	1,353,272	1,392,060	(38,788)
Change in net position	3,214,177	4,427,556	(1,213,379)	2,735,912	3,475,718	(739,806)	371,385	252,477	118,908
Net position - January 1 as restated (Note X)	90,039,154	85,611,598	4,427,556	75,961,750	71,519,451	4,442,299	5,798,198	5,545,721	252,477
Prior period adjustment (Note X)	-	-	-	-	966,581	(966,581)	-	-	-
Net position - December 31	$ 93,253,331	$ 90,039,154	$ 3,214,177	$ 78,697,662	$ 75,961,750	$ 2,735,912	$ 6,169,583	$ 5,798,198	$ 371,385

Expenses and Program Revenues - Governmental Activities

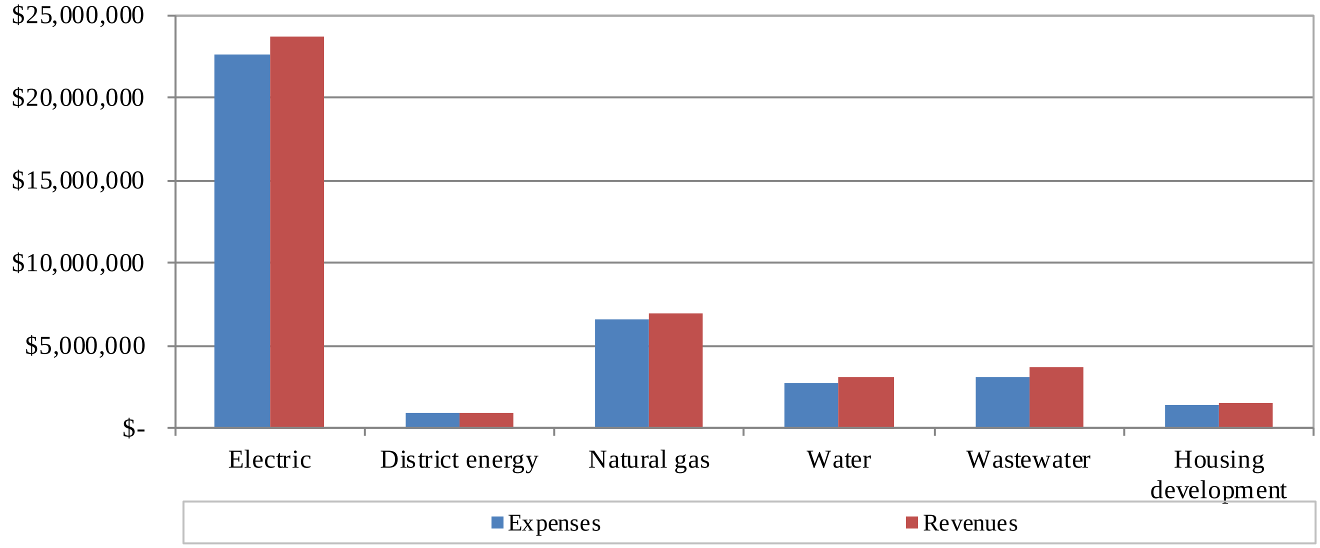


Revenues by Source - Governmental Activities

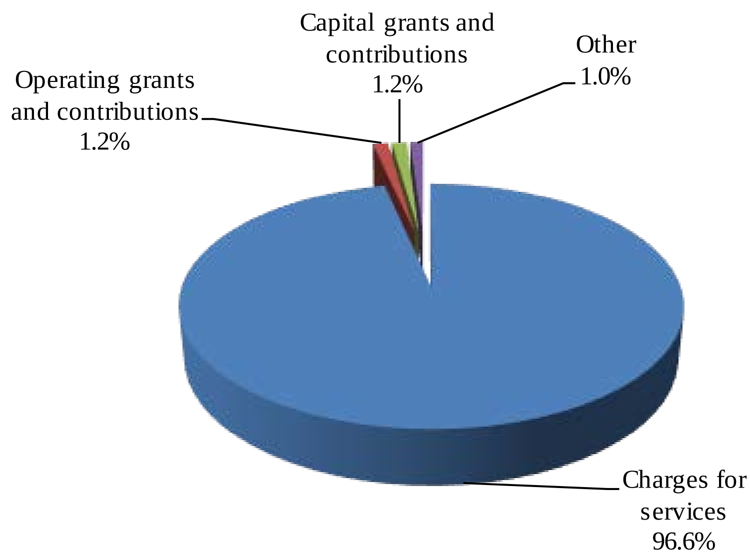


Component unit activities. Component unit (business-type) activities increased the City's net position by $3,107,297, of which $371,385 relates to the EDA. The key element of the EDA increase is due to an increase in government funding for Section 8.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. All major governmental funds are discretely presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds may be found starting on page 50.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $25,532,851, an increase of $190,384 in comparison with the prior year. Approximately 26.1 percent ($6,665,895) of this total amount constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is 1) Nonspendable ($568,478), 2) Restricted ($9,563,918), 3) Committed ($6,368,663), and Assigned ($2,365,897).

The General fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General fund was $7,426,301, while total fund balance reached $8,241,173. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81.3 percent of total General fund expenditures, while total fund balance represents 90.3 percent of that same amount.

The fund balance of the City's General fund increased by $699,547 during the current fiscal year. The key factors in this change were:

- Licenses and permits, fire and police aids, and charges for services revenues were significantly higher than budget.
- Personal services were kept under budget due to a number of staffing changes and some projects not completed as expected.

The *Economic Development Loan Program fund* has a total fund balance of $1,949,219, which is all restricted for economic development. The fund had an increase in fund balance of $19,690. This increase was due to investment earnings net of a payment on a loan due to the State of Minnesota.

The *Park and Recreation fund* (P&R) is the fund that operates all of the parks and three recreational and community activity facilities. At the end of the current year, total fund balance reached $1,357,496. As a measure of the P&R fund's liquidity, it may be useful to compare fund balance to total fund expenditures. At year end fund balance represents 38.4 percent of total fund expenditures. The fund balance of the fund decreased by $525,116 during the current fiscal year. The key factor in this decrease was due to a number of capital projects that were budgeted to use fund balance. An increase in charges for services and donations offset a portion of this decrease.

The *TIF District funds* has an ending fund deficit of $486,414, which is an increase in the deficit of $66,955 from the prior year which is due to debt payments exceeding tax increment revenues.

The *Sales Tax Revenue fund* has an ending fund balance of $3,983,273, which is an increase of $422,628 from the prior year. Sales tax revenues continue to exceed expenditures and transfers out.

The *Bond Sinking fund* has a total fund balance of $1,567,283, which is all restricted for debt service. The fund had a decrease in fund balance of $818,342. This decrease was due to previous collection of prepaid assessments and transfers out to various nonmajor debt service funds to cover bond payments.

The *Capital Improvement fund* is the fund that accounts for funds to be used to acquire or replace buildings, equipment or other improvements for City operations. At the end of the current year, total fund balance was $4,979,435, a decrease of $88,169 during the current fiscal year. The key factor in this decrease was the planned use of reserves in 2016.

The *Airport Runway Extension fund* had an ending fund balance deficit of $271,539 which decreased $119,964 during the current fiscal year. This decrease in the deficit is due to airport projects being completed. The deficit will be reduced with future grant reimbursements and City contributions.

The *Airport Primary Runway fund* had an ending fund balance of $270,712 which was due to an increase in fund balance of $157,367 during the current fiscal year. This increase is due to airport projects being completed.

The *2014 Bonds fund* had an ending fund balance of $334,358, which was an increase in fund balance of $57,394. This was a result of grant dollars received during the year.

The *2015 Bonds fund* had an ending fund balance of $604,481, which was a decrease in fund balance of $35,116. This was a result of construction costs in excess of grant dollars received during the year.

The *2016 Bonds fund* had an ending fund balance of $369,534, which is related to the bond proceeds and other revenues in excess of construction costs.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $228,485 in increases in appropriations for the General fund and can be briefly summarized as follows:

- $70,000 increase in Federal grants for airport expansion.
- There were many adjustments made in 2016 to all departments due to projects not completed in 2015 of which most can be attributed to engineering projects at the airport.

Any increase was funded from available fund balance due to appropriations not used in the previous year. During the year, however, revenues were over budget and expenditures were under budget, which allowed a large increase in fund balance to be used.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and component unit activities as of December 31, 2016, amounts to $149,939,106 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, computer equipment, and infrastructure (roads, highways, and bridges). The total increase in the City's investment in capital assets for the current fiscal year was 0.9 percent (a 2.1 percent increase for governmental activities and a 0.5 percent decrease for the component unit activities).

Major capital asset events during the current fiscal year included the following:

- Infrastructure capital improvement projects of over $4.0 million
- Purchase of a ladder truck for the fire department

City of New Ulm Capital Assets
(net of accumulated depreciation)

	Governmental Activities			Component Unit Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	$ 8,851,350	$ 8,845,450	$ 5,900	$ 1,615,251	$ 1,615,251	$ -
Non-exhaustible monuments	30,000	30,000	-	-	-	-
Buildings	13,780,812	14,290,033	(509,221)	4,175,591	4,507,684	(332,093)
Improvement other than buildings	1,344,232	1,322,342	21,890	131,427	142,360	(10,933)
Infrastructure/PUC plant	55,484,565	54,495,383	989,182	55,392,096	55,160,351	231,745
Machinery and equipment	3,085,799	2,260,194	825,605	4,333,140	4,406,445	(73,305)
Office furniture and equipment	27,192	34,559	(7,367)	32,507	23,445	9,062
Park equipment	494,023	259,022	235,001	-	-	-
Construction in progress	889,690	759,834	129,856	271,431	441,604	(170,173)
Total	$ 83,987,663	$ 82,296,817	$ 1,690,846	$ 65,951,443	$ 66,297,140	$ (345,697)

Additional information on the City's capital assets can be found in Note III C of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $23,964,366. The following is a breakdown of the debt outstanding.

City of New Ulm Outstanding Debt

	Governmental Activities			Component Unit Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
G.O. improvement bonds	$ 13,860,000	$ 15,011,500	$ (1,151,500)	$ -	$ -	$ -
General obligation revenue bonds	2,650,000	3,245,000	(595,000)	7,191,000	8,156,500	(965,500)
Equity loans and bonds	-	-	-	-	384,788	(384,788)
Notes	-	10,984	(10,984)	-	-	-
Special assessments	263,366	307,261	(43,895)	-	37,757	(37,757)
Total	$ 16,773,366	$ 18,574,745	$ (1,801,379)	$ 7,191,000	$ 8,579,045	$ (1,388,045)

The City's total debt (including component units) decreased by $3,189,424 (11.7 percent) during the current fiscal year. The key factor in this decrease was debt retired exceeding debt issued.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is $24,297,294 which is significantly in excess of the City's outstanding general obligation debt that fits this category.

Additional information on the City's long-term debt can be found in Note III E of this report.

Economic Factors and Next Year's Budgets and Rates

The City has a strong manufacturing segment, including Fortune 500 companies such as Kraft Foods, 3M, Firmenich Inc., Associated Milk Producers, Inc.; it is the home to Minnesota Valley Testing Laboratories, Schell's Brewery, J & R Schugel Trucking, Associated Milk Producers, Inc.'s (including AMPI's Corporate Office), Elkay Wood Products Company and other local and regional manufacturing companies. The above noted companies have continued to have a positive impact on the community.

The New Ulm Medical Center and clinic continues to provide exceptional medical services through the Allina network.

The City has been successful in promoting tourism within the City and region. It promotes several events such as its Bavarian Blast, Octoberfest and Fasching (traditional German "Mardi Gras" celebration), as well as its unique architecture and retail shops which focus on the City's German heritage. In addition, it hosts an annual Minnesota Music Festival sponsored by the Minnesota Music Hall of Fame.

- The unemployment rate for Brown County, where the City is located, is currently 5.4 percent, which is higher than the rate of 4.1 percent a year ago. This compares both unfavorably to the State's average unemployment rate of 3.9 percent and the national average rate of 4.7 percent.

- Inflationary trends in the region are comparable to national indices.

- The occupancy rate of the EDA's Public Housing and Market Rate Housing projects is at 98 to 100 percent for the past three years.

- The City issued building permits with an estimated value of approximately $25,199,112 which was 34 percent lower than the valuation of building permits issued in 2015.

The City's appointed officials considered many factors when setting the fiscal year 2017 budget, rates, and fees that will be charged, including many of the items above. The major factors considered when adopting the 2017 budget were capital expenditures and debt service requirements. Due to the changes mentioned above, the overall tax levy increased by $207,332 for calendar year 2017.

Requests for Information

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions concerning any of the information provided in this report or requests for additional financial information, contact the Finance Director, City of New Ulm, 100 North Broadway, New Ulm, MN 56073.

CITY OF NEW ULM, MINNESOTA
Statement of Net Position
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Public Utilities Commission	Economic Development Authority
Assets			
Cash and investments	$ 27,012,927	$ 21,780,650	$ 1,775,227
Restricted cash and investments	-	3,554,201	35,527
Receivables			
Interest	122,670	-	8,198
Delinquent taxes	129,805	-	1,822
Accounts	355,667	4,110,365	5,888
Notes	597,848	7,176	-
Special assessments	4,971,467	49,300	-
Intergovernmental	1,095,327	1,298,645	-
Due from component unit/primary government	-	-	466,000
Inventories	100,158	2,461,744	-
Prepaid items	35,455	116,010	42,126
Pension asset	526,398	-	-
Assets held for resale	-	-	308,322
Capital assets			
Nondepreciable assets	9,771,040	819,010	1,067,672
Depreciable assets, net of accumulated depreciation	74,216,623	61,165,109	2,899,652
Total assets	118,935,385	95,362,210	6,610,434
Deferred outflows of resources			
Deferred pension resources	6,628,977	2,293,058	7,314
Liabilities			
Accounts payable	323,285	2,732,476	23,606
Contracts payable	-	36,600	-
Retainage payable	261,788	-	-
Due to component unit/primary government	272,924	193,076	268,475
Due to other governments	80,082	84,479	44,426
Accrued interest payable	29,813	36,209	1,321
Accrued salaries payable	253,607	228,377	9,264
Accrued items	-	18,921	-
Deposits payable	35,625	23,670	31,373
Unearned revenue	27,342	231,775	1,354
Noncurrent liabilities			
Due within one year	3,712,736	914,533	3,338
Due in more than one year	25,684,080	13,517,130	53,496
Total liabilities	30,681,282	18,017,246	436,653
Deferred inflows of resources			
Deferred pension resources	1,629,749	940,360	11,512
Net position			
Net investment in capital assets	67,039,018	54,749,439	3,698,849
Restricted			
Capital improvements	270,712	3,431,038	-
Library programs	3,511	-	-
Parkland dedication	173,024	-	-
Economic development	3,072,640	-	-
Maintain parking areas	470,354	-	-
Sales tax projects	3,983,273	-	-
Debt service	6,387,295	159,125	-
Housing vouchers	-	-	5,018
Unrestricted	11,853,504	20,358,060	2,465,716
Total net position	$ 93,253,331	$ 78,697,662	$ 6,169,583

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

CITY OF NEW ULM, MINNESOTA
Statement of Activities
For the year ended December 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Component Units	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Public Utilities Commission**	**Economic Development Authority**
Primary government							
Governmental activities							
General government	$ 2,289,103	$ 499,269	$ 160,816	$ 6,179	$ (1,622,839)		
Public safety	4,246,164	264,607	316,475	-	(3,665,082)		
Streets and highways	4,427,420	32,851	39,308	2,914,410	(1,440,851)		
Sanitation and waste removal	159,474	146,285	220	-	(12,969)		
Culture and recreation	4,377,771	1,030,685	39,444	108,628	(3,199,014)		
Economic development	-	20,591	-	-	20,591		
Miscellaneous	2,088,465	511,727	43,377	276,344	(1,257,017)		
Interest and other costs	536,178	-	-	-	(536,178)		
Total primary government	$ 18,124,575	$ 2,506,015	$ 599,640	$ 3,305,561	(11,713,359)		
Component units							
Business-type activities							
Electric	$ 22,604,901	$ 23,425,890	$ 16,508	$ 202,509		$ 1,040,006	$ -
District energy	856,172	973,237	297	-		117,362	-
Natural gas	6,587,263	6,864,447	5,088	21,977		304,249	-
Water	2,684,643	2,997,732	3,854	106,873		423,816	-
Wastewater	3,124,604	3,632,459	5,312	92,407		605,574	-
Housing development	1,353,272	1,045,443	453,939	75,209		-	221,319
Total component units	$ 37,210,855	$ 38,939,208	$ 484,998	$ 498,975		2,491,007	221,319
General revenues							
Property taxes, levied for general purposes					4,436,475	-	116,868
Property taxes, levied for debt service					2,258,619	-	-
Special service district tax					42,975	-	-
Tax increments					134,831	-	-
Sales tax					1,113,853	-	-
Hotel-motel taxes					141,963	-	-
Payment in lieu of taxes					1,873,145	-	-
Franchise taxes					250,549	-	-
Grants and contributions not restricted to specific programs					4,264,062	-	241
Unrestricted investment earnings					231,882	228,695	13,121
Other					-	-	19,384
Gain on sale of capital assets					179,182	16,210	452
Total general revenues					14,927,536	244,905	150,066
Change in net position					3,214,177	2,735,912	371,385
Net position, January 1, as restated (Note X)					90,039,154	74,663,105	5,798,198
Prior period adjustment (Note X)					-	1,298,645	-
Net position, December 31					$ 93,253,331	$ 78,697,662	$ 6,169,583

