City of New Ulm, Minnesota

Annual Financial Report

For the Fiscal year ended December 31, 2017

Annual Financial Report

City of New Ulm
New Ulm, Minnesota

For the Year Ended
December 31, 2017

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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INTRODUCTORY SECTION

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City of New Ulm, Minnesota
City Officials

ELECTED

Name	Title	Term Expires
Robert J. Beussman	Mayor	12/31/18
Charles E. Schmitz	President, City Council	12/31/20
David H. Christian	Councilor, Ward 1	12/31/20
Lisa K. Fischer	Councilor, Ward 2	12/31/18
Les P. Schultz	Councilor, Ward 3	12/31/20
Larry A. Mack	Councilor, Ward 4	12/31/18

APPOINTED

Name	Title	Term Expires
Brian D. Gramentz	City Manager	
Thomas F. MacAulay	Assistant City Manager	
Ellwood Zabel	Building Official	
Hugh T. Nierengarten	City Attorney	
Nicole Jorgensen	Finance Director	
Steven P. Koelher, P.E.	City Engineer	
David J. Schnobrich	Community Development Director	
David J. Hermann	Data Processing Coordinator	
Stephen S. Soukup	Electric Distribution Supervisor	
Paul C. Macho	Fire Chief	
Larry B. Hlavsa	Library Director	
Dennis Braulick	Natural Gas Supervisor	
Thomas E. Schmitz	Park & Recreation Director	
Carl M. Zeidler	Personnel Officer	
Myron N. Wieland	Police Chief	
Gary M. Domeier	Power Plant Chief Engineer	
Thomas H. Patterson	Street Commissioner	
Gary J. Gleisner	Director of Utilities	
Dan O'Connor	Wastewater Treatment Supervisor	
Allen J. Lamm	Water/District Energy Supervisor	
Patrick E. Wrase	Utilities Planning & Development Engineer	

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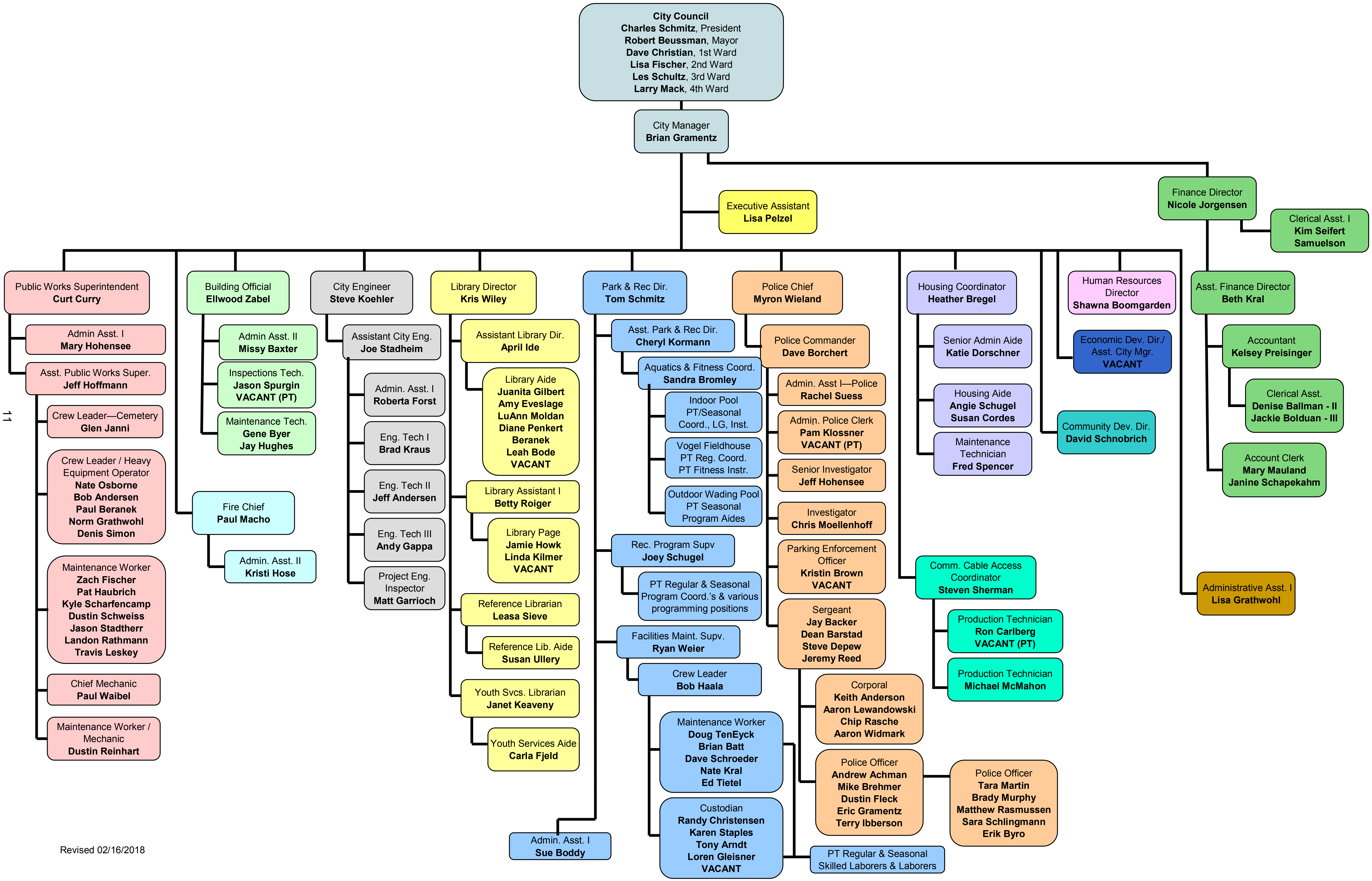
City of New Ulm Organizational Chart