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

CITY OF NEW ULM, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2016

		Special Revenue				Debt Service	Capital Projects							
	General	**Economic Development Loan Program**	**Park and Recreation**	**TIF Districts**	**Sales Tax Revenue**	**Bond Sinking**	**Capital Improvement**	**Airport Runway Extension**	**Airport Primary Runway**	**2014 Bonds**	**2015 Bonds**	**2016 Bonds**	**Other Governmental Funds**	**Total Governmental Funds**
Assets														
Cash and investments	$ 7,835,246	$ 1,560,130	$ 1,535,788	$ 121,468	$ 3,744,447	$ 1,567,283	$ 4,979,495	$ (442,089)	$ (76,020)	$ 462,721	$ 633,435	$ 423,239	$ 2,412,962	$ 24,758,105
Receivables														
Interest	122,670	-	-	-	-	-	-	-	-	-	-	-	-	122,670
Delinquent taxes	47,014	-	13,227	-	-	41,131	2,331	-	-	-	-	-	26,102	129,805
Accounts	297,437	-	50,148	-	5,809	-	-	-	-	-	-	-	2,273	355,667
Notes, net of allowance	-	365,089	-	-	-	-	-	-	-	-	-	-	232,759	597,848
Special assessments	199,874	-	-	-	-	4,508,227	-	-	-	-	-	-	263,366	4,971,467
Intergovernmental	294,262	-	-	-	233,017	-	-	170,550	346,732	451	12,029	38,286	-	1,095,327
Advances to other funds	-	24,000	-	-	-	-	-	-	-	-	-	-	-	24,000
Prepaid items	20,672	-	2,750	-	-	-	-	-	-	-	-	-	12,033	35,455
Total assets	$ 8,817,175	$ 1,949,219	$ 1,601,913	$ 121,468	$ 3,983,273	$ 6,116,641	$ 4,981,826	$ (271,539)	$ 270,712	$ 463,172	$ 645,464	$ 461,525	$ 2,949,495	$ 32,090,344
Liabilities														
Accounts payable	$ 90,544	$ -	$ 169,299	$ 42,900	$ -	$ -	$ 60	$ -	$ -	$ -	$ -	$ -	$ 5,632	$ 308,435
Contracts payable	-	-	-	-	-	-	-	-	-	128,814	-	-	-	128,814
Retainage payable	-	-	-	-	-	-	-	-	-	-	40,983	91,991	-	132,974
Due to other funds	3,809	-	-	-	-	-	-	-	-	-	-	-	-	3,809
Advances from other funds	-	-	-	24,000	-	-	-	-	-	-	-	-	-	24,000
Advances from component unit	-	-	-	466,000	-	-	-	-	-	-	-	-	-	466,000
Due to other governments	-	-	4,957	74,982	-	-	-	-	-	-	-	-	143	80,082
Accrued salaries payable	184,784	-	43,944	-	-	-	-	-	-	-	-	-	20,412	249,140
Deposits payable	35,625	-	-	-	-	-	-	-	-	-	-	-	-	35,625
Unearned revenue	14,352	-	12,990	-	-	-	-	-	-	-	-	-	-	27,342
Total liabilities	329,114	-	231,190	607,882	-	-	60	-	-	128,814	40,983	91,991	26,187	1,456,221
Deferred inflows of resources														
Unavailable revenue														
Taxes	47,014	-	13,227	-	-	41,131	2,331	-	-	-	-	-	26,102	129,805
Special assessments	199,874	-	-	-	-	4,508,227	-	-	-	-	-	-	263,366	4,971,467
Total deferred inflows of resources	246,888	-	13,227	-	-	4,549,358	2,331	-	-	-	-	-	289,468	5,101,272
Fund balances														
Nonspendable														
Prepaid items	20,672	-	2,750	-	-	-	-	-	-	-	-	-	12,033	35,455
Perpetual care	-	-	-	-	-	-	-	-	-	-	-	-	533,023	533,023
Restricted														
Capital improvement	-	-	-	-	-	-	-	-	270,712	-	-	-	-	270,712
Library programs	-	-	-	-	-	-	-	-	-	-	-	-	3,511	3,511
Parkland dedication	-	-	173,024	-	-	-	-	-	-	-	-	-	-	173,024
Economic development	-	1,949,219	-	-	-	-	-	-	-	-	-	-	1,123,421	3,072,640
Maintain parking areas	-	-	-	-	-	-	-	-	-	-	-	-	456,374	456,374
Sales tax projects	-	-	-	-	3,983,273	-	-	-	-	-	-	-	-	3,983,273
Debt service	-	-	-	2,453	-	1,567,283	-	-	-	-	-	-	34,648	1,604,384
Committed														
Capital improvement	-	-	-	-	-	-	4,979,435	-	-	334,358	604,481	369,534	-	6,287,808
Library programs	-	-	-	-	-	-	-	-	-	-	-	-	71,541	71,541
Fire fighting	-	-	-	-	-	-	-	-	-	-	-	-	9,314	9,314
Assigned														
Park and recreation services	-	-	1,181,722	-	-	-	-	-	-	-	-	-	-	1,181,722
Library services	-	-	-	-	-	-	-	-	-	-	-	-	314,798	314,798
Library programs	-	-	-	-	-	-	-	-	-	-	-	-	13,167	13,167
DARE program	-	-	-	-	-	-	-	-	-	-	-	-	59,199	59,199
Fire fighting	-	-	-	-	-	-	-	-	-	-	-	-	2,811	2,811
Subsequent year budgeted deficit	794,200	-	-	-	-	-	-	-	-	-	-	-	-	794,200
Unassigned	7,426,301	-	-	(488,867)	-	-	-	(271,539)	-	-	-	-	-	6,665,895
Total fund balances	8,241,173	1,949,219	1,357,496	(486,414)	3,983,273	1,567,283	4,979,435	(271,539)	270,712	334,358	604,481	369,534	2,633,840	25,532,851
Total liabilities, deferred inflows of resources and fund balances	$ 8,817,175	$ 1,949,219	$ 1,601,913	$ 121,468	$ 3,983,273	$ 6,116,641	$ 4,981,826	$ (271,539)	$ 270,712	$ 463,172	$ 645,464	$ 461,525	$ 2,949,495	$ 32,090,344

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

CITY OF NEW ULM, MINNESOTA
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2016

Amounts reported for governmental activities in the statement of net position are different because	
Total fund balances - governmental funds	$ 25,532,851
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	81,476,897
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Severance payable	(497,016)
Other post employment benefit obligation	(290,395)
Special assessments payable	(263,366)
Bond principal payable	(16,205,000)
Notes payable	(305,000)
Pension liability	(11,531,461)
Bond discounts, net of accumulated amortization	67,304
Bond premiums, net of accumulated amortization	(242,583)
Certain long-term receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	129,805
Special assessments receivable	4,971,467
Governmental funds do not report long-term amounts related to pensions.	
Pension asset	526,398
Deferred outflows of pension resources	6,582,776
Deferred inflows of pension resources	(1,611,718)
Governmental funds do not report a liability for accrued interest until due and payable.	(29,813)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	4,942,185
Total net position - governmental activities	$ 93,253,331

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

CITY OF NEW ULM, MINNESOTA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2016

		Special Revenue				Debt Service	Capital Projects							
	General	**Economic Development Loan Program**	**Park and Recreation**	**TIF Districts**	**Sales Tax Revenue**	**Bond Sinking**	**Capital Improvement**	**Airport Runway Extension**	**Airport Primary Runway**	**2014 Bonds**	**2015 Bonds**	**2016 Bonds**	**Other Governmental Funds**	**Total Governmental Funds**
Revenues														
Taxes	$ 4,586,335	$ -	$ 1,136,647	$ 134,831	$ 1,113,853	$ 2,221,461	$ 281,041	$ -	$ -	$ -	$ -	$ -	$ 761,066	$ 10,235,234
Special assessments	40,435	-	-	-	-	1,073,151	-	-	-	-	-	-	98,626	1,212,212
Licenses and permits	271,266	-	-	-	-	-	-	-	-	-	-	-	-	271,266
Intergovernmental	3,699,471	-	876,215	-	-	-	214,304	119,816	156,528	62,636	365,282	497,850	25,931	6,018,033
Contribution from component unit	-	-	-	-	-	-	-	-	-	-	-	413,450	-	413,450
Charges for services	841,821	-	993,091	-	-	-	4,905	-	-	-	-	-	43,297	1,883,114
Fines and forfeitures	89,536	-	-	-	-	-	-	-	-	-	-	-	24,545	114,081
Investment earnings	64,439	30,728	14,471	960	35,983	4,419	45,474	4,015	1,414	3,913	6,787	413	19,449	232,465
Miscellaneous	179,371	-	123,538	-	-	-	945	-	-	-	475	3,118	35,625	343,072
Total revenues	9,772,674	30,728	3,143,962	135,791	1,149,836	3,299,031	546,669	123,831	157,942	66,549	372,544	914,831	1,008,539	20,722,927
Expenditures														
Current														
General government	2,210,736	-	-	-	-	-	-	-	-	-	-	-	-	2,210,736
Public safety	3,177,739	-	-	-	-	-	-	-	-	-	-	-	7,068	3,184,807
Streets and highways	2,258,879	-	-	-	-	-	-	-	-	-	399,110	-	-	2,657,989
Sanitation and waste removal	171,787	-	-	-	-	-	-	-	-	-	-	-	-	171,787
Culture and recreation	-	-	2,997,101	-	-	-	-	-	-	-	-	-	669,607	3,666,708
Miscellaneous	1,205,055	-	-	122,717	27,500	-	-	-	-	-	-	-	85,459	1,440,731
Capital outlay														
Public safety	67,920	-	-	-	-	-	900,419	-	-	-	-	-	-	968,339
Streets and highways	-	-	-	-	-	-	-	-	-	9,155	8,550	3,392,365	-	3,410,070
Culture and recreation	-	-	536,977	-	-	-	-	-	-	-	-	-	129,609	666,586
Miscellaneous	38,671	-	-	-	-	-	-	-	-	-	-	-	-	38,671
Debt service														
Principal	-	10,984	-	43,895	-	-	-	-	-	-	-	-	4,941,500	4,996,379
Interest	-	54	-	36,134	-	-	-	3,867	575	-	-	-	436,689	477,319
Bond issuance costs and fees	-	-	-	-	-	2,760	-	-	-	-	-	43,112	4,658	50,530
Total expenditures	9,130,787	11,038	3,534,078	202,746	27,500	2,760	900,419	3,867	575	9,155	407,660	3,435,477	6,274,590	23,940,652
Excess (deficiency) of revenues over (under) expenditures	641,887	19,690	(390,116)	(66,955)	1,122,336	3,296,271	(353,750)	119,964	157,367	57,394	(35,116)	(2,520,646)	(5,266,051)	(3,217,725)
Other financing sources (uses)														
Sales of capital assets	7,660	-	-	-	-	-	130,581	-	-	-	-	-	-	138,241
Transfers in	50,000	-	-	-	-	60,000	135,000	-	-	-	-	-	4,874,321	5,119,321
Bonds issued	-	-	-	-	-	-	-	-	-	-	-	2,875,000	320,000	3,195,000
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-	-	65,180	9,688	74,868
Transfers out	-	-	(135,000)	-	(699,708)	(4,174,613)	-	-	-	-	-	(50,000)	(60,000)	(5,119,321)
Total other financing sources (uses)	57,660	-	(135,000)	-	(699,708)	(4,114,613)	265,581	-	-	-	-	2,890,180	5,144,009	3,408,109
Net change in fund balances	699,547	19,690	(525,116)	(66,955)	422,628	(818,342)	(88,169)	119,964	157,367	57,394	(35,116)	369,534	(122,042)	190,384
Fund balances, January 1	7,541,626	1,929,529	1,882,612	(419,459)	3,560,645	2,385,625	5,067,604	(391,503)	113,345	276,964	639,597	-	2,755,882	25,342,467
Fund balances, December 31	$ 8,241,173	$ 1,949,219	$ 1,357,496	$ (486,414)	$ 3,983,273	$ 1,567,283	$ 4,979,435	$ (271,539)	$ 270,712	$ 334,358	$ 604,481	$ 369,534	$ 2,633,840	$ 25,532,851

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

CITY OF NEW ULM, MINNESOTA
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the year ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - governmental funds	$	190,384
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Capital outlay		5,748,463
Depreciation expense		(4,077,477)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments		4,996,379
Debt issued or incurred		(3,195,000)
Premium on bonds issued, net of amortization		(50,060)
Discount on bonds issued, net of amortization		(39,929)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		6,792
Long-term pension activity is not reported in governmental funds.		
Pension expense		(1,049,926)
Direct aid contributions		33,418
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes/tax increments		17,176
Special assessments		366,041
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Other post employment benefit amortization		(33,188)
Compensated absences		8,495
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.		292,609
Change in net position - governmental activities	$	3,214,177

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

CITY OF NEW ULM, MINNESOTA
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General and Park and Recreation Funds
For the year ended December 31, 2016

	General				Park and Recreation			
	Budgeted Amounts				Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget	Original	Final	Actual Amounts	Variance with Final Budget
Revenues								
Taxes	$ 4,572,716	$ 4,572,716	$ 4,586,335	$ 13,619	$ 1,146,341	$ 1,146,341	$ 1,136,647	$ (9,694)
Special assessments	24,000	24,000	40,435	16,435	-	-	-	-
Licenses and permits	229,600	229,600	271,266	41,666	-	-	-	-
Intergovernmental	3,762,659	3,832,659	3,699,471	(133,188)	876,143	876,143	876,215	72
Charges for services	754,909	754,909	841,821	86,912	881,500	881,500	993,091	111,591
Fines and forfeitures	68,000	68,000	89,536	21,536	-	-	-	-
Investment earnings	59,100	59,100	64,439	5,339	18,000	18,000	14,471	(3,529)
Miscellaneous	57,400	57,400	179,371	121,971	13,200	13,200	123,538	110,338
Total revenues	9,528,384	9,598,384	9,772,674	174,290	2,935,184	2,935,184	3,143,962	208,778
Expenditures								
Current								
General government	2,252,092	2,260,829	2,210,736	50,093	-	-	-	-
Public safety	3,208,965	3,208,965	3,177,739	31,226	-	-	-	-
Streets and highways	2,360,427	2,360,427	2,258,879	101,548	-	-	-	-
Sanitation and waste removal	144,417	144,417	171,787	(27,370)	-	-	-	-
Culture and recreation	-	-	-	-	2,895,984	2,979,361	2,997,101	(17,740)
Miscellaneous	1,279,980	1,327,996	1,205,055	122,941	-	-	-	-
Capital outlay	2,345,500	2,517,232	106,591	2,410,641	601,200	1,077,736	536,977	540,759
Total expenditures	11,591,381	11,819,866	9,130,787	2,689,079	3,497,184	4,057,097	3,534,078	523,019
Excess (deficiency) of revenues over (under) expenditures	(2,062,997)	(2,221,482)	641,887	2,863,369	(562,000)	(1,121,913)	(390,116)	731,797
Other financing sources (uses)								
Sales of capital assets	-	-	7,660	7,660	-	-	-	-
Transfers in	50,000	50,000	50,000	-	-	-	-	-
Transfers out	-	-	-	-	-	(135,000)	(135,000)	-
Total other financing sources (uses)	50,000	50,000	57,660	7,660	-	(135,000)	(135,000)	-
Net change in fund balances	(2,012,997)	(2,171,482)	699,547	2,871,029	(562,000)	(1,256,913)	(525,116)	731,797
Fund balances, January 1	7,541,626	7,541,626	7,541,626	-	1,882,612	1,882,612	1,882,612	-
Fund balances, December 31	$ 5,528,629	$ 5,370,144	$ 8,241,173	$ 2,871,029	$ 1,320,612	$ 625,699	$ 1,357,496	$ 731,797

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

CITY OF NEW ULM, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2016

	Internal Service Funds
Assets	
Current assets	
Cash and investments	$ 3,121,214
Receivables	
Accounts	2,957
Due from other funds	3,809
Inventories	100,158
Total current assets	3,228,138
Noncurrent assets	
Capital assets	
Buildings and structures	1,816,748
Machinery and equipment	5,321,725
Accumulated depreciation	(4,627,707)
Total noncurrent assets	2,510,766
Total assets	5,738,904
Deferred outflows of resources	
Deferred pension resources	46,201
Liabilities	
Current liabilities	
Accounts payable	143,100
Accrued salaries payable	4,467
Claims incurred but not paid	18,921
Unearned revenue	226,619
Total current liabilities	393,107
Noncurrent liabilities	
Pension liability	129,299
Total liabilities	522,406
Deferred inflows of resources	
Deferred pension resources	18,031
Net position	
Investment in capital assets	2,510,766
Unrestricted	2,733,902
Total net position	$ 5,244,668

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

CITY OF NEW ULM, MINNESOTA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2016

	Internal Service Funds
Operating revenues	
Charges for services	$ 1,020,554
Pension revenue	503
Insurance premiums	2,425,530
Insurance refunds	5,847
Total operating revenues	3,452,434
Operating expenses	
Administrative and general	196,641
Insurance premiums	2,198,301
Self funded claims	185,317
Vehicle maintenance	249,393
Depreciation	388,224
Total operating expenses	3,217,876
Operating income (loss)	234,558
Non-operating revenues (expenses)	
State other aid	308
Gain on sale of assets	40,941
Investment income	25,657
Miscellaneous income	8,520
Total non-operating revenues (expenses)	75,426
Change in net position	309,984
Net position	
January 1	4,934,684
December 31	$ 5,244,668

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

CITY OF NEW ULM, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2016

	Internal Service Funds
Cash flows from operating activities	
Receipts from interfund services provided	$ 3,478,387
Grant receipts	308
Payments to suppliers and interfund services provided	(270,313)
Payments to and on behalf of employees	(2,553,054)
Other receipts	14,367
Net cash provided (used) by operating activities	669,695
Cash flows from non-capital financing activities	
Increase (decrease) in due from other funds	(2,497)
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	44,055
Acquisition of capital assets	(411,198)
Net cash provided (used) by capital and related financing activities	(367,143)
Cash flows from investing activities	
Interest income received	25,657
Net increase (decrease) in cash and cash equivalents	325,712
Cash and cash equivalents	
January 1	2,795,502
December 31	$ 3,121,214
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	$ 234,558
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Other income related to operations	8,828
Depreciation	388,224
(Increase) decrease in assets	
Accounts receivable	4,762
Inventory	(738)
(Increase) decrease in deferred outflows of resources	
Deferred pension resources	(36,597)
(Decrease) increase in liabilities	
Accounts payable	996
Accrued salaries payable	787
Claims incurred, but not paid	(1,128)
Unearned revenue	27,541
Pension liability	45,292
(Decrease) increase in deferred inflows of resources	
Deferred pension resources	(2,830)
Net cash provided (used) by operating activities	$ 669,695
Schedule of noncash investing, capital and financing activities	
Book value of disposed/traded capital assets	$ 3,114

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

CITY OF NEW ULM, MINNESOTA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

		Agency
Assets		
Cash and investments	$	446,827
Due from other governments		46,917
Total assets	$	493,744
Liabilities		
Accounts payable	$	38,819
Due to other entities		454,925
Total liabilities	$	493,744

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of New Ulm, Minnesota (the City) is a municipal corporation that operates under a Home Rule Charter adopted on September 30, 1952. The City is governed by a Mayor-Council-Manager form of government; the Mayor and Council President are elected on an at-large basis and the four other Councilors are elected on a Ward basis. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United State of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The component units consist of the Public Utilities Commission *(PUC)* and the Economic Development Authority *(EDA)*, which have December 31 and June 30 year ends, respectively.

Component Units:

Economic Development Authority (EDA) **-** The EDA was created to carry out housing and economic development activities within the City. The seven member governing board (two are City Council members) is appointed by the Council. The Council also approves tax levies and directs the activities of EDA's management. Various city employees, such as, the City Manager, Finance Director, City Attorney and the Housing Coordinator perform key management functions for the EDA. The EDA is a discretely presented component unit presented as a business-type activity as the Board makeup of the entity is not substantially the same as the City Council and does not exclusively provide services to the City.

The ***Public Utilities Commission (PUC)*** serves all the citizens of the City and is governed by a board appointed by the Mayor and confirmed by the Council. The PUC establishes user charges and all other policies and procedures relating to its operations except purchasing and disposing of land, and the issuance of debt. The City Manager exercises control over the PUC's operations and the Finance Director is the Chief Financial Officer for the PUC. Bond issuance authorizations are approved by the Council and the legal liability for the PUC's general obligation debt remains with the City. The PUC is reported as a discretely presented component unit as a business-type activity. The PUC is presented discretely as the Commissioner makeup of the entity is not substantially the same as the City Council and does not exclusively provide services to the City.

Complete financial statements for each of the individual component units may be obtained at the City's finance department, City of New Ulm, 100 North Broadway, New Ulm, Minnesota 56073.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Economic Development Loan Program fund* accounts for the funds dedicated to providing financial assistance to businesses for economic development within the City. Interest on loans and investments are restricted revenue sources.

The *Park and Recreation fund* accounts for the activities associated with maintaining the City's parks and for the operation of various recreation programs. Parkland dedication funds, tax levy and charges for services are committed and restricted revenue sources.

The *TIF Districts fund* was established to account for various improvements and captured property tax increments received that are associated with various tax increment districts and the debt service relating to such districts. Tax increment is restricted revenue sources.

The *Sales Tax Revenue fund* was established to record sales, use and excise tax revenues and transfers to the Bond Fund for debt service associated with General Obligation Sales Tax Revenue Bonds, Series 2009 and for capital projects related to the sales tax referendum projects.

The *Bond Sinking fund* accounts for the resources accumulated for principal and interest payments on long-term general obligation debt of governmental funds.

The *Capital Improvement fund* accounts for funds to be used to acquire or replace buildings, equipment or other improvements for City operations.

The *Airport Runway Extension fund* accounts for funds to be used for the construction of the runway extension at the airport.

The *Airport Primary Runway fund* accounts for funds to be used for the construction of the primary runway at the airport.

The *2014 Bonds fund* accounts for costs associated with projects financed through the issuance of G.O. Improvement Bonds, Series 2014.

The *2015 Bonds fund* accounts for costs associated with projects financed through the issuance of G.O. Improvement Bonds, Series 2015.

The *2016 Bonds fund* accounts for costs associated with projects financed through the issuance of G.O. Improvement Bonds, Series 2016.

Additionally, the City reports the following fund types:

Internal Service funds account for information technology, fleet management and insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's PUC and EDA component units and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position/fund balance

1. Deposits and investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds’ portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.

4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investment policy: The City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. The City’s investment program shall be operated in conformance with federal, state, and other legal requirements, including Minnesota statute 118A.

Safety of principal is the foremost objective of the City’s investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Minnesota statute 118A
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with certain criteria
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in money market checking accounts, shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy. For investments that are not immediately needed or matched to mature with certain cash flows the City will not directly invest in securities maturing more than an average expected life of ten (10) years from the date of purchase or in accordance with state and local statutes and ordinances. Any reserve funds that have longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

In accordance with Minnesota statute 118A.03 on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 22 and are valued using quoted market prices (Level 1 and 2 inputs).

The City has the following recurring fair value measurements as of December 31, 2016:

- U.S. Federal governmental agency securities of $15,521,041 are valued using quoted market prices (Level 1 inputs) which includes the PUC portion of $5,989,023.
- Negotiable certificates of deposit of $21,989,926 are valued using a matrix pricing model (Level 2 inputs) which includes the PUC portion of $8,485,137.

2. Receivables and payables

Property tax levies are set by the Council no later than December of each year and are certified to Brown County for collection in the following year. In Minnesota, Counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, and are recorded as receivables by the City at that date. Revenue from property taxes are accrued and recognized in the year collectible.

Property taxes are levied as of January 1 on property values assessed on the same date. The tax levy is divided into two billings: the first billing (due on May 15) and the second billing (due on October 15). The billings are considered past due after the respective due dates at which time penalties and interest are assessed. The County provides tax settlements to cities and other taxing districts normally during the months of June, July, November and December. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and are offset by a deferred inflow of resources in the governmental fund financial statements.

Accounts receivable include amounts billed for services provided before year end. Unbilled PUC receivables are also included for services provided in 2016. Uncollectible amounts are not material and as such, no allowance for uncollectible accounts have been recorded.

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and prepaid items

The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased. The costs of the PUC inventories are valued at the lower of cost using the average cost method, or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the PUC revenue bonds, as well as certain resources set aside for their repayment and capital improvements, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities (PUC and EDA component units) columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 (primary government), $5,000 (PUC), and $1,000 (EDA) (amount not rounded) and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	**Years**
Land improvements	15 to 25
Buildings and structures	20 to 40
Roads	25 to 40
Curb and gutter	20 to 40
Bridges	40 to 70
Sidewalks	20 to 40
Sewer mains/lift stations	40 to 50
Street lights	30
Machinery and equipment	5 to 10
Office equipment/furniture and fixtures	3 to 10
Computer equipment/software	3
Playground equipment/fencing	5 to 25
Vehicles	5 to 10
Exhaustible monuments/historical landmarks	25
Non-exhaustible monuments/historical landmarks	Non-depreciable

6. *Deferred outflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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 then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

7. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At termination of employment, a percentage of an employee's unpaid accumulated sick leave is paid based upon the average hours of sick leave used by such employee. Compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2016 was $497,016 and $487,578 for the City and PUC, respectively. For the most part, the General, Park and Recreation and Library funds are typically used to liquidate governmental compensated absences payable.

8. *Postemployment benefits other than pensions*

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at December 31, 2014.

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.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by New Ulm Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

10. *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 recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

11. Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

12. Fund balance

In the 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 the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers 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 balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

13. Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

14. Payment in lieu of taxes

Revenues include payments in lieu of property taxes paid from the PUC to the City as required in the City Charter Section 235. Five percent of the specified receipts from sources of the utilities shall be paid over to the City Treasurer monthly. Total PUC payments to the City were $1,873,145 and $1,859,079 for 2016 and 2015, respectively.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund; select special revenue funds including the Library, Park and Recreation, Parking Meter and DARE special revenue funds; and the Bond Sinking debt service fund. No budget is adopted for the Economic Development Loan Program special revenue fund because it is not legally required to do so. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 30, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted between November 20 and December 20 to obtain taxpayer comments.

3. The budget is legally enacted through passage of a resolution prior to December 31.

4. The Council may authorize transfers of budgeted amounts between departments within any fund.

5. Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with City charter requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Manager, or between departments by the Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that: (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available.

B. Excess expenditures over budget

For the year ended December 31, 2016, expenditures exceeded appropriations for the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Library	$ 736,293	$ 792,820	$ 56,527
Parking Meter	80,472	85,459	4,987
Debt service			
Bond Sinking	2,500	2,760	260

Excess expenditures were funded by actual revenues in excess of budgeted amounts and available fund balance.

C. Deficit fund equity

The following is a summary of the funds with deficit fund balances as of year-end:

Fund	Amount
Special revenue	
Major	
TIF Districts	$ 486,414
Capital projects	
Major	
Airport Runway Extension	271,539

The deficits in the TIF District funds were caused by excess expenditures over tax increment revenues. These will be eliminated through future collection of tax increment revenues.

The deficit in the Airport Runway Extension fund was caused by excess capital expenditures over Federal and State aids and grants from prior years. This deficit will be eliminated through transfers and grant dollars.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was $17,092,613, including $446,827 reported in fiduciary funds. The bank balance of $17,784,260 was covered by $378,250 of federal depository insurance and $17,406,010 by collateral held by the City's agent in the City's name. The primary government and component unit's cash and investments are pooled.

Investments

As of December 31, 2016, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Primary Government						
Non-pooled investments at fair value						
Governmental Agency Securities	N/A	1 to 3 years	$ 150,188	$ 150,188	$ -	$ -
Governmental Agency Securities	AAA	more than 3 years	8,192,997	8,192,997	-	-
Governmental Agency Securities	N/A	more than 3 years	1,188,833	1,188,833	-	-
Negotiable certificates of deposit	N/A	less than 6 months	2,231,788	-	2,231,788	-
Negotiable certificates of deposit	N/A	6 months to 1 year	2,701,618	-	2,701,618	-
Negotiable certificates of deposit	N/A	1 to 3 years	5,578,449	-	5,578,449	-
Negotiable certificates of deposit	N/A	more than 3 years	2,992,934	-	2,992,934	-
Total primary government investments			23,036,807	9,532,018	13,504,789	-
Component Unit - PUC						
Non-pooled investments at fair value						
Governmental Agency Securities	N/A	1 to 3 years	$ 94,364	$ 94,364	$ -	$ -
Governmental Agency Securities	AAA	more than 3 years	5,147,708	5,147,708	-	-
Governmental Agency Securities	N/A	more than 3 years	746,951	746,951	-	-
Negotiable certificates of deposit	N/A	less than 6 months	1,402,246	-	1,402,246	-
Negotiable certificates of deposit	N/A	6 months to 1 year	1,697,441	-	1,697,441	-
Negotiable certificates of deposit	N/A	1 to 3 years	3,504,972	-	3,504,972	-
Negotiable certificates of deposit	N/A	more than 3 years	1,880,478	-	1,880,478	-
Total component unit - PUC investments			14,474,160	5,989,023	8,485,137	-
Total investments			$ 37,510,967	$ 15,521,041	$ 21,989,926	$ -

Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(1) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

A reconciliation of cash and investments as shown on the statement of net position follows:

	Primary Government	Component Unit - PUC	Component Unit - EDA	Agency	Totals
Carrying amount of deposits	$ 3,974,341	$ 10,860,691	$ 1,810,754	$ 446,827	$ 17,092,613
Investments	23,036,807	14,474,160	-	-	37,510,967
Cash on hand	1,779	-	-	-	1,779
Total	$ 27,012,927	$ 25,334,851	$ 1,810,754	$ 446,827	$ 54,605,359
Cash and investments	$ 27,012,927	$ 21,780,650	$ 1,775,227	$ 446,827	$ 51,015,631
Restricted cash and investments	-	3,554,201	35,527	-	3,589,728
Total	$ 27,012,927	$ 25,334,851	$ 1,810,754	$ 446,827	$ 54,605,359

B. Receivables

Notes receivable are for property rehabilitation, economic development, employee computer purchase program, steam system conversions and other similar items. Amounts are generally payable in monthly installments over three to ten years. Interest rates are up to 2.0 percent.

Special assessment receivables are generally payable in ten equal annual installments plus interest. Interest rates are between 3.25 percent and 6.0 percent.

C. Capital assets

Primary government

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 8,845,450	$ 5,900	$ -	$ 8,851,350
Non-exhaustible monuments	30,000	-	-	30,000
Construction in progress	759,834	133,856	(4,000)	889,690
Total capital assets not being depreciated	9,635,284	139,756	(4,000)	9,771,040
Capital assets being depreciated				
Buildings	28,293,909	177,316	-	28,471,225
Improvements other than buildings	2,225,080	95,062	-	2,320,142
Infrastructure	88,521,415	4,075,293	-	92,596,708
Machinery and equipment	8,385,827	1,398,561	(665,383)	9,119,005
Office furniture and equipment	170,661	-	-	170,661
Park equipment	541,856	277,673	-	819,529
Total capital assets being depreciated	128,138,748	6,023,905	(665,383)	133,497,270
Less accumulated depreciation for				
Buildings	(14,003,876)	(686,537)	-	(14,690,413)
Improvements other than buildings	(902,738)	(73,172)	-	(975,910)
Infrastructure	(34,026,032)	(3,086,111)	-	(37,112,143)
Machinery and equipment	(6,125,633)	(569,842)	662,269	(6,033,206)
Office furniture and equipment	(136,102)	(7,367)	-	(143,469)
Park equipment	(282,834)	(42,672)	-	(325,506)
Total accumulated depreciation	(55,477,215)	(4,465,701)	662,269	(59,280,647)
Total capital assets being depreciated, net	72,661,533	1,558,204	(3,114)	74,216,623
Governmental activities capital assets, net	$ 82,296,817	$ 1,697,960	$ (7,114)	$ 83,987,663

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

Governmental activities	
General government	$ 53,262
Public safety	189,908
Streets and highways, including depreciation of general infrastructure assets	2,507,176
Culture and recreation	659,663
Miscellaneous	658,440
Community access	9,028
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	388,224
Total depreciation expense - governmental activities	$ 4,465,701

Construction commitments

The City has active construction projects as of December 31, 2016. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2015 Utilities, Streets and Alleys	$ 4,057,360	$ 1,560
2014 Municipal State Aid Street	2,447,470	128,500
2016 Utilities, Streets and Alleys	2,732,418	243,068
2016 Municipal State Aid Street	687,982	77,648
Total	$ 9,925,230	$ 450,776

Discretely presented component units

Capital asset activity for the PUC for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 547,579	$ -	$ -	$ 547,579
Construction in progress	441,604	271,431	(441,604)	271,431
Total capital assets not being depreciated	989,183	271,431	(441,604)	819,010
Capital assets being depreciated				
Buildings and structures	5,407,322	27,404	-	5,434,726
Plant in service	125,560,293	3,210,597	-	128,770,890
Machinery and equipment	15,382,577	544,005	(179,675)	15,746,907
Total capital assets being depreciated	146,350,192	3,782,006	(179,675)	149,952,523
Less accumulated depreciation for				
Buildings and structures	(3,909,574)	(138,552)	-	(4,048,126)
Plant in service	(70,340,216)	(2,985,305)	-	(73,325,521)
Machinery and equipment	(10,976,132)	(617,310)	179,675	(11,413,767)
Total accumulated depreciation	(85,225,922)	(3,741,167)	179,675	(88,787,414)
Total capital assets being depreciated, net	61,124,270	40,839	-	61,165,109
Total PUC capital assets, net	$ 62,113,453	$ 312,270	$ (441,604)	$ 61,984,119

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

Electric	$ 1,645,832
District energy	100,227
Natural gas	338,455
Water	754,629
Wastewater	794,326
Capital assets held by the PUC's internal service funds are charged to the various functions based on their usage of the assets	107,698
Total depreciation expense - PUC	$ 3,741,167

The PUC has active construction projects as of December 31, 2016. At year end the PUC's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Burner #2 Project	$ 498,400	$ 36,600

Capital asset activity for the EDA for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital assets not being depreciated					
Land	$ 1,067,672	$ -	$ -	$ -	$ 1,067,672
Capital assets being depreciated					
Buildings	8,980,888	133,778	-	(15,819)	9,098,847
Improvements other than buildings	388,294	-	-	15,819	404,113
Furniture and equipment	192,315	17,289	(2,436)	-	207,168
Total capital assets being depreciated	9,561,497	151,067	(2,436)	-	9,710,128
Less accumulated depreciation for					
Buildings	(5,970,952)	(338,904)	-	-	(6,309,856)
Improvements other than buildings	(305,660)	(20,299)	-	-	(325,959)
Furniture and equipment	(168,870)	(8,227)	2,436	-	(174,661)
Total accumulated depreciation	(6,445,482)	(367,430)	2,436	-	(6,810,476)
Total capital assets being depreciated, net	3,116,015	(216,363)	-	-	2,899,652
Total EDA capital assets, net	$ 4,183,687	$ (216,363)	$ -	$ -	$ 3,967,324

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

Housing development	$ 367,430

D. Interfund receivables, payables and transfers

The composition of interfund balances as of December 31, 2016, is as follows:

Advances to/from other funds:

Receivable Fund	**Payable Fund**	**Amount**
Economic Development Loan Program	TIF Districts	$ 24,000

This advance was made to cover TIFs R-9's and H-8's initial costs, such as legal and application fees.

Due to/from primary government and component units:

Receivable Entity/Fund	Payable Entity/Fund	Amount
EDA - component unit	TIF Districts	$ (466,000)
Internal service funds - primary government	Public Utilities Commission - component unit	193,076
Totals - statement of net position		$ (272,924)

The balance due from the component unit to the primary government results from interfund charges and the elimination of internal service fund operations. The advances to the EDA result from funding of an affordable housing project by the EDA whereby the City is aiding the EDA to fund the project. These advances are being paid back when the EDA receives proceeds from affordable housing land sales. The advance of $466,000 from the EDA to the TIF Districts fund is to assist in cash flows until the tax increments have been received. A timing difference of $268,475 exists due to the EDA having a June 30 year-end.