Revised 02/16/2018

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FINANCIAL SECTION

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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, 2017, 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.

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Mankato, MN 56002-3166
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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, 2017, 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.

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 19 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 95 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, 2018, 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, 2018

People + Process® Going Beyond the Numbers

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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, 2017. 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's 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 $4,778,571 (2.7 percent) in 2017. The City's total net position for governmental activities increased $3,020,966 (3.2 percent) in 2017. The PUC's total net position increased $1,498,392 (1.9 percent) in 2017. The EDA's total net position increased $259,213 (4.2 percent) in 2017.

- Total net position of the City (including component units) is $182,899,147, of which $33,727,589 is unrestricted.

- As of December 31, 2017, the City's governmental funds reported combined ending fund balances of $23,913,148, a decrease of $1,619,703 in comparison with the prior year. Of the ending balance, $6,150,431 (25.7 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 $6,801,441, or 61.5 percent of total General fund expenditures.

- The City's total debt (including component units) increased by $4,088,106, or 17.1 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

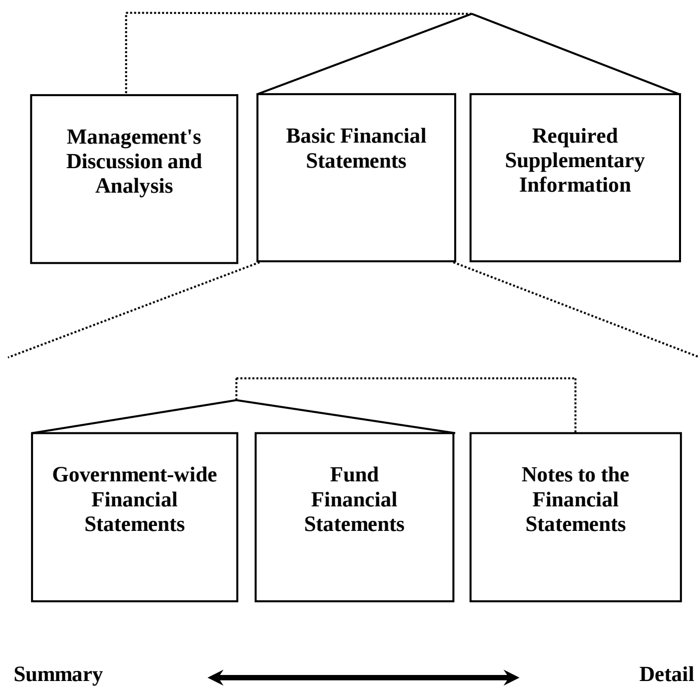


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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 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 35 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, 2016 Bonds fund, 2017 Bonds fund and 2018 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 40 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 54 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 57 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 59 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 95 of this report. The City has disclosed this information in Notes 4 and 6 to the financial statements and as separate required supplementary information.

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 102 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, 2017.

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 $96,274,297 at the close of the current year.

By far, the largest portion of the City's (not including component units) net position (74.3 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's Summary of Net Position