Interfund transfers

Interfund transfers for the year ended December 31, 2016, were as follows:

	Transfer in				
Fund	General	Bond Sinking	Capital Improvement	Nonmajor Governmental	Totals
Transfer out					
Parks and Recreation	$ -	$ -	$ 135,000	$ -	$ 135,000
Sales Tax Revenue	-	-	-	699,708	699,708
Bond Sinking	-	-	-	4,174,613	4,174,613
2016 Bonds	50,000	-	-	-	50,000
Nonmajor governmental	-	60,000	-	-	60,000
Total transfers out	$ 50,000	$ 60,000	$ 135,000	$ 4,874,321	$ 5,119,321

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service funds as debt service principal and interest payments become due and 2) move unrestricted General fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Transfers during 2016 were made for the following purposes:

Capital improvements
Capital reserves
Debt service payments
Establishing funds
Closing funds

E. Long-term debt

General obligation bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of infrastructure and major capital facilities. General obligation bonds have been issued for both governmental and component unit activities. In addition, general obligation bonds have been issued to refund both general obligation and general obligation revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 10-year bonds structured so that annual debt service payments are relatively constant on an annual basis. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The General Obligation Improvement Bonds are partially repaid from special assessments.

General obligation sales tax revenue bonds - The City issued general obligation sales tax revenue bonds to finance the construction and upgrading of recreational facilities, including a civic and community center. The bonds are general obligations of the City for which the City will pledge its full faith, credit and taxing powers for the repayment of the bonds. In addition, the City pledged revenues generated by a one half of one percent sales and use tax and an excise tax imposed by the City.

Bonds and notes outstanding are as follows:

General obligation improvement (special assessment) bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2009A G.O. PIRF Bonds	$ 2,620,000	3.25 - 3.75	07/02/09	12/01/19	$ 720,000
2011A G.O. PIRF Bonds	3,225,000	2.00 - 3.25	08/19/11	12/01/21	1,235,000
2012 G.O. PIRF Bonds	3,300,000	0.60 - 1.90	08/21/12	12/01/22	1,655,000
2013A G.O. PIRF Bonds	2,875,000	0.30 - 2.15	07/15/13	12/01/23	2,070,000
2014 G.O. PIRF Bonds	3,470,000	0.30 - 2.16	09/09/14	12/01/24	2,015,000
2015 G.O. PIRF Bonds	3,275,000	2.00 - 2.25	07/01/15	12/01/25	2,970,000
2016 G.O. PIRF Bonds	3,195,000	1.50 - 2.00	07/19/16	12/01/26	3,195,000
Total G.O. Special Assessment Bonds					$ 13,860,000

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

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities Principal	Interest	Total
2017	$ 2,710,000	$ 270,000	$ 2,980,000
2018	2,385,000	223,965	2,608,965
2019	2,045,000	180,960	2,225,960
2020	1,640,000	140,108	1,780,108
2021	1,520,000	107,495	1,627,495
2022 - 2026	3,560,000	166,387	3,726,387
Total	$ 13,860,000	$ 1,088,915	$ 14,948,915

General obligation sales tax revenue bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2009C Refunding Sales Tax	$ 6,400,000	1.00 - 3.60 %	09/03/09	12/01/20	$ 2,650,000

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

Year Ending December 31	G.O. Sales Tax Revenue Bonds Governmental Activities		
	Principal	Interest	Total
2017	$ 620,000	$ 87,750	$ 707,750
2018	645,000	69,150	714,150
2019	675,000	48,510	723,510
2020	710,000	25,560	735,560
Total	$ 2,650,000	$ 230,970	$ 2,880,970

Special assessments payable

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Special Assessments of 2008	$ 438,944	6.00 %	12/31/08	12/31/22	$ 263,366

The annual debt service requirements to maturity for special assessments payable are as follows:

Year Ending December 31	Special Assessments Governmental Activities		
	Principal	Interest	Total
2017	$ 43,895	$ 15,802	$ 59,697
2018	43,895	13,168	57,063
2019	43,895	10,535	54,430
2020	43,895	7,901	51,796
2021	43,895	5,267	49,162
2022	43,891	2,634	46,525
Total	$ 263,366	$ 55,307	$ 318,673

Changes in long-term liabilities

Long-term liability activity for the primary government for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation special assessment bonds	$15,011,500	$ 3,195,000	$ (4,346,500)	$ 13,860,000	$ 2,710,000
General obligation sales tax revenue bonds	3,245,000	-	(595,000)	2,650,000	620,000
Bond discounts	(107,233)	-	39,929	(67,304)	-
Bond premiums	192,523	74,868	(24,808)	242,583	-
Total bonds payable	18,341,790	3,269,868	(4,926,379)	16,685,279	3,330,000
Notes payable	10,984	-	(10,984)	-	-
Special assessments payable	307,261	-	(43,895)	263,366	43,895
Compensated absences payable	505,511	438,418	(446,913)	497,016	338,841
Other postemployment benefits obligation	257,207	44,836	(11,648)	290,395	-
Pension liability					
GERF	3,087,544	1,909,533	(279,108)	4,717,969	-
PEPFF	1,931,598	5,296,756	(285,563)	6,942,791	-
Total pension liability	5,019,142	7,206,289	(564,671)	11,660,760	-
Governmental activity long-term liabilities	$24,441,895	$10,959,411	$ (6,004,490)	$ 29,396,816	$ 3,712,736

Public Utilities Commission

General obligation revenue bonds - The PUC issues general obligation revenue bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation revenue refunding bonds have been issued to refund general obligation revenue bonds.

General obligation revenue bonds are direct obligations of the PUC and pledge the revenues from the fund acquiring or constructing the asset financed by the debt, as well as all other PUC revenue and the full faith and credit of the City.

General obligation revenue bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Fund					
2011B G.O. Revenue Bonds	$ 3,000,000	2.00 - 2.625 %	12/29/11	12/01/26	$ 2,305,000
Water Fund					
2013B G.O. Revenue Bonds	2,950,000	2.00 - 3.00	07/15/13	12/01/28	2,425,000
Wastewater Treatment Fund					
2007 G.O. Revenue Note (PFA)	4,002,900	2.65	06/27/07	08/20/26	2,461,000
Total G.O. Revenue Bonds Payable					7,191,000
Unamortized Bond Discounts/Premiums					43,680
Net PUC bonds payable					$ 7,234,680

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Electric	Water	Wastewater
Revenues	$ 22,801,653	$ 2,895,756	$ 3,557,500
Principal and interest	260,181	244,525	662,547
Percentage of revenues	1.1%	8.4%	18.6%

Annual requirements to maturity for PUC bonds payable are as follows:

Year Ending December 31	G.O. Revenue Bonds Component Unit Activities Principal	Interest	Total
2017	$ 603,000	$ 173,636	$ 776,636
2018	619,000	160,159	779,159
2019	635,000	146,322	781,322
2020	646,000	132,128	778,128
2021	662,000	117,674	779,674
2022 - 2026	3,581,000	348,200	3,929,200
2027 - 2028	445,000	20,098	465,098
Total	$ 7,191,000	$ 1,098,217	$ 8,289,217

Changes in long-term liabilities

Long-term liability activity for the PUC for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Public Utilities Commission activities					
Bonds payable					
General obligation revenue bonds	$ 8,156,500	$ -	$ (965,500)	$ 7,191,000	$ 603,000
Bond discounts	(26,668)	-	4,580	(22,088)	-
Bond premiums	73,761	-	(7,993)	65,768	-
Total bonds payable	8,203,593	-	(968,913)	7,234,680	603,000
Compensated absences payable	454,074	372,546	(339,042)	487,578	311,533
Other postemployment benefit obligation	278,665	54,005	(45,793)	286,877	-
Pension liability					
GERF	4,280,761	2,510,357	(368,590)	6,422,528	-
Public Utilities Commission long-term liabilities	$ 13,217,093	$ 2,936,908	$ (1,722,338)	$ 14,431,663	$ 914,533

Economic Development Authority

Changes in long-term liabilities

Long-term liability activity for the EDA for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Economic Development Authority activities					
Special assessments payable	$ 37,757	$ -	$ (37,757)	$ -	$ -
Bonds and loans payable	384,788	-	(384,788)	-	-
Compensated absences payable	5,229	7,146	(6,384)	5,991	3,338
Pension liability GERF	52,590	-	(1,747)	50,843	-
Economic Development Authority long-term liabilities	$ 480,364	$ 7,146	$ (430,676)	$ 56,834	$ 3,338

Conduit debt obligations - From time to time, the City issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Issued to	Issue Date	Amount Issued	Balance at Year End
HADC Ridgeway on German (refinanced)	08/20/14	$ 10,335,000	$ 10,015,000
Highland Regency House	10/01/13	4,590,000	4,515,000
Total conduit debt obligations		$ 14,925,000	$ 14,530,000

IV. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were $274,808, $267,657 and $258,643 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were $274,765, $260,583 and $231,505 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF pension costs

At December 31, 2016, the City of New Ulm reported a liability of $4,718,170 for its proportionate share of the GERF's net pension liability of which the EDA's portion was calculated at $72,538. The EDA's pension liability was reported as $50,843 due to a timing difference which exists due to the EDA having a June 30 year-end. At December 31, 2016, the PUC reported a liability of $6,422,528 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. 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 totaled $62,492 of which the EDA's portion was $946. The State of Minnesota's proportionate share of the net pension liability associated with the PUC totaled $83,846. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDA's net pension liability was measured as of June 30, 2015, 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 Ulm's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of New Ulm's proportionate share was 0.0581 percent which was a 0.0015 percent decrease from its proportion measured as of June 30, 2015. The EDA's proportionate share was calculated at 0.0010 percent at June 30, 2016 and at .0011 percent at June 30, 2015. The PUC's proportionate share was 0.0791 percent which was a 0.0035 percent decrease from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of $215,753 for its proportionate share of GERF's pension expense of which the EDA's portion was calculated at $8,598 The PUC recognized pension expense of $248,676 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional $18,633 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF of which the EDA's portion was calculated at $282. In addition, the PUC recognized an additional $25,001 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary Government		Component Unit - PUC		Component Unit - EDA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,840	$ 376,916	$ 21,299	$ 505,620	$ 538	$ 2,563
Changes in actuarial assumptions	1,014,822	-	1,380,729	-	3,242	-
Net difference between projected and actual earnings on plan investments	520,680	-	701,678	-	-	4,892
Changes in proportion	-	281,032	-	434,740	-	4,057
Contributions to GERF subsequent to the measurement date	134,455	-	189,352	-	3,534	-
Total	$ 1,685,797	$ 657,948	$ 2,293,058	$ 940,360	$ 7,314	$ 11,512

Deferred outflows of resources totaling $327,341 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit - PUC	Component Unit - EDA
2017	$ 197,919	$ 255,217	$ (2,349)
2018	87,630	102,071	(2,349)
2019	437,423	574,065	(4,240)
2020	170,422	231,993	1,206

PEPFF contributions

At December 31, 2016, the City reported a liability of $6,942,791 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.1730 percent which was a 0.0030 percent increase from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of $204,708 for its proportionate share of PEPFF's pension expense. The City also recognized $15,570 for the year ended December 31, 2016 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,542	$ 801,641
Changes in actuarial assumptions	4,101,483	-
Net difference between projected and actual earnings on plan investments	602,384	-
Changes in proportion	59,456	-
Contributions to PEPFF subsequent to the measurement date	135,314	-
Total	$ 4,900,179	$ 801,641

Deferred outflows of resources totaling $135,314 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	$ 756,090
2018	756,090
2019	982,585
2020	806,041
2021	662,418

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERF and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF and PEPFF.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The experience study for PEPFF was for the period July 1, 2004 through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

GERF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent.
- The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

F. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. 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 GERF 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.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent after.

G. Pension liability sensitivity

The following presents the City'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'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:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF			
Primary government	$ 6,700,915	$ 4,717,969	$ 3,084,562
Component unit - PUC	9,121,893	6,422,528	4,198,986
Component unit - EDA	79,943	50,843	26,811
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF	$ 9,718,986	$ 6,942,791	$ 4,674,429

H. Pension plan fiduciary net position

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

V. DEFINED CONTRIBUTION PLAN

Elected officials of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2016, 2015 and 2014 were $1,325, $1,325 and $1,325, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Contribution Amount		Percentage of Covered Payroll		
Employee	Employer	Employee	Employer	Required Rate
$ 1,325	$ 1,325	5.00%	5.00%	5.00%

VI. DEFINED BENEFIT PENSION PLANS - FIRE RELIEF BENEFIT ASSOCIATION

A. Plan description

All members of the New Ulm Fire Department (the Department) are covered by a defined benefit plan administered by the New Ulm Fire Department Relief Association (the Association). As of December 31, 2016, the plan covered 39 active firefighters and 8 vested terminated fire fighters whose pension benefits are deferred.

The Association is a single-employer defined benefit pension plan that operates under the provisions of Minnesota statutes, section 69 and 424, as amended. It is governed by a board of trustees made up of six members elected by the members of the Association for three-year terms. The Council President, Finance Director and Fire Chief of the City are ex officio, voting members of the Board.

The City's payroll for officers of the Association covered by the compensation plan for the year ended December 31, 2016, was $6,100.

B. Benefits provided

A fire fighter who completes at least 20 years as an active member of the New Ulm Fire Department (the Department) is entitled, after age 50, to a full service pension upon retirement. The service pension prescribed by the Association's bylaws is a monthly benefit of $25.50 for each year of service completed by the individual, or $4,250 per year of service lump-sum.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid.

A member of the Association who has completed 20 or more years of active service with the Fire Department but has not reached age 50 shall have the right to retire from the department without forfeiting the right to a service pension. The member shall be entitled to a deferred service pension and upon attaining the age of 50, the Association shall, upon application thereof, pay the member's pension from the date the application is approved.

A member is also entitled to disability benefits of $25.50 per month for the monthly plan, or $4,250 lump sum for each year of service as an active member of the New Ulm Fire Department in the event the member becomes totally disabled.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $93,158 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2016, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2016 were $32,128. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension costs

At December 31, 2016, the City reported a net pension liability (asset) of ($526,398) for the plan. The net pension liability (asset) was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2016. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance January 1, 2016	$ 1,819,712	$ 2,174,327	$ (354,615)
Changes for the year			
Service cost	65,792		65,792
Interest on pension liability (asset)	132,000		132,000
Actuarial experience (gains)/losses	(53,566)		(53,566)
Net investment return	-	203,866	(203,866)
Contributions (employer)	-	125,286	(125,286)
Benefit payments	(129,632)	(129,632)	-
Administrative expenses	-	(13,143)	13,143
Total net changes	14,594	186,377	(171,783)
Ending balance December 31, 2016	$ 1,834,306	$ 2,360,704	$ (526,398)

For the year ended December 31, 2016, the City recognized pension expense of ($86,775).

At December 31, 2016, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 135,034
Changes in actuarial assumptions	-	35,126
Net difference between projected and actual earnings on plan investments	43,001	-
Total	$ 43,001	$ 170,160

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2017	$ (3,118)
2018	(3,118)
2019	(3,120)
2020	(30,231)
2021	(20,647)
Thereafter	(66,925)

E. Actuarial assumptions

The total pension liability at December 31, 2016 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at later of age 50 and 20 years of service	
Salary increases	N/A
Inflation rate	2.75%
Investment rate of return	7.50%
20 year municipal bond yield	3.78%

Changes in actuarial assumptions related to updating retirement rates to reflect plan experience and expectations.

The 7.50 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). The best-estimates of expected future asset class returns were published in the 2016 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

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
Equities	82.63 %	5.25 - 6.80 %
Cash	6.41	0.84
Fixed income	9.39	2.27
Other	1.57	4.44
Total	100.00 %	

F. Funding status

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

G. Pension liability sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
Defined benefit plan	$ (438,549)	$ (526,398)	$ (608,048)

H. Pension plan fiduciary net position

For financial reporting purposes, the Association's financial statements are not included in the City's financial statements because the Association is not a component unit of the City. The Association issues an annual financial statement and is available at the Finance Director's Office, 100 North Broadway, New Ulm, Minnesota, 56073.

VII. OTHER INFORMATION

A. 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; and natural disasters for which the City participates in a public entity risk pool. There were no significant reductions in insurance coverage from the prior year. 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. The 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. In addition, settlements have not exceeded insurance coverage in any of the past three years.

The City and the PUC maintain an Insurance Trust Fund to cover claims not covered by insurance and a Health Insurance Trust Fund to self-fund a percentage of employees' deductibles. Changes in the Funds' claims liability amount in fiscal years 2016 and 2015 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
Insurance Trust Fund				
2016	$ -	$ 1,716	$ (1,716)	$ -
2015	-	2,304	(2,304)	-
Health Insurance Trust Fund				
2016	20,049	2,403,667	(2,404,795)	18,921
2015	26,402	2,286,575	(2,292,928)	20,049

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An insurance policy covers individual general liability claims to a maximum of $1,500,000. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Management's estimated IBNR at year end is $0 in the Insurance Trust Fund. The Health Insurance Trust maintains a premium deposit account with the South Central Service Cooperative. Under the provisions of this account the risk of loss is only to the extent of premiums paid. A factor cannot be determined for claims incurred, but not reported. Management elects to reserve all funds in excess of liabilities for future claims. Management's estimated claims incurred, but not paid at year end is $18,921 in the Health Insurance Trust Fund.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, or expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Joint services

In 1992, the City agreed to participate in the construction of a combined law enforcement center. Under the terms of the agreement, a Brown County Housing and Redevelopment Authority *(a component unit of Brown County)* was established which constructed the facility and made the required debt service payments. The County appoints the Authority's board, however, a group of City/County officials had input into the management of the facility. The City and County have a joint powers agreement to manage the facility. The City can occupy its allocated space into perpetuity; however, once it relinquishes its space, it has no rights to compensation or future occupancy. The City's share of operating costs for 2016 was $71,490.

D. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the participant or beneficiary) solely the property of the City subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the unearned account for each participant.

The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The amount received in 2016 was $3,158,360 which accounted for 32 percent of General fund revenues.

F. Postemployment benefits other than pensions

Plan description. The City of New Ulm (the City) and the New Ulm Public Utilities Commission (PUC) administer single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding policy. Contribution requirements also are negotiated between the City and union representatives. The City does not contribute any of the current-year premiums for eligible retired plan members and their spouses.