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Current and Other Assets	$ 33,682,502	$ 34,947,722	$ (1,265,220)	$ 36,719,955	$ 33,378,091	$ 3,341,864	$ 2,923,698	$ 2,643,110	$ 280,588
Capital assets	87,742,700	83,987,663	3,755,037	66,882,017	61,984,119	4,897,898	3,670,020	3,967,324	(297,304)
Total assets	121,425,202	118,935,385	2,489,817	103,601,972	95,362,210	8,239,762	6,593,718	6,610,434	(16,716)
Deferred Outflows of Resources	4,356,694	6,628,977	(2,272,283)	1,304,530	2,293,058	(988,528)	24,129	7,314	16,815
Long-term Liabilities Outstanding	23,064,347	29,396,816	(6,332,469)	18,329,485	14,431,663	3,897,822	71,464	56,834	14,630
Other Liabilities	1,057,975	1,284,466	(226,491)	5,066,171	3,585,583	1,480,588	101,502	379,819	(278,317)
Total Liabilities	24,122,322	30,681,282	(6,558,960)	23,395,656	18,017,246	5,378,410	172,966	436,653	(263,687)
Deferred Inflows of Resources	5,385,277	1,629,749	3,755,528	1,314,792	940,360	374,432	16,085	11,512	4,573
Net Investment in Capital Assets	71,613,741	67,039,018	4,574,723	55,204,876	54,749,439	455,437	3,670,020	3,698,849	(28,829)
Restricted	14,783,829	14,360,809	423,020	3,893,551	3,590,163	303,388	5,541	5,018	523
Unrestricted	9,876,727	11,853,504	(1,976,777)	21,097,627	20,358,060	739,567	2,753,235	2,465,716	287,519
Total net position	$ 96,274,297	$ 93,253,331	$ 3,020,966	$ 80,196,054	$ 78,697,662	$ 1,498,392	$ 6,428,796	$ 6,169,583	$ 259,213

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* (10.3 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 $3,020,966 during the current fiscal year, compared to $3,214,177 in the previous year. Capital grants and contributions (mainly State street aids and special assessments) of $2,842,002 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 $3,020,966, thereby accounting for 63.2 percent of the total growth in the net position of the City (including the component units). Capital grants and contributions of $2,842,002 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.

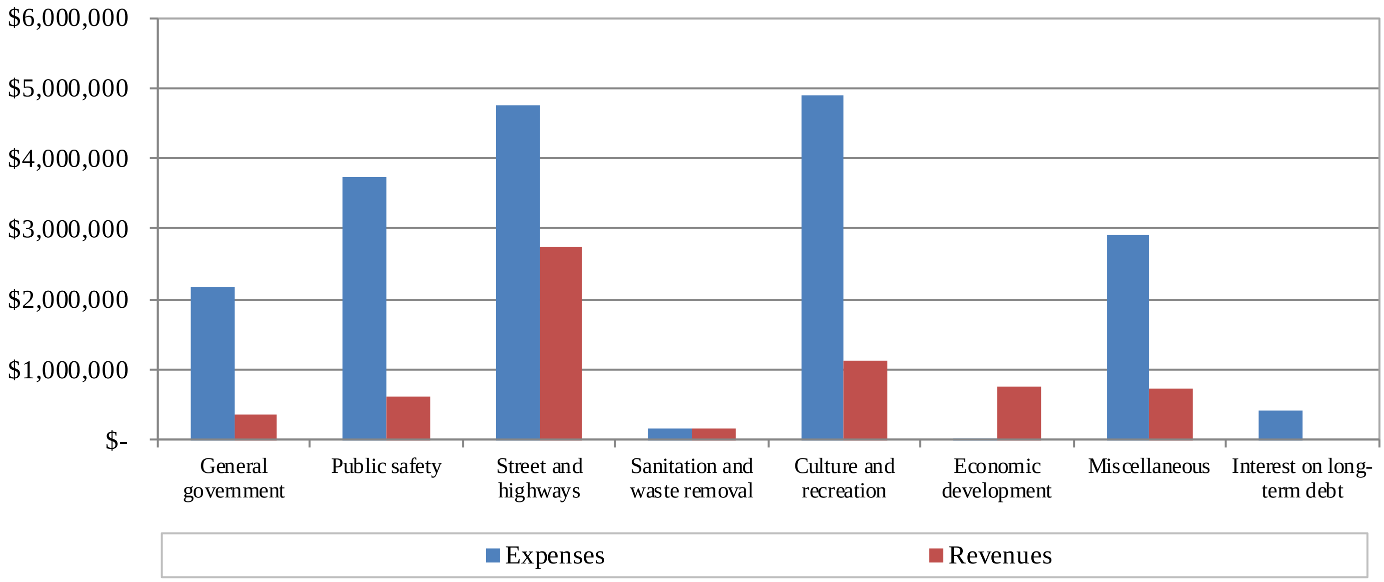
City of New Ulm Changes in Net Position

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues									
Program revenues									
Charges For Services	$ 2,451,818	$ 2,506,015	$ (54,197)	$ 39,989,963	$ 37,893,765	$ 2,096,198	$ 1,055,769	$ 1,045,443	$ 10,326
Operating Grants and Contributions	1,234,559	599,640	634,919	13,248	31,059	(17,811)	477,966	453,939	24,027
Capital Grants and Contributions	2,842,002	3,305,561	(463,559)	481,147	423,766	57,381	29,719	75,209	(45,490)
General revenues									
Property Taxes	7,039,808	6,695,094	344,714	-	-	-	116,318	116,868	(550)
Other Taxes	3,883,054	3,557,316	325,738	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	4,251,459	4,264,062	(12,603)	-	-	-	314	241	73
Unrestricted Investment Earnings	300,971	231,882	69,089	285,686	228,695	56,991	17,170	13,121	4,049
Other	92,012	179,182	(87,170)	74,926	16,210	58,716	12,825	19,836	(7,011)
Total Revenues	22,095,683	21,338,752	756,931	40,844,970	38,593,495	2,251,475	1,710,081	1,724,657	(14,576)