Annual OPEB cost and net OPEB obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). This amount is actuarially determined in accordance with GASB Statement 45 for employers in plans with greater than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's and PUC's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's and PUC's net OPEB obligation to the Retiree Health Plan:

	City	PUC
Annual required contribution	$ 49,422	$ 58,973
Interest on net OPEB obligation	10,288	11,147
Adjustment to annual required contribution	(14,874)	(16,115)
Annual OPEB cost (expense)	44,836	54,005
Contributions made	(11,648)	(45,793)
Increase in net OPEB obligation	33,188	8,212
Net OPEB obligation- beginning of year	257,207	278,665
NET OPEB obligation - end of year	$ 290,395	$ 286,877

The City's and PUC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

City

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	$ 44,836	26.0 %	$ 290,395
12/31/15	43,872	33.3	257,207
12/31/14	42,771	23.7	227,940

PUC

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	$ 54,005	84.8 %	$ 286,877
12/31/15	53,486	63.5	278,665
12/31/14	52,336	33.3	259,117

Funded status and funding progress. As of December 31, 2014, the actuarial accrued liability for benefits was $382,082 and $444,656 for the City and PUC, respectively, all of which was unfunded. The covered payroll was $4,579,328 and $4,323,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.3 and 10.3 percent for the City and PUC, respectively.

An actuarial valuation for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on the RP-2000 Combined Mortality Table

Turnover - Group-specific age-based turnover data were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5 percent initially, reduced to an ultimate rate of 5.0 percent after eight years, was used.

Health insurance premiums - 2014 premiums represent a blended average cost of both active and retired individuals.

Inflation rate - The expected long-term inflation assumption of 3.0 percent was used for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a projected unit credit with a 30 year amortization of the unfunded liability was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

VIII. MAJOR CUSTOMER

Two industrial customers of the PUC represent approximately 20 percent of the total utility revenue excluding municipal sales of the PUC and approximately 17 percent of outstanding utility receivables at December 31, 2016.

IX. TAX ABATEMENTS

As of December 31, 2016, the City has two agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax increment financing agreement on November 18, 1997 with a developer in which the developer incurs costs for development of a 50 unit senior housing project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of $764,600 plus interest at a rate of 6% per annum over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.176) the maximum duration of 25 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on March 20, 2013 with Frontier Labs MN, LLC in which the developer incurs costs to expand an existing agriculture laboratory and testing facility. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of $59,392 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812 through 469.1815) and has a maximum duration of 15 years. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2016, was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of Taxes Abated During the Year
Tax Abatement Agreements			
Frontier Labs MN, LLC			$ 4,114
Tax Increment Districts (PAYGO)			
TIF District #2-2	34.605%	$ 30,885	10,688
Total			$ 14,802

X. PRIOR PERIOD ADJUSTMENT

During 2016, a prior period adjustment was needed to account for prior year discrepancies in natural gas pipeline metering issues at the PUC. As a result of the adjustment of beginning balances, the following schedule reconciles the previously reported December 31, 2015 balances to the December 31, 2016 financial statements:

	December 31, 2016		
Fund	Net Position January 1, 2016 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2016 as Restated
Component unit activities - PUC	$ 73,364,460	$ 1,298,645	$ 74,663,105

(1) To adjust for erroneous billings related to natural gas pipeline specific gravity metering issues.

CITY OF NEW ULM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

City

Required Supplementary Information

Fiscal Year Ending	Primary Government's Proportion of the Net Pension Liability *	Primary Government's Proportionate Share of the Net Pension Liability (a) *	State's Proportionate Share of the Net Pension Liability Associated with the Primary Government (b)	Total (a+b)	Primary Government's Covered Payroll (c) *	Primary Government's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0581 %	$ 4,717,969	$ 61,546	$ 4,779,515	$ 3,573,925	132.0 %	68.9 %
06/30/15	0.0596	3,087,544	-	3,087,544	3,502,371	88.2	78.2

* Excludes EDA activity reported at 6/30/2016 (multiply amounts by percentage from tab E that does not include EDA)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

PUC

Required Supplementary Information

Fiscal Year Ending	Component Unit - PUC's Proportion of the Net Pension Liability	Component Unit - PUC's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Component Unit - PUC (b)	Total (a+b)	Component Unit - PUC's Covered Payroll (c)	Component Unit - PUC's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0791 %	$ 6,422,528	$ 83,846	$ 6,506,374	$ 4,907,096	130.9 %	68.9 %
06/30/15	0.0826	4,280,761	-	4,280,761	4,852,536	88.2	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

EDA

Required Supplementary Information

Fiscal Year Ending	Component Unit - EDA's Proportion of the Net Pension Liability	Component Unit - EDA's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Component Unit - EDA (b)	Total (a+b)	Component Unit - EDA's Covered Payroll (c)	Component Unit - EDA's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0010 %	$ 50,843	$ -	$ 50,843	$ 58,690	86.6 %	78.2 %
06/30/14	0.0011	52,590	-	52,590	58,731	89.5	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF NEW ULM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of employer's PERA contributions - General Employees Retirement Fund

City

Year Ending	Statutorily Required Contribution (a) *	Contributions in Relation to the Statutorily Required Contribution (b) *	Contribution Deficiency (Excess) (a-b)	Primary Government's Covered Payroll (c) *	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	$ 269,142	$ 269,142	$ -	$ 3,608,776	7.5 %
12/31/15	263,996	263,996	-	3,519,946	7.5

* Excludes EDA activity reported at 6/30/2016

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

PUC

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Component Unit - PUC's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	$ 372,980	$ 372,980	$ -	$ 4,973,067	7.5 %
12/31/15	366,133	366,133	-	4,881,779	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

EDA

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Component Unit - EDA's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/16	$ 3,534	$ 3,534	$ -	$ 49,083	7.2 %
06/30/15	4,255	4,255	-	58,690	7.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

	Required Supplementary Information						
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.1730 %	$ 6,942,791	$ -	$ 6,942,791	$ 1,664,857	417.0 %	63.9 %
06/30/15	0.1700	1,931,598	-	1,931,598	1,527,767	126.4	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

	Required Supplementary Information				
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	$ 274,764	$ 274,764	$ -	$ 1,696,077	16.2 %
12/31/15	260,582	260,582	-	1,608,531	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios

	2016	2015
Total pension liability		
Service cost	$ 65,792	$ 62,284
Interest	132,000	124,754
Changes of benefit terms	117,530	-
Differences between expected and actual experience	(151,303)	-
Changes of assumptions	(19,793)	(21,961)
Benefit payments	(129,632)	(262,579)
Net change in total pension liability	14,594	(97,502)
Total pension liability - January 1	1,819,712	1,917,214
Total pension liability - December 31 (a)	$ 1,834,306	$ 1,819,712
Plan fiduciary net position		
Municipal contributions	125,286	142,880
Projected investment return	203,866	10,372
Benefit payments, including refunds of employee contributions	(129,632)	(262,579)
Administrative expenses	(13,143)	(17,929)
Net change in plan fiduciary net position	186,377	(127,256)
Plan fiduciary net position - January 1	2,174,327	2,301,583
Plan fiduciary net position - December 31 (b)	$ 2,360,704	$ 2,174,327
Fire Relief's net pension liability (asset) - December 31 (a-b)	$ (526,398)	$ (354,615)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	128.70%	119.49%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:
Benefit changes. Lump sum benefit amounts were updated to $4,250, $4,375 and $4,500 effective in 2017, 2018 and 2019, respectively. The monthly pension was increased from $24.50 to $25.50.

Changes of assumptions. Expected investment return and discount rate were updated from 7.25 percent to 7.50 percent to reflect updated capital market models and investment expenses.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's Fire Relief Association contributions

	Required Supplementary Information		
Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/16	$ 125,286	$ 125,286	$ -
12/31/15	142,880	142,880	-

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's funding progress for the Retiree Health Plan

City

	Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Simplified Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/14	$ -	$ 382,082	$ 382,082	- %	$ 4,579,328	8.3 %
12/31/11	-	249,017	249,017	-	5,593,854	4.5
12/31/08	-	569,789	569,789	-	4,829,262	11.8

PUC

	Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Simplified Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/14	$ -	$ 444,656	$ 444,656	- %	$ 4,323,000	10.3 %
12/31/11	-	462,047	462,047	-	4,844,377	9.5
12/31/08	-	509,670	509,670	-	4,534,345	11.2

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenues from specific sources. They are usually required by statute, ordinance or administrative action or finance particular activities of government.

Economic Development Loan Program Fund - a major fund which accounts for funds dedicated to providing financial assistance to businesses for economic development within the City.

Park and Recreation Fund - a major fund which accounts for the activities associated with maintaining the City's parks and for the operation of various recreation programs.

The Sales Tax Revenue Fund - a major fund which was established to record sales, use and excise tax revenues and transfers to Bond Sinking and Bond Interest Funds for debt service associated with General Obligation Sales Tax Revenue Bonds, Series 2001 and 2002, and for capital projects related to the sales tax referendum projects.

Community Development Block Grant Fund - a nonmajor fund which accounts for funds dedicated to providing financial assistance to a business for economic development within the City.

Library Fund - a nonmajor fund which accounts for the operation of a City library.

Library Board Fund - a nonmajor fund which accounts for donations and memorials to the library to be used at the discretion of the library Board to supplement library appropriations.

Parking Meter Fund - a nonmajor fund which accounts for activities associated with the special tax district for downtown parking and the City's parking lots.

State MIF Grant Fund - a nonmajor fund which accounts for funds loaned to businesses under the State MIF grant program.

Rehabilitation Loan Program Fund - a nonmajor fund which accounts for funds loaned to residents for rehabilitation of their property.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenues from specific sources. They are usually required by statute, ordinance or administrative action or finance particular activities of government.

Character Counts Fund - a nonmajor fund which accounts for donations received for the operation of "Drug Abuse Resistance Education" program at local schools through the police department.

Firefighters Fund - a nonmajor fund which accounts for firefighter expense reimbursement by truck company.

Small Cities Fund - a nonmajor fund which accounts for funds dedicated to providing financial assistance for business and individuals.

The TIF District Funds are major funds which were established to account for project improvements and captured property tax increments received that are associated with various Tax Increment Districts and the debt service relating to such Districts. The Tax Increment Districts are as follows:

- **TIF RD-9** *Eagle Dvlp*
- **TIF H-2** *Ridgeway on German #1*
- **TIF H-5** *Milford Heights #1*
- **TIF H-7** *Winkleman #3*
- **TIF H-8** *Doneff*

CITY OF NEW ULM, MINNESOTA
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Permanent	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 1,845,291	$ 34,648	$ 533,023	$ 2,412,962
Receivables				
Delinquent taxes	26,102	-	-	26,102
Accounts	2,273	-	-	2,273
Notes, net of allowance	232,759	-	-	232,759
Special assessments	-	263,366	-	263,366
Prepaid items	12,033	-	-	12,033
Total assets	$ 2,118,458	$ 298,014	$ 533,023	$ 2,949,495
Liabilities				
Accounts payable	$ 5,632	$ -	$ -	$ 5,632
Due to other governments	143	-	-	143
Accrued salaries payable	20,412	-	-	20,412
Total liabilities	26,187	-	-	26,187
Deferred inflows of resources				
Unavailable revenue				
Taxes	26,102	-	-	26,102
Special assessments	-	263,366	-	263,366
Total deferred inflows of resources	26,102	263,366	-	289,468
Fund balances				
Nonspendable				
Prepaid items	12,033	-	-	12,033
Perpetual care	-	-	533,023	533,023
Restricted				
Library programs	3,511	-	-	3,511
Economic development	1,123,421	-	-	1,123,421
Maintain parking areas	456,374	-	-	456,374
Debt service	-	34,648	-	34,648
Committed				
Library programs	71,541	-	-	71,541
Fire fighting	9,314	-	-	9,314
Assigned for				
DARE program	59,199	-	-	59,199
Library services	314,798	-	-	314,798
Library programs	13,167	-	-	13,167
Fire fighting	2,811	-	-	2,811
Total fund balances	2,066,169	34,648	533,023	2,633,840
Total liabilities, deferred inflows of resources and fund balances	$ 2,118,458	$ 298,014	$ 533,023	$ 2,949,495

CITY OF NEW ULM, MINNESOTA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2016

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Permanent	Total Nonmajor Governmental Funds
Revenues				
Taxes				
General	$ 679,137	$ 37,183	$ -	$ 716,320
Delinquent	7,059	-	-	7,059
Mobile home	1,747	-	-	1,747
Special service district	35,876	-	-	35,876
Penalties and interest	64	-	-	64
Intergovernmental				
State				
Other aid	1,364	-	-	1,364
County				
Library aid	14,082	-	-	14,082
Local:				
Other	10,485	-	-	10,485
Charges for services				
Public safety	9,045	-	-	9,045
Culture and recreation	12,744	-	-	12,744
Miscellaneous	21,508	-	-	21,508
Fines and forfeitures	24,545	-	-	24,545
Special assessments	-	98,626	-	98,626
Investment earnings (loss)	21,064	177	(1,792)	19,449
Miscellaneous				
Donations	10,763	-	-	10,763
Other	977	-	23,885	24,862
Total revenues	850,460	135,986	22,093	1,008,539
Expenditures				
Current				
Public safety				
Fire	7,068	-	-	7,068
Culture and recreation				
Library	669,607	-	-	669,607
Miscellaneous				
Other	85,459	-	-	85,459
Capital outlay				
Culture and recreation	129,609	-	-	129,609
Debt service				
Principal	-	4,941,500	-	4,941,500
Interest	-	436,689	-	436,689
Bond issuance costs and fees	-	4,658	-	4,658
Total expenditures	891,743	5,382,847	-	6,274,590
Excess (deficiency) of revenues over (under) expenditures	(41,283)	(5,246,861)	22,093	(5,266,051)
Other financing sources (uses)				
Transfers in	-	4,874,321	-	4,874,321
Bonds issued	-	320,000	-	320,000
Premium on bonds issued	-	9,688	-	9,688
Transfers out	-	(60,000)	-	(60,000)
Total other financing sources (uses)	-	5,144,009	-	5,144,009
Net change in fund balances	(41,283)	(102,852)	22,093	(122,042)
Fund balances, January 1	2,107,452	137,500	510,930	2,755,882
Fund balances, December 31	$ 2,066,169	$ 34,648	$ 533,023	$ 2,633,840

CITY OF NEW ULM, MINNESOTA
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2016

	Community Development Block Grant	Library	Library Board	Parking Meter	State MIF Grant	Rehabilitation Loan Program	Character Counts	Firefighters	Small Cities	Total Nonmajor
Assets										
Cash and investments	$ 393,491	$ 337,670	$ 88,261	$ 458,319	$ 110,296	$ 340,831	$ 59,199	$ 11,180	$ 46,044	$ 1,845,291
Receivables										
Delinquent taxes	-	12,122	-	13,980	-	-	-	-	-	26,102
Accounts	-	234	-	1,094	-	-	-	945	-	2,273
Notes, net of allowance	35,167	-	-	-	-	197,592	-	-	-	232,759
Prepaid items	-	11,177	856	-	-	-	-	-	-	12,033
Total assets	$ 428,658	$ 361,203	$ 89,117	$ 473,393	$ 110,296	$ 538,423	$ 59,199	$ 12,125	$ 46,044	$ 2,118,458
Liabilities										
Accounts payable	$ -	$ 5,550	$ 42	$ 40	$ -	$ -	$ -	$ -	$ -	$ 5,632
Due to other governments	-	-	-	143	-	-	-	-	-	143
Accrued salaries payable	-	17,556	-	2,856	-	-	-	-	-	20,412
Total liabilities	-	23,106	42	3,039	-	-	-	-	-	26,187
Deferred inflows of resources										
Unavailable revenue										
Taxes	-	12,122	-	13,980	-	-	-	-	-	26,102
Fund balances										
Nonspendable										
Prepaid items	-	11,177	856	-	-	-	-	-	-	12,033
Restricted										
Library programs	-	-	3,511	-	-	-	-	-	-	3,511
Economic development	428,658	-	-	-	110,296	538,423	-	-	46,044	1,123,421
Maintain parking areas	-	-	-	456,374	-	-	-	-	-	456,374
Committed										
Library programs	-	-	71,541	-	-	-	-	-	-	71,541
Fire fighting	-	-	-	-	-	-	-	9,314	-	9,314
Assigned										
DARE program	-	-	-	-	-	-	59,199	-	-	59,199
Library services	-	314,798	-	-	-	-	-	-	-	314,798
Library programs	-	-	13,167	-	-	-	-	-	-	13,167
Fire fighting	-	-	-	-	-	-	-	2,811	-	2,811
Total fund balances	428,658	325,975	89,075	456,374	110,296	538,423	59,199	12,125	46,044	2,066,169
Total liabilities, deferred inflows of resources and fund balances	$ 428,658	$ 361,203	$ 89,117	$ 473,393	$ 110,296	$ 538,423	$ 59,199	$ 12,125	$ 46,044	$ 2,118,458

CITY OF NEW ULM, MINNESOTA
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2016

	Community Development Block Grant	Library	Library Board	Parking Meter	State MIF Grant	Rehabilitation Loan Program	Character Counts	Firefighters	Small Cities	Total Nonmajor
Revenues										
Taxes										
General	$ -	$ 679,137	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 679,137
Delinquent	-	4,657	-	2,402	-	-	-	-	-	7,059
Mobile home	-	1,747	-	-	-	-	-	-	-	1,747
Special service district	-	-	-	35,876	-	-	-	-	-	35,876
Penalties and interest	-	-	-	64	-	-	-	-	-	64
Intergovernmental										
State										
Other aid	-	1,232	-	132	-	-	-	-	-	1,364
County										
Library aid	-	14,082	-	-	-	-	-	-	-	14,082
Local										
Other	-	10,485	-	-	-	-	-	-	-	10,485
Charges for services										
Public safety	-	-	-	-	-	-	-	9,045	-	9,045
Culture and recreation	-	12,744	-	-	-	-	-	-	-	12,744
Miscellaneous	-	-	-	21,508	-	-	-	-	-	21,508
Fines and forfeitures	-	8,963	-	15,582	-	-	-	-	-	24,545
Investment earnings (loss)	4,494	2,000	822	4,374	1,000	7,273	568	121	412	21,064
Miscellaneous										
Donations	-	-	10,763	-	-	-	-	-	-	10,763
Other	-	977	-	-	-	-	-	-	-	977
Total revenues	4,494	736,024	11,585	79,938	1,000	7,273	568	9,166	412	850,460
Expenditures										
Current										
Public safety										
Fire	-	-	-	-	-	-	-	7,068	-	7,068
Culture and recreation										
Library	-	663,211	6,396	-	-	-	-	-	-	669,607
Miscellaneous										
Other	-	-	-	85,459	-	-	-	-	-	85,459
Capital outlay										
Culture and recreation	-	129,609	-	-	-	-	-	-	-	129,609
Total expenditures	-	792,820	6,396	85,459	-	-	-	7,068	-	891,743
Net change in fund balances	4,494	(56,796)	5,189	(5,521)	1,000	7,273	568	2,098	412	(41,283)
Fund balances, January 1	424,164	382,771	83,886	461,895	109,296	531,150	58,631	10,027	45,632	2,107,452
Fund balances, December 31	$ 428,658	$ 325,975	$ 89,075	$ 456,374	$ 110,296	$ 538,423	$ 59,199	$ 12,125	$ 46,044	$ 2,066,169

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CITY OF NEW ULM, MINNESOTA
Community Development Block Grant Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 393,491	$ 374,036
Receivables		
Notes, net of allowance	35,167	50,128
Total assets	$ 428,658	$ 424,164
Fund balances		
Restricted		
Economic development	$ 428,658	$ 424,164

CITY OF NEW ULM, MINNESOTA
Community Development Block Grant Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings	$ 4,494	$ 5,862
Fund balances, January 1	424,164	418,302
Fund balances, December 31	$ 428,658	$ 424,164

CITY OF NEW ULM, MINNESOTA
Economic Development Loan Program Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 1,560,130	$ 1,474,750
Receivables		
Notes	365,089	430,779
Advances to other funds	24,000	24,000
Total assets	$ 1,949,219	$ 1,929,529
Fund balances		
Restricted		
Economic development	$ 1,949,219	$ 1,929,529

CITY OF NEW ULM, MINNESOTA
Economic Development Loan Program Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings	$ 30,728	$ 36,979
Expenditures		
Debt service		
Principal	10,984	25,998
Interest	54	502
Total expenditures	11,038	26,500
Net change in fund balances	19,690	10,479
Fund balances, January 1	1,929,529	1,919,050
Fund balances, December 31	$ 1,949,219	$ 1,929,529

CITY OF NEW ULM, MINNESOTA
Library Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 337,670	$ 414,674
Receivables		
Delinquent taxes	12,122	10,534
Accounts receivable	234	240
Prepaid items	11,177	3,132
Total assets	$ 361,203	$ 428,580
Liabilities		
Accounts payable	$ 5,550	$ 20,181
Accrued salaries	17,556	15,094
Total liabilities	23,106	35,275
Deferred inflows of resources		
Unavailable revenue		
Taxes	12,122	10,534
Fund balances		
Nonspendable		
Prepaids	11,177	3,132
Assigned		
Library services	314,798	379,639
Total fund balances	325,975	382,771
Total liabilities, deferred inflows of resources and fund balances	$ 361,203	$ 428,580

CITY OF NEW ULM, MINNESOTA
Library Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 691,861	$ 691,861	$ 679,137	$ (12,724)	$ 694,865	$ 691,737	$ (3,128)
Delinquent	-	-	4,657	4,657	-	7,971	7,971
Mobile home	-	-	1,747	1,747	-	1,814	1,814
Intergovernmental							
State							
Other aid	1,200	1,200	1,232	32	1,300	1,233	(67)
County	14,082	14,082	14,082	-	14,082	14,082	-
Local	-	-	10,485	10,485	-	-	-
Charges for services	11,400	11,400	12,744	1,344	10,100	11,879	1,779
Fines and forfeitures	10,700	10,700	8,963	(1,737)	11,200	8,155	(3,045)
Investment earnings	2,000	2,000	2,000	-	1,200	2,906	1,706
Miscellaneous							
Other	800	800	977	177	1,000	1,336	336
Total revenues	732,043	732,043	736,024	3,981	733,747	741,113	7,366
Expenditures							
Current							
Culture and recreation							
Personal services	566,725	566,725	502,856	63,869	565,934	519,229	46,705
Supplies	64,700	64,700	66,880	(2,180)	67,650	83,972	(16,322)
Contractual services	48,618	48,618	48,538	80	44,663	39,929	4,734
Other services and charges	52,000	52,000	44,937	7,063	55,500	44,409	11,091
Total current	732,043	732,043	663,211	68,832	733,747	687,539	46,208
Capital outlay							
Culture and recreation	-	4,250	129,609	(125,359)	-	10,750	(10,750)
Total expenditures	732,043	736,293	792,820	(56,527)	733,747	698,289	35,458
Net change in fund balances	-	(4,250)	(56,796)	(52,546)	-	42,824	42,824
Fund balances, January 1	382,771	382,771	382,771	-	339,947	339,947	-
Fund balance, December 31	$ 382,771	$ 378,521	$ 325,975	$ (52,546)	$ 339,947	$ 382,771	$ 42,824

CITY OF NEW ULM, MINNESOTA
Library Board Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 88,261	$ 83,886
Prepaid items	856	-
Total assets	$ 89,117	$ 83,886
Liabilities		
Accounts payable	$ 42	$ -
Fund balances		
Nonspendable		
Prepaid items	856	-
Restricted		
Library programs	3,511	-
Committed		
Library programs	71,541	71,541
Assigned		
Library programs	13,167	12,345
Total fund balances	89,075	83,886
Total liabilities and fund balances	$ 89,117	$ 83,886

CITY OF NEW ULM, MINNESOTA
Library Board Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings	$ 822	$ 1,093
Miscellaneous		
Donations	10,763	6,441
Total revenues	11,585	7,534
Expenditures		
Current		
Culture and recreation		
Library		
Supplies	5,273	5,167
Other services and charges	1,123	-
Total expenditures	6,396	5,167
Net change in fund balances	5,189	2,367
Fund balances, January 1	83,886	81,519
Fund balances, December 31	$ 89,075	$ 83,886

CITY OF NEW ULM, MINNESOTA
Park and Recreation Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 1,535,788	$ 1,956,901
Receivables		
Delinquent taxes	13,227	11,675
Accounts	50,148	62,268
Prepaid items	2,750	7,015
Total assets	$ 1,601,913	$ 2,037,859
Liabilities		
Accounts payable	$ 169,299	$ 91,752
Due to other governments	4,957	3,817
Accrued salaries payable	43,944	39,879
Unearned revenue	12,990	8,124
Total liabilities	231,190	143,572
Deferred inflows of resources		
Unavailable revenue		
Taxes	13,227	11,675
Fund balances		
Nonspendable		
Prepaid items	2,750	7,015
Restricted		
Parkland dedication	173,024	159,219
Assigned		
Park and recreation services	1,181,722	1,716,378
Total fund balances	1,357,496	1,882,612
Total liabilities, deferred inflows of resources and fund balances	$ 1,601,913	$ 2,037,859

CITY OF NEW ULM, MINNESOTA
Park and Recreation Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 758,513	$ 758,513	$ 744,569	$ (13,944)	$ 782,376	$ 778,926	$ (3,450)
Delinquent	-	-	5,198	5,198	-	7,783	7,783
Mobile home	-	-	1,918	1,918	-	1,998	1,998
Payment in lieu of taxes	387,828	387,828	384,962	(2,866)	426,095	413,779	(12,316)
Intergovernmental							
State							
Local governmental aid	873,333	873,333	873,333	-	943,118	976,078	32,960
Other aid	2,810	2,810	2,882	72	140,090	196,658	56,568
Charges for services	881,500	881,500	993,091	111,591	882,620	920,731	38,111
Investment earnings	18,000	18,000	14,471	(3,529)	10,200	20,776	10,576
Miscellaneous							
Donations	5,000	5,000	96,963	91,963	-	24,532	24,532
Other	8,200	8,200	26,575	18,375	4,600	30,752	26,152
Total revenues	2,935,184	2,935,184	3,143,962	208,778	3,189,099	3,372,013	182,914
Expenditures							
Current							
Culture and recreation							
Administration							
Personal services	263,443	263,443	272,818	(9,375)	284,587	252,357	32,230
Supplies	7,500	7,500	6,112	1,388	7,200	7,363	(163)
Contractual services	26,929	26,929	32,033	(5,104)	34,286	23,253	11,033
Other services and charges	32,931	32,931	32,101	830	30,931	32,748	(1,817)
Total	330,803	330,803	343,064	(12,261)	357,004	315,721	41,283
Park							
Personal services	452,875	452,875	470,202	(17,327)	423,870	458,290	(34,420)
Supplies	100,200	123,000	135,069	(12,069)	97,700	124,729	(27,029)
Contractual services	183,448	234,365	214,232	20,133	189,917	295,993	(106,076)
Other services and charges	100,150	100,150	90,225	9,925	109,150	82,906	26,244
Total	836,673	910,390	909,728	662	820,637	961,918	(141,281)
Outdoor pool							
Personal services	14,834	14,834	24,954	(10,120)	16,838	18,017	(1,179)
Supplies	9,900	9,900	6,642	3,258	9,000	14,208	(5,208)
Contractual services	1,500	1,500	27,378	(25,878)	4,700	4,177	523
Other services and charges	5,600	5,600	5,614	(14)	7,900	5,496	2,404
Total	31,834	31,834	64,588	(32,754)	38,438	41,898	(3,460)

CITY OF NEW ULM, MINNESOTA
Park and Recreation Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures (continued)							
Recreation center							
Personal services	$ 570,946	$ 570,946	$ 537,603	$ 33,343	$ 541,341	$ 528,390	$ 12,951
Supplies	110,300	118,210	107,516	10,694	97,800	114,506	(16,706)
Contractual services	80,225	81,975	109,753	(27,778)	82,022	111,795	(29,773)
Other services and charges	203,700	203,700	211,048	(7,348)	202,700	203,318	(618)
Total	965,171	974,831	965,920	8,911	923,863	958,009	(34,146)
Civic center							
Personal services	206,765	206,765	172,910	33,855	234,446	170,709	63,737
Supplies	55,000	55,000	60,422	(5,422)	49,900	94,024	(44,124)
Contractual services	62,867	62,867	68,645	(5,778)	42,690	45,719	(3,029)
Other services and charges	256,700	256,700	266,028	(9,328)	242,500	213,356	29,144
Total	581,332	581,332	568,005	13,327	569,536	523,808	45,728
Community center							
Personal services	71,648	71,648	74,313	(2,665)	100,529	66,893	33,636
Supplies	18,700	18,700	15,260	3,440	17,500	13,594	3,906
Contractual services	20,373	20,373	22,614	(2,241)	19,146	38,100	(18,954)
Other services and charges	39,450	39,450	33,609	5,841	41,850	34,416	7,434
Total	150,171	150,171	145,796	4,375	179,025	153,003	26,022
Total current	2,895,984	2,979,361	2,997,101	(17,740)	2,888,503	2,954,357	(65,854)
Capital outlay							
Culture and recreation							
Park	562,000	1,038,536	527,029	511,507	752,940	210,681	542,259
Outdoor pool	24,000	24,000	-	24,000	16,000	14,950	1,050
Recreation center	10,200	10,200	9,948	252	-	-	-
Community center	5,000	5,000	-	5,000	6,825	6,825	-
Total capital outlay	601,200	1,077,736	536,977	540,759	775,765	232,456	543,309
Total expenditures	3,497,184	4,057,097	3,534,078	523,019	3,664,268	3,186,813	477,455
Excess (deficiency) of revenues over (under) expenditures	(562,000)	(1,121,913)	(390,116)	731,797	(475,169)	185,200	660,369
Other financing sources (uses)							
Transfers out	(135,000)	(135,000)	(135,000)	-	-	-	-
Net change in fund balances	(697,000)	(1,256,913)	(525,116)	731,797	(475,169)	185,200	660,369
Fund balances, January 1	1,882,612	1,882,612	1,882,612	-	1,697,412	1,697,412	-
Fund balances, December 31	$ 1,185,612	$ 625,699	$ 1,357,496	$ 731,797	$ 1,222,243	$ 1,882,612	$ 660,369

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CITY OF NEW ULM, MINNESOTA
Parking Meter Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 458,319	$ 464,897
Receivables		
Delinquent taxes	13,980	14,005
Accounts	1,094	560
Total assets	$ 473,393	$ 479,462
Liabilities		
Accounts payable	$ 40	$ 40
Due to other governments	143	94
Accrued salaries payable	2,856	3,428
Total liabilities	3,039	3,562
Deferred inflows of resources		
Unavailable revenue		
Taxes	13,980	14,005
Fund balances		
Restricted		
Maintain parking areas	456,374	461,895
Total liabilities, deferred inflows of resources and fund balances	$ 473,393	$ 479,462

CITY OF NEW ULM, MINNESOTA
Parking Meter Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
Delinquent	$ -	$ -	$ 2,402	$ 2,402	$ -	$ 360	$ 360
Special service district	40,000	40,000	35,876	(4,124)	40,000	33,505	(6,495)
Penalties and interest	-	-	64	64	-	5	5
Intergovernmental							
State							
Other aid	150	150	132	(18)	150	151	1
Charges for services	20,000	20,000	21,508	1,508	19,000	20,789	1,789
Fines and forfeitures	15,500	15,500	15,582	82	13,500	17,997	4,497
Investment earnings	5,100	5,100	4,374	(726)	3,200	5,952	2,752
Total revenues	80,750	80,750	79,938	(812)	75,850	78,759	2,909
Expenditures							
Current							
Miscellaneous							
Personal services	60,472	60,472	56,293	4,179	56,561	53,126	3,435
Supplies	11,000	11,000	2,404	8,596	6,000	2,507	3,493
Contractual services	8,000	8,000	26,377	(18,377)	8,000	10,551	(2,551)
Other services and charges	1,000	1,000	385	615	500	417	83
Total expenditures	80,472	80,472	85,459	(4,987)	71,061	66,601	4,460
Net change in fund balances	278	278	(5,521)	(5,799)	4,789	12,158	7,369
Fund balances, January 1	461,895	461,895	461,895	-	449,737	449,737	-
Fund balances, December 31	$ 462,173	$ 462,173	$ 456,374	$ (5,799)	$ 454,526	$ 461,895	$ 7,369

CITY OF NEW ULM, MINNESOTA
Sales Tax Revenue Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 3,744,447	$ 3,332,046
Receivables		
Accounts	5,809	4,353
Intergovernmental	233,017	224,246
Total assets	$ 3,983,273	$ 3,560,645
Fund balances		
Restricted		
Sales tax projects	$ 3,983,273	$ 3,560,645

CITY OF NEW ULM, MINNESOTA
Sales Tax Revenue Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Taxes		
Sales and excise tax	$ 1,113,853	$ 1,179,298
Investment earnings	35,983	43,252
Total revenues	1,149,836	1,222,550
Expenditures		
Current		
Miscellaneous		
Supplies	27,500	9,244
Excess (deficiency) of revenues over (under) expenditures	1,122,336	1,213,306
Other financing sources (uses)		
Transfers out	(699,708)	(694,370)
Net change in fund balances	422,628	518,936
Fund balances, January 1	3,560,645	3,041,709
Fund balances, December 31	$ 3,983,273	$ 3,560,645

CITY OF NEW ULM, MINNESOTA
Character Counts Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 59,199	$ 58,631
Fund balances		
Assigned		
DARE program	$ 59,199	$ 58,631

CITY OF NEW ULM, MINNESOTA
Character Counts Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Intergovernmental							
Fines and forfeitures	$ 500	$ 500	$ -	$ (500)	$ 1,000	$ -	$ (1,000)
Investment earnings	600	600	568	(32)	450	788	338
Miscellaneous							
Donations	-	-	-	-	200	-	(200)
Total revenues	1,100	1,100	568	(532)	1,650	788	(862)
Expenditures							
Current							
Public safety							
Personal services	2,941	2,941	-	2,941	-	-	-
Supplies	4,500	4,500	-	4,500	-	-	-
Other services and charges	3,250	3,250	-	3,250	6,250	-	6,250
Total expenditures	10,691	10,691	-	10,691	6,250	-	6,250
Net change in fund balances	(9,591)	(9,591)	568	10,159	(4,600)	788	5,388
Fund balances, January 1	58,631	58,631	58,631	-	57,843	57,843	-
Fund balance, December 31	$ 49,040	$ 49,040	$ 59,199	$ 10,159	$ 53,243	$ 58,631	$ 5,388

CITY OF NEW ULM, MINNESOTA
State MIF Grant Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 110,296	$ 98,305
Notes receivable	-	10,991
Total assets	$ 110,296	$ 109,296
Fund balances		
Restricted		
Economic development	$ 110,296	$ 109,296

CITY OF NEW ULM, MINNESOTA
State MIF Grant Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Change in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings	$ 1,000	$ 1,493
Fund balances, January 1	109,296	107,803
Fund balances, December 31	$ 110,296	$ 109,296

CITY OF NEW ULM, MINNESOTA
Rehabilitation Loan Program Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 340,831	$ 347,271
Receivables		
Notes, net of allowance	197,592	183,879
Total assets	$ 538,423	$ 531,150
Fund balances		
Restricted		
Economic development	$ 538,423	$ 531,150

CITY OF NEW ULM, MINNESOTA
Rehabilitation Loan Program Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings	$ 7,273	$ 8,359
Fund balances, January 1	531,150	522,791
Fund balances, December 31	$ 538,423	$ 531,150

CITY OF NEW ULM, MINNESOTA
Firefighters Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 11,180	$ 9,164
Receivables		
Accounts	945	1,215
Total assets	$ 12,125	$ 10,379
Liabilities		
Accounts payable	$ -	$ 352
Fund balances		
Committed		
Fire fighting	9,314	7,216
Assigned		
Fire fighting	2,811	2,811
Total fund balances	12,125	10,027
Total liabilities and fund balances	$ 12,125	$ 10,379

CITY OF NEW ULM, MINNESOTA
Firefighters Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Charges for services		
Public safety	$ 9,045	$ 8,910
Investment earnings	121	108
Total revenues	9,166	9,018
Expenditures		
Current		
Public safety		
Other services and charges	7,068	6,522
Net change in fund balances	2,098	2,496
Fund balances, January 1	10,027	7,531
Fund balances, December 31	$ 12,125	$ 10,027

CITY OF NEW ULM, MINNESOTA
Small Cities Development Special Revenue Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 46,044	$ 41,370
Receivables		
Notes, net of allowance	-	4,262
Total assets	$ 46,044	$ 45,632
Fund balances		
Restricted		
Economic development	$ 46,044	$ 45,632

CITY OF NEW ULM, MINNESOTA
Small Cities Development Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings	$ 412	$ 473
Fund balances, January 1	45,632	45,159
Fund balances, December 31	$ 46,044	$ 45,632

CITY OF NEW ULM, MINNESOTA
Special Revenue Tax Increment Financing Funds
Combining TIF Balance Sheet
December 31, 2016
(with comparative totals for December 31, 2015)

	TIF RD-9	TIF H - 2	TIF H - 5	TIF H - 7	TIF H - 8	Totals 2016	Totals 2015
Assets							
Cash and investments	$ (1,215)	$ 43,268	$ 1,515	$ 2,085	$ 75,815	$ 121,468	$ 78,775
Liabilities							
Accounts payable	$ -	$ 42,900	$ -	$ -	$ -	$ 42,900	$ 61,768
Due to other funds	-	-	-	-	-	-	4,466
Advances from other funds	20,000	-	-	-	4,000	24,000	24,000
Advances from component unit	-	-	466,000	-	-	466,000	408,000
Due to other governments	-	-	-	-	74,982	74,982	-
Total liabilities	20,000	42,900	466,000	-	78,982	607,882	498,234
Fund balances							
Restricted							
TIF activities	-	368	-	2,085	-	2,453	2,372
Unassigned	(21,215)	-	(464,485)	-	(3,167)	(488,867)	(421,831)
Total fund balances	(21,215)	368	(464,485)	2,085	(3,167)	(486,414)	(419,459)
Total liabilities and fund balances	$ (1,215)	$ 43,268	$ 1,515	$ 2,085	$ 75,815	$ 121,468	$ 78,775

CITY OF NEW ULM, MINNESOTA
Special Revenue Tax Incrementing Financing Funds
Combining TIF Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	TIF RD-9	TIF H - 2	TIF H - 5	TIF H - 7	TIF H - 8	Totals 2016	Totals 2015
Revenues							
Taxes							
Captured TIF	$ -	$ 42,919	$ 16,930	$ -	$ 74,982	$ 134,831	$ 74,454
Investment earnings (loss)	10	185	242	27	496	960	771
Total revenues	10	43,104	17,172	27	75,478	135,791	75,225
Expenditures							
Current							
Miscellaneous	4,385	43,050	150	-	75,132	122,717	86,441
Debt service							
Principal	-	-	43,895	-	-	43,895	43,894
Interest	601	-	35,412	-	121	36,134	36,745
Total expenditures	4,986	43,050	79,457	-	75,253	202,746	167,080
Net change in fund balances	(4,976)	54	(62,285)	27	225	(66,955)	(91,855)
Fund balances, January 1	(16,239)	314	(402,200)	2,058	(3,392)	(419,459)	(327,604)
Fund balances, December 31	$ (21,215)	$ 368	$ (464,485)	$ 2,085	$ (3,167)	$ (486,414)	$ (419,459)

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DEBT SERVICE FUNDS

Debt Service funds are used to account for the payment of principal and interest on various types of general obligation and special assessment debt excluding those payable from proprietary funds.

> ***The Bond Sinking Fund*** is a major fund which was established to account for special assessments and tax levies used to retire G.O. Bonds issued in accordance with Minnesota statutes section 429.
>
> ***The G.O. Improvement Bonds Debt Service Funds*** are nonmajor funds which were established to record transfers from the Bond Sinking Fund for debt service associated with General Obligation Improvement Bonds, Series 2007 through 2016.

CITY OF NEW ULM, MINNESOTA
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2016

	2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009C G.O. Sales Tax Refunding Bonds	2013 G.O. PIRF Fund	2009A G.O. PIRF Bonds	2010A G.O. Refunding Bonds	2007 G.O. TIF Improvement Bonds	2010B G.O. PIRF Bonds	2011 G.O. PIRF Bonds	2012 G.O. PIRF Bonds	2014 G.O. PIRF Bonds	2015 G.O. PIRF Bonds	2016 G.O. PIRF Bonds	Total Nonmajor
Assets														
Cash and investments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,648	$ 34,648
Receivables														
Special assessments														
Delinquent	-	-	-	-	-	-	-	-	-	-	-	-	263,366	$ 263,366
Total assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 298,014	$ 298,014
Deferred inflows of resources														
Unavailable revenue														
Special assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 263,366	$ 263,366
Fund balances														
Restricted														
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	34,648	34,648
Total deferred inflows of resources and fund balances	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 298,014	$ 298,014

CITY OF NEW ULM, MINNESOTA
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the year ended December 31, 2016

	2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009C G.O. Sales Tax Refunding Bonds	2013 G.O. PIRF Fund	2009A G.O. PIRF Bonds	2010A G.O. Refunding Bonds	2007 G.O. TIF Improvement Bonds	2010B G.O. PIRF Bonds	2011 G.O. PIRF Bonds	2012 G.O. PIRF Bonds	2014 G.O. PIRF Bonds	2015 G.O. PIRF Bonds	2016 G.O. PIRF Bonds	Total Nonmajor
Revenues														
Property taxes	$ 12,985	$ -	$ -	$ -	$ -	$ 22,150	$ 1,024	$ -	$ -	$ -	$ -	$ -	$ 1,024	$ 37,183
Special assessments	36,296	-	-	-	-	-	62,330	-	-	-	-	-	-	98,626
Investment earnings (loss)	157	-	-	-	-	8	264	-	-	-	-	-	(252)	177
Total revenues	49,438	-	-	-	-	22,158	63,618	-	-	-	-	-	772	135,986
Expenditures														
Debt service														
Principal	195,500	560,000	595,000	275,000	225,000	41,500	379,500	1,090,000	325,000	320,000	630,000	305,000	-	4,941,500
Interest	5,912	22,400	104,708	33,360	31,630	690	11,476	22,481	44,050	23,413	53,850	68,138	14,581	436,689
Bond issuance costs and fees	-	-	-	-	-	-	-	-	-	-	-	-	4,658	4,658
Total expenditures	201,412	582,400	699,708	308,360	256,630	42,190	390,976	1,112,481	369,050	343,413	683,850	373,138	19,239	5,382,847
Excess (deficiency) of revenues over (under) expenditures	(151,974)	(582,400)	(699,708)	(308,360)	(256,630)	(20,032)	(327,358)	(1,112,481)	(369,050)	(343,413)	(683,850)	(373,138)	(18,467)	(5,246,861)
Other financing sources (uses)														
Transfers in	127,794	582,400	699,708	308,360	256,630	2,915	291,155	1,112,481	369,050	343,413	683,850	373,138	14,582	5,165,476
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-	320,000	320,000
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	9,688	9,688
Transfers out	-	(60,000)	-	-	-	-	-	-	-	-	-	-	(291,155)	(351,155)
Total other financing sources (uses)	127,794	522,400	699,708	308,360	256,630	2,915	291,155	1,112,481	369,050	343,413	683,850	373,138	53,115	5,144,009
Net change in fund balances	(24,180)	(60,000)	-	-	-	(17,117)	(36,203)	-	-	-	-	-	34,648	(102,852)
Fund balances, January 1	24,180	60,000	-	-	-	17,117	36,203	-	-	-	-	-	-	137,500
Fund balances, December 31	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,648	$ 34,648

CITY OF NEW ULM, MINNESOTA
Debt Service Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual - Bond Sinking Fund
For the year ended December 31, 2016

	Bond Sinking			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
General	$ 2,207,596	$ 2,207,596	$ 2,200,563	$ (7,033)
Delinquent	-	-	15,141	15,141
Mobile home	-	-	5,757	5,757
Total taxes	2,207,596	2,207,596	2,221,461	13,865
Special assessments	765,560	765,560	1,073,151	307,591
Investment earnings	16,000	16,000	4,419	(11,581)
Total revenues	2,989,156	2,989,156	3,299,031	309,875
Expenditures				
Debt service				
Bond issuance costs and fees	2,500	2,500	2,760	(260)
Excess (deficiency) of revenues over (under) expenditures	2,986,656	2,986,656	3,296,271	309,615
Other financing sources (uses)				
Transfers out	(2,844,316)	(2,844,316)	(4,174,613)	(1,330,297)
Net change in fund balances	142,340	142,340	(818,342)	(960,682)
Fund balances, January 1	2,385,625	2,385,625	2,385,625	-
Fund balances, December 31	$ 2,527,965	$ 2,527,965	$ 1,567,283	$ (960,682)

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PERMANENT FUNDS

Permanent funds are nonmajor funds which are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

> ***Cemetery Trust Permanent Fund*** - accounts for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City cemetery.

CITY OF NEW ULM, MINNESOTA
Cemetery Trust Permanent Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 533,023	$ 510,930
Fund balances		
Nonspendable		
Perpetual care	$ 533,023	$ 510,930

CITY OF NEW ULM, MINNESOTA
Cemetery Trust Permanent Fund
Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances
For the years ended December 31, 2016 and 2015

	2016	2015
Revenues		
Investment earnings (loss)	$ (1,792)	$ 95
Miscellaneous		
Other	23,885	22,838
Total revenues	22,093	22,933
Fund balances, January 1	510,930	487,997
Fund balances, December 31	$ 533,023	$ 510,930

THE GENERAL FUND

The General fund is a major fund which was established to account for the revenue and expenditures to carry out basic governmental activities of the City such as general government, public safety and public works. Revenue is recorded by source; such as property taxes, licenses and permits, fines and forfeits, charges for services and state-shared taxes. General fund expenditures are made primarily for current day-to-day operations and are recorded by functional classifications and by operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

General Fund
Comparative Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and investments	$ 7,835,246	$ 7,156,255
Receivables		
Interest	122,670	116,283
Delinquent taxes	47,014	38,502
Accounts	297,437	267,436
Special assessments	199,874	232,958
Intergovernmental	294,262	269,126
Due from component unit	-	644
Prepaid items	20,672	25,815
Total assets	$ 8,817,175	$ 8,107,019
Liabilities		
Accounts payable	$ 90,544	$ 58,796
Due to other funds	3,809	1,312
Due to other governments	-	23,844
Accrued salaries payable	184,784	165,785
Deposits payable	35,625	31,625
Unearned revenue	14,352	12,571
Total liabilities	329,114	293,933
Deferred inflows of resources		
Unavailable revenue		
Taxes	47,014	38,502
Special assessments	199,874	232,958
Total deferred inflows of resources	246,888	271,460
Fund balances		
Nonspendable		
Prepaid items	20,672	25,815
Assigned		
Subsequent year budgeted deficit	794,200	2,012,997
Unassigned	7,426,301	5,502,814
Total fund balances	8,241,173	7,541,626
Total liabilities, deferred inflows of resources and fund balances	$ 8,817,175	$ 8,107,019

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 2,821,161	$ 2,821,161	$ 2,775,434	$ (45,727)	$ 2,549,663	$ 2,540,943	$ (8,720)
Delinquent	-	-	16,764	16,764	-	28,374	28,374
Mobile home	-	-	6,997	6,997	-	6,603	6,603
Franchise	241,000	241,000	250,549	9,549	210,000	240,282	30,282
Hotel/motel	108,000	108,000	141,963	33,963	100,000	125,150	25,150
Payment in lieu of taxes	1,402,555	1,402,555	1,393,537	(9,018)	1,447,529	1,405,145	(42,384)
Penalties and interest on delinquent taxes	-	-	1,091	1,091	900	2,298	1,398
Total taxes	4,572,716	4,572,716	4,586,335	13,619	4,308,092	4,348,795	40,703
Special assessments	24,000	24,000	40,435	16,435	26,200	29,371	3,171
Licenses and permits							
Business	62,000	62,000	64,330	2,330	58,500	65,366	6,866
Nonbusiness	167,600	167,600	206,936	39,336	154,300	218,231	63,931
Total licenses and permits	229,600	229,600	271,266	41,666	212,800	283,597	70,797
Intergovernmental							
Federal							
Airport improvement grant	252,000	322,000	-	(322,000)	127,500	228,491	100,991
Other federal grants	2,000	2,000	116,959	114,959	10,000	-	(10,000)
State							
Local government aid	3,158,360	3,158,360	3,158,360	-	3,203,946	3,216,777	12,831
Property tax credits and aids	217	217	217	-	200	233	33
Police amortization aid	152,000	152,000	175,023	23,023	150,000	169,482	19,482
Fire aid	83,152	83,152	93,158	10,006	65,950	93,963	28,013
Street maintenance aid	25,650	25,650	26,520	870	25,650	25,650	-
Other aid	79,680	79,680	116,737	37,057	186,090	188,312	2,222
County							
Highways	9,600	9,600	10,697	1,097	9,400	10,023	623
Local							
Other local	-	-	1,800	1,800	-	-	-
Total intergovernmental	3,762,659	3,832,659	3,699,471	(133,188)	3,778,736	3,932,931	154,195
Charges for services							
General government	72,915	72,915	95,061	22,146	43,400	82,258	38,858
Public safety	127,417	127,417	132,212	4,795	122,209	138,533	16,324
Public works	9,760	9,760	23,731	13,971	8,760	12,631	3,871
Miscellaneous	100,590	100,590	121,479	20,889	114,205	107,670	(6,535)
Charges to other funds	444,227	444,227	469,338	25,111	448,112	556,705	108,593
Total charges for services	754,909	754,909	841,821	86,912	736,686	897,797	161,111
Fines and forfeitures							
Court fines and forfeitures	68,000	68,000	89,536	21,536	64,300	70,092	5,792
Investment earnings	59,100	59,100	64,439	5,339	36,900	84,414	47,514
Miscellaneous							
Donations	300	300	3,500	3,200	200	155	(45)
Other	57,100	57,100	175,871	118,771	47,900	104,567	56,667
Total miscellaneous	57,400	57,400	179,371	121,971	48,100	104,722	56,622
Total revenues	9,528,384	9,598,384	9,772,674	174,290	9,211,814	9,751,719	539,905

(Continued)

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures							
Current							
General government							
Personal services	$ 1,069,168	$ 1,070,037	$ 961,399	$ 108,638	$ 1,013,894	$ 933,947	$ 79,947
Supplies	34,250	34,250	63,937	(29,687)	52,750	44,973	7,777
Contractual services	460,497	463,457	519,974	(56,517)	474,679	435,133	39,546
Insurance	240,050	240,050	204,043	36,007	241,850	225,889	15,961
Other services and charges	448,127	453,035	461,383	(8,348)	445,112	440,634	4,478
Total general government	2,252,092	2,260,829	2,210,736	50,093	2,228,285	2,080,576	147,709
Public safety							
Fire							
Personal services	327,863	327,863	322,046	5,817	324,105	335,046	(10,941)
Supplies	39,700	39,700	30,623	9,077	38,200	29,636	8,564
Contractual services	38,068	38,068	38,088	(20)	31,703	32,730	(1,027)
Other services and charges	50,545	50,545	46,975	3,570	61,736	54,916	6,820
Total fire	456,176	456,176	437,732	18,444	455,744	452,328	3,416
Police							
Personal services	2,438,916	2,438,916	2,425,338	13,578	2,371,005	2,324,715	46,290
Supplies	117,500	117,500	107,575	9,925	152,500	126,008	26,492
Contractual services	47,423	47,423	50,523	(3,100)	47,401	51,205	(3,804)
Other services and charges	148,950	148,950	156,571	(7,621)	140,000	128,874	11,126
Total police	2,752,789	2,752,789	2,740,007	12,782	2,710,906	2,630,802	80,104
Total public safety	3,208,965	3,208,965	3,177,739	31,226	3,166,650	3,083,130	83,520
Streets and highways							
Personal services	1,055,112	1,055,112	1,009,132	45,980	1,046,029	974,445	71,584
Supplies	581,900	581,900	553,907	27,993	581,900	598,702	(16,802)
Contractual services	710,915	710,915	705,921	4,994	665,793	654,324	11,469
Other services and charges	12,500	12,500	(10,081)	22,581	11,500	13,853	(2,353)
Total streets and highways	2,360,427	2,360,427	2,258,879	101,548	2,305,222	2,241,324	63,898
Sanitation and waste removal							
Personal services	67,693	67,693	100,675	(32,982)	70,250	95,304	(25,054)
Supplies	9,450	9,450	6,966	2,484	11,950	8,004	3,946
Contractual services	62,774	62,774	61,144	1,630	60,512	56,237	4,275
Other services and charges	4,500	4,500	3,002	1,498	5,600	3,100	2,500
Total sanitation and waste removal	144,417	144,417	171,787	(27,370)	148,312	162,645	(14,333)
Miscellaneous							
Airport							
Personal services	5,927	5,927	4,300	1,627	7,206	4,335	2,871
Supplies	1,500	1,500	188	1,312	1,500	1,019	481
Contractual services	105,566	105,566	93,389	12,177	104,378	85,384	18,994
Insurance	8,650	8,650	7,944	706	8,450	8,006	444
Other services and charges	19,050	19,050	16,924	2,126	19,950	15,984	3,966
Total airport	140,693	140,693	122,745	17,948	141,484	114,728	26,756
Cemetery							
Personal services	164,783	164,783	165,871	(1,088)	168,785	154,506	14,279
Supplies	14,470	14,470	7,517	6,953	14,470	10,675	3,795
Contractual services	34,832	34,832	33,780	1,052	33,470	31,609	1,861
Other services and charges	5,200	5,200	4,046	1,154	8,400	3,744	4,656
Total cemetery	219,285	219,285	211,214	8,071	225,125	200,534	24,591

(Continued)

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
For the years ended December 31, 2016 and 2015

	2016				2015		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures							
Current							
Miscellaneous (continued)							
Engineering							
Personal services	$ 611,725	$ 611,725	$ 605,643	$ 6,082	$ 584,139	$ 590,043	$ (5,904)
Supplies	17,230	17,230	12,299	4,931	15,100	10,410	4,690
Contractual services	72,593	120,609	59,096	61,513	134,348	83,082	51,266
Other services and charges	24,700	24,700	16,015	8,685	24,700	18,051	6,649
Total engineering	726,248	774,264	693,053	81,211	758,287	701,586	56,701
Community access							
Personal services	156,434	156,434	139,311	17,123	135,867	135,943	(76)
Supplies	24,050	24,050	26,101	(2,051)	23,800	32,935	(9,135)
Other services and charges	13,270	13,270	12,631	639	13,652	10,744	2,908
Total community access	193,754	193,754	178,043	15,711	173,319	179,622	(6,303)
Total miscellaneous	1,279,980	1,327,996	1,205,055	122,941	1,298,215	1,196,470	101,745
Total current	9,245,881	9,302,634	9,024,196	278,438	9,146,684	8,764,145	382,539
Capital outlay							
General government	2,000,000	2,000,000	-	2,000,000	-	-	-
Public safety	122,500	122,500	67,920	54,580	88,500	64,856	23,644
Miscellaneous	223,000	394,732	38,671	356,061	326,220	164,203	162,017
Total capital outlay	2,345,500	2,517,232	106,591	2,410,641	414,720	229,059	185,661
Total expenditures	11,591,381	11,819,866	9,130,787	2,689,079	9,561,404	8,993,204	568,200
Excess (deficiency) of revenues over (under) expenditures	(2,062,997)	(2,221,482)	641,887	2,863,369	(349,590)	758,515	1,108,105
Other financing sources (uses)							
Sales of capital assets	-	-	7,660	7,660	-	-	-
Transfers in	50,000	50,000	50,000	-	190,000	190,000	-
Transfers out	-	-	-	-	(477,600)	(551,440)	(73,840)
Total other financing sources (uses)	50,000	50,000	57,660	7,660	(287,600)	(361,440)	(73,840)
Net change in fund balances	(2,012,997)	(2,171,482)	699,547	2,871,029	(637,190)	397,075	1,034,265
Fund balances, January 1	7,541,626	7,541,626	7,541,626	-	7,144,551	7,144,551	-
Fund balances, December 31	$ 5,528,629	$ 5,370,144	$ 8,241,173	$ 2,871,029	$ 6,507,361	$ 7,541,626	$ 1,034,265

INTERNAL SERVICE FUNDS

The Internal Service funds are used to account for the financing of goods or services provided by one department for other departments of the City/PUC on a cost-reimbursement basis.

Equipment Revolving Fund - accounts for the purchase and replacement of vehicles and equipment for general government functions.

Health Insurance Trust Fund - accounts for the collection from the City and its employees for health insurance premiums and the associated cost of the health insurance purchased and self funding claims incurred.

Insurance Trust Fund - accounts for general liability and workers compensation claims incurred that are outside the City's insurance coverage.

CITY OF NEW ULM, MINNESOTA
Internal Service Funds
Combining Statement of Net Position
December 31, 2016
(with comparative totals for December 31, 2015)

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Totals 2016	Totals 2015
Assets					
Current assets					
Cash and investments	$ 1,139,853	$ 866,392	$ 1,114,969	$ 3,121,214	$ 2,795,502
Receivables					
Accounts	-	2,957	-	2,957	7,719
Due from other funds	3,809	-	-	3,809	1,312
Inventories	100,158	-	-	100,158	99,420
Total current assets	1,243,820	869,349	1,114,969	3,228,138	2,903,953
Noncurrent assets					
Capital assets					
Buildings and structures	1,816,748	-	-	1,816,748	1,806,903
Machinery and equipment	5,321,725	-	-	5,321,725	5,159,533
Accumulated depreciation	(4,627,707)	-	-	(4,627,707)	(4,475,530)
Total noncurrent assets	2,510,766	-	-	2,510,766	2,490,906
Total assets	3,754,586	869,349	1,114,969	5,738,904	5,394,859
Deferred outflows of resources					
Deferred pension resources	46,201	-	-	46,201	9,604
Liabilities					
Current liabilities					
Accounts payable	14,850	128,250	-	143,100	142,104
Accrued salaries payable	4,467	-	-	4,467	3,680
Claims incurred but not paid	-	18,921	-	18,921	20,049
Unearned revenue	-	226,619	-	226,619	199,078
Total current liabilities	19,317	373,790	-	393,107	364,911
Noncurrent liabilities					
Pension liability	129,299	-	-	129,299	84,007
Total liabilities	148,616	373,790	-	522,406	448,918
Deferred inflows of resources					
Deferred pension resources	18,031	-	-	18,031	20,861
Net position					
Investment in capital assets	2,510,766	-	-	2,510,766	2,490,906
Unrestricted	1,123,374	495,559	1,114,969	2,733,902	2,443,778
Total net position	$ 3,634,140	$ 495,559	$ 1,114,969	$ 5,244,668	$ 4,934,684

CITY OF NEW ULM, MINNESOTA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Totals 2016	Totals 2015
Operating revenues					
Charges for services	$ 1,020,554	$ -	$ -	$ 1,020,554	$ 946,869
Pension revenue	503	-	-	503	-
Insurance premiums	-	2,425,530	-	2,425,530	2,313,068
Insurance refunds	-	5,847	-	5,847	7,567
Total operating revenues	1,021,057	2,431,377	-	3,452,434	3,267,504
Operating expenses					
Administrative and general	174,876	21,765	-	196,641	192,682
Insurance premiums	-	2,198,301	-	2,198,301	2,080,648
Self funded claims	-	183,601	1,716	185,317	187,210
Vehicle maintenance	249,393	-	-	249,393	262,117
Depreciation	388,224	-	-	388,224	384,903
Total operating expenses	812,493	2,403,667	1,716	3,217,876	3,107,560
Operating income (loss)	208,564	27,710	(1,716)	234,558	159,944
Non-operating revenues (expenses)					
State other aid	308	-	-	308	281
Gain on sale of assets	40,941	-	-	40,941	5,530
Investment income	9,735	5,649	10,273	25,657	30,361
Miscellaneous income	1,552	-	6,968	8,520	173,249
Total non-operating revenues (expenses)	52,536	5,649	17,241	75,426	209,421
Change in net position	261,100	33,359	15,525	309,984	369,365
Net position					
January 1 as restated	3,373,040	462,200	1,099,444	4,934,684	4,565,319
December 31	$ 3,634,140	$ 495,559	$ 1,114,969	$ 5,244,668	$ 4,934,684

CITY OF NEW ULM, MINNESOTA
Internal Service Funds
Combining Statement of Cash Flows
For the year ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Totals 2016	Totals 2015
Cash flows from operating activities					
Receipts from interfund services provided	$ 1,020,554	$ 2,457,833	$ -	$ 3,478,387	$ 3,458,646
Grant receipts	308	-	-	308	281
Payments to suppliers and interfund services used	(268,597)	-	(1,716)	(270,313)	(142,394)
Payments to and on behalf of employees	(148,275)	(2,404,779)	-	(2,553,054)	(2,440,675)
Other receipts	1,552	5,847	6,968	14,367	180,816
Net cash provided (used) by operating activities	605,542	58,901	5,252	669,695	1,056,674
Cash flows from non-capital financing activities					
Increase (decrease) in due from other funds	(2,497)	-	-	(2,497)	1,831
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	44,055	-	-	44,055	5,530
Acquisition of capital assets	(411,198)	-	-	(411,198)	(417,047)
Net cash provided (used) by capital and related financing activities	(367,143)	-	-	(367,143)	(411,517)
Cash flows from investing activities					
Interest income received	9,735	5,649	10,273	25,657	30,361
Net increase (decrease) in cash and cash equivalents	245,637	64,550	15,525	325,712	677,349
Cash and cash equivalents					
January 1	894,216	801,842	1,099,444	2,795,502	2,118,153
December 31	$ 1,139,853	$ 866,392	$ 1,114,969	$ 3,121,214	$ 2,795,502
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ 208,564	$ 27,710	$ (1,716)	$ 234,558	$ 159,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	1,860	-	6,968	8,828	173,530
Depreciation	388,224	-	-	388,224	384,903
(Increase) decrease in assets					
Accounts receivable	-	4,762	-	4,762	(369)
Inventories	(738)	-	-	(738)	8,114
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	(36,597)	-	-	(36,597)	2,981
(Decrease) increase in liabilities					
Accounts payable	980	16	-	996	133,058
Accrued salaries payable	787	-	-	787	(1,948)
Claims incurred, but not paid	-	(1,128)	-	(1,128)	(6,353)
Unearned revenue	-	27,541	-	27,541	199,078
Pension liability	45,292	-	-	45,292	4,388
(Decrease) increase in deferred inflows of resources					
Deferred pension resources	(2,830)	-	-	(2,830)	(652)
Net cash provided (used) by operating activities	$ 605,542	$ 58,901	$ 5,252	$ 669,695	$ 1,056,674
Schedule of noncash investing, capital and financing activities					
Book value of disposed/traded of capital assets	$ 3,114	$ -	$ -	$ 3,114	$ -

CITY OF NEW ULM, MINNESOTA
Equipment Revolving Internal Service Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Position
For the years ended December 31, 2016 and 2015

			(Decrease) and Increase	
	2016	**2015**	**Amount**	**Percent**
Operating revenues				
Charges for services	$ 1,020,554	$ 946,869	$ 73,685	7.78%
Pension revenue	503	-	503	100.00%
Total operating revenues	1,021,057	946,869	74,188	7.84%
Operating expenses				
Administrative and general				
Employer paid benefits	50,721	49,849	872	1.75%
Miscellaneous	7,061	5,017	2,044	40.74%
Salaries	98,341	95,950	2,391	2.49%
Utilities	18,753	20,845	(2,092)	-10.04%
Total administrative and general	174,876	171,661	3,215	1.87%
Vehicle maintenance				
Gas, oil and grease	80,816	86,147	(5,331)	-6.19%
Miscellaneous	12,039	9,034	3,005	33.26%
Repairs	147,146	159,160	(12,014)	-7.55%
Supplies	9,392	7,776	1,616	20.78%
Total vehicle maintenance	249,393	262,117	(12,724)	-4.85%
Depreciation	388,224	384,903	3,321	0.86%
Total operating expenses	812,493	818,681	(6,188)	-0.76%
Operating income (loss)	208,564	128,188	80,376	-62.70%
Non-operating revenues (expenses)				
State other aid	308	281	27	9.61%
Gain on sale of assets	40,941	5,530	35,411	640.34%
Investment income	9,735	10,930	(1,195)	-10.93%
Miscellaneous revenue	1,552	598	954	159.53%
Total non-operating revenues (expenses)	52,536	17,339	35,197	202.99%
Change in net position	261,100	145,527	$ 115,573	-79.42%
Net position				
January 1	3,373,040	3,227,513		
December 31	$ 3,634,140	$ 3,373,040		

CITY OF NEW ULM, MINNESOTA
Health Insurance Trust Internal Service Fund
Comparative Schedules of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2016 and 2015

			(Decrease) and Increase	
	2016	**2015**	**Amount**	**Percent**
Operating revenues				
Insurance premiums	$ 2,425,530	$ 2,313,068	$ 112,462	4.86%
Insurance refunds	5,847	7,567	(1,720)	-22.73%
Total operating revenues	2,431,377	2,320,635	110,742	4.77%
Operating expenses				
Administration	21,765	21,021	744	3.54%
Insurance premiums	2,198,301	2,080,648	117,653	5.65%
Self funded claims	183,601	184,906	(1,305)	-0.71%
Total operating expenses	2,403,667	2,286,575	117,092	5.12%
Operating income (loss)	27,710	34,060	(6,350)	18.64%
Non-operating revenues (expenses)				
Investment income	5,649	6,910	(1,261)	-18.25%
Change in net position	33,359	40,970	$ (7,611)	18.58%
Net position				
January 1	462,200	421,230		
December 31	$ 495,559	$ 462,200		

CITY OF NEW ULM, MINNESOTA
Insurance Internal Service Fund
Comparative Schedules of Revenues, Expenses
and Changes in Net Position
For the years ended December 31, 2016 and 2015

			(Decrease) and Increase	
	2016	**2015**	**Amount**	**Percent**
Operating expenses				
Self funded claims	$ 1,716	$ 2,304	$ (588)	-25.52%
Non-operating revenues (expenses)				
Investment income	10,273	12,521	(2,248)	-17.95%
Miscellaneous	6,968	172,651	(165,683)	-95.96%
Total non-operating revenues (expenses)	17,241	185,172	(167,931)	-90.69%
Change in net position	15,525	182,868	$ (167,343)	91.51%
Net position				
January 1	1,099,444	916,576		
December 31	$ 1,114,969	$ 1,099,444		

AGENCY FUNDS

Agency funds are funds which are assets held as an agent by the City for others. Agency funds are purely custodial and do not measure the results of operations.

Brown-Lyon-Redwood-Renville (BLR) Drug Task Force Fund - accounts for moneys held for task force operations.

City Employee Lunchroom Fund - accounts for moneys held for the city lunchroom.

Library Lunchroom Fund - accounts for moneys held for the library lunchroom.

PUC Employee Lunchroom Fund - accounts for moneys held for the PUC lunchroom.

Miscellaneous Affiliated Groups Fund - accounts for moneys held for the various groups.

CITY OF NEW ULM, MINNESOTA
Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
BLR Drug Task Force Fund (803)				
Assets				
Cash and investments	$ 358,964	$ 462,087	$ 434,628	$ 386,423
Due from other governments	46,917	-	-	46,917
Total assets	$ 405,881	$ 462,087	$ 434,628	$ 433,340
Liabilities				
Accounts payable	$ 33,494	$ 33,559	$ 30,213	$ 36,840
Due to other entities	372,387	428,528	404,415	396,500
Total liabilities	$ 405,881	$ 462,087	$ 434,628	$ 433,340
City Employee Lunchroom Fund (820)				
Assets				
Cash and investments	$ (754)	$ 1,341	$ 1,897	$ (1,310)
Liabilities				
Accounts payable	$ 12	$ 1,341	$ 1,342	$ 11
Due to other entities	(766)	-	555	(1,321)
Total liabilities	$ (754)	$ 1,341	$ 1,897	$ (1,310)
Library Employee Lunchroom Fund (823)				
Assets				
Cash and investments	$ 855	$ 274	$ 283	$ 846
Liabilities				
Accounts payable	$ 2	$ 256	$ 255	$ 3
Due to other entities	853	18	28	843
Total liabilities	$ 855	$ 274	$ 283	$ 846
PUC Employee Lunchroom Fund (825)				
Assets				
Cash and investments	$ 8,256	$ 1,085	$ 1,851	$ 7,490
Liabilities				
Accounts payable	$ 122	$ 1,085	$ 1,077	$ 130
Due to other entities	8,134	-	774	7,360
Total liabilities	$ 8,256	$ 1,085	$ 1,851	$ 7,490
Miscellaneous Affiliated Groups Fund (830)				
Assets				
Cash and investments	$ 40,154	$ 33,883	$ 20,659	$ 53,378
Liabilities				
Accounts payable	$ -	$ 13,025	$ 11,190	$ 1,835
Due to other entities	40,154	20,858	9,469	51,543
Total liabilities	$ 40,154	$ 33,883	$ 20,659	$ 53,378
Totals All Funds				
Assets				
Cash and investments	$ 407,475	$ 498,670	$ 459,318	$ 446,827
Due from other governments	46,917	-	-	46,917
Total assets	$ 454,392	$ 498,670	$ 459,318	$ 493,744
Liabilities				
Accounts payable	$ 33,630	$ 49,266	$ 44,077	$ 38,819
Due to other entities	420,762	449,404	415,241	454,925
Total liabilities	$ 454,392	$ 498,670	$ 459,318	$ 493,744

CITY OF NEW ULM, MINNESOTA
Summary Financial Report
Revenues and Expenditures for General Operations
Governmental Funds
For the years ended December 31, 2016 and 2015

	Total 2016	Total 2015	Percent Increase (Decrease)
REVENUES			
Taxes	$ 10,235,234	$ 10,017,020	2.18 %
Special assessments	1,212,212	1,431,355	(15.31)
Licenses and permits	271,266	283,597	(4.35)
Intergovernmental	6,018,033	6,948,653	(13.39)
Contribution from component unit	413,450	411,926	0.37
Charges for services	1,883,114	1,870,134	0.69
Fines and forfeits	114,081	96,244	18.53
Investment earnings	232,465	275,636	(15.66)
Miscellaneous	343,072	290,163	18.23
TOTAL REVENUES	$ 20,722,927	$ 21,624,728	(4.17) %
Per Capita	$ 1,526	$ 1,600	(4.62) %
EXPENDITURES			
Current			
General government	$ 2,210,736	$ 2,080,576	6.26 %
Public safety	3,184,807	3,089,652	3.08
Streets and highways	2,657,989	5,861,355	(54.65)
Sanitation and waste removal	171,787	162,645	5.62
Culture and recreation	3,666,708	3,646,538	0.55
Miscellaneous	1,440,731	1,358,756	6.03
Capital outlay			
Public safety	968,339	64,856	1,393.06
Streets and highways	3,410,070	2,015,665	69.18
Culture and recreation	666,586	243,206	174.08
Miscellaneous	38,671	225,110	(82.82)
Debt service			
Principal	4,996,379	3,266,392	52.96
Interest and other charges	527,849	541,093	(2.45)
TOTAL EXPENDITURES	$ 23,940,652	$ 22,555,844	6.14 %
Per Capita	$ 1,763	$ 1,668	5.64 %
Total Long-term Indebtedness	$ 16,773,366	$ 18,574,745	(9.70) %
Per Capita	1,235	1,374	(10.12)
General Fund Balance - December 31	$ 8,241,173	$ 7,541,626	9.28 %
Per Capita	607	558	8.76

The purpose of this report is to provide a summary of financial information concerning the City of New Ulm to interested citizens. The complete financial statements may be examined at the City's finance office at 100 North Broadway, New Ulm, MN 56073. Questions about this report should be directed to Nicole Jorgensen, Finance Director at 507-359-8259.

OTHER REQUIRED REPORTS

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of New Ulm
New Ulm, Minnesota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Ulm, Minnesota (the City) as of and for the year ended December 31, 2016, and related notes to the financial statements, and have issued our report thereon dated May 24, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 24, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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*

Honorable Mayor and City Council
City of New Ulm
New Ulm, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Ulm, Minnesota (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 24, 2017

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