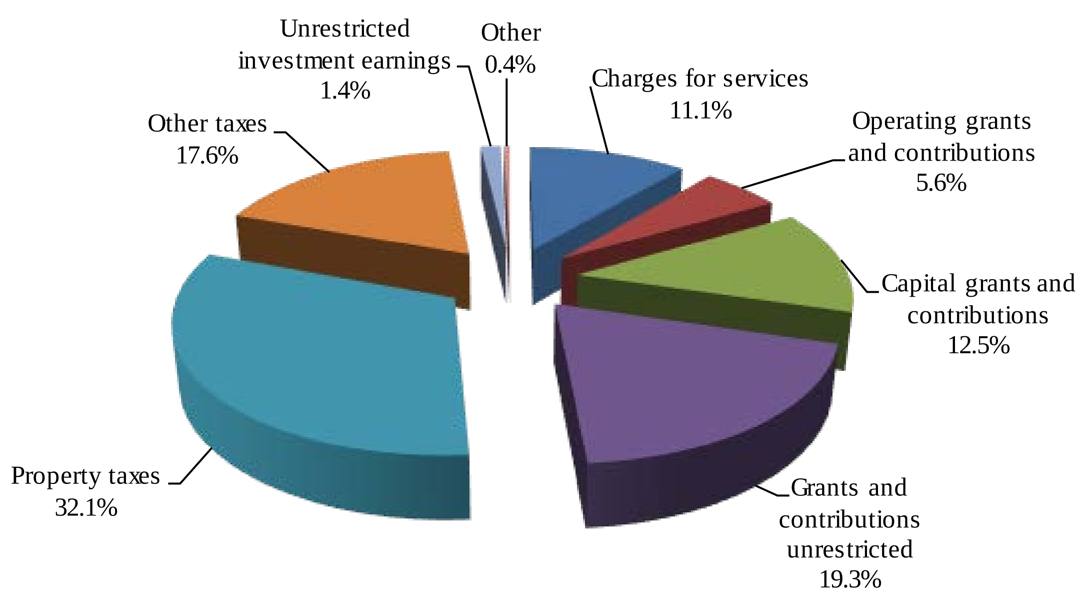
City of New Ulm's Changes in Net Position - Continued

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Expenses									
General government	$ 2,184,218	$ 2,289,103	$ (104,885)	$ -	$ -	$ -	$ -	$ -	$ -
Public safety	3,722,112	4,246,164	(524,052)	-	-	-	-	-	-
Streets and highways	4,744,529	4,427,420	317,109	-	-	-	-	-	-
Sanitation and waste removal	161,164	159,474	1,690	-	-	-	-	-	-
Culture and recreation	4,907,109	4,377,771	529,338	-	-	-	-	-	-
Economic development	20,000	-	20,000	-	-	-	-	-	-
Miscellaneous	2,905,154	2,088,465	816,689	-	-	-	-	-	-
Interest and other costs	430,431	536,178	(105,747)	-	-	-	-	-	-
Electric	-	-	-	23,611,648	22,604,901	1,006,747	-	-	-
District energy	-	-	-	1,062,479	856,172	206,307	-	-	-
Natural gas	-	-	-	8,323,010	6,587,263	1,735,747	-	-	-
Water	-	-	-	2,903,880	2,684,643	219,237	-	-	-
Wastewater	-	-	-	3,445,561	3,124,604	320,957	-	-	-
Housing development	-	-	-	-	-	-	1,450,868	1,353,272	97,596
Total Expenses	19,074,717	18,124,575	950,142	39,346,578	35,857,583	3,488,995	1,450,868	1,353,272	97,596
Change in net position	3,020,966	3,214,177	(193,211)	1,498,392	2,735,912	(1,237,520)	259,213	371,385	(112,172)
Net position - January 1	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
Net position - December 31	$ 96,274,297	$ 93,253,331	$ 3,020,966	$ 80,196,054	$ 78,697,662	$ 1,498,392	$ 6,428,796	$ 6,169,583	$ 259,213

Expenses and Program Revenues - Governmental Activities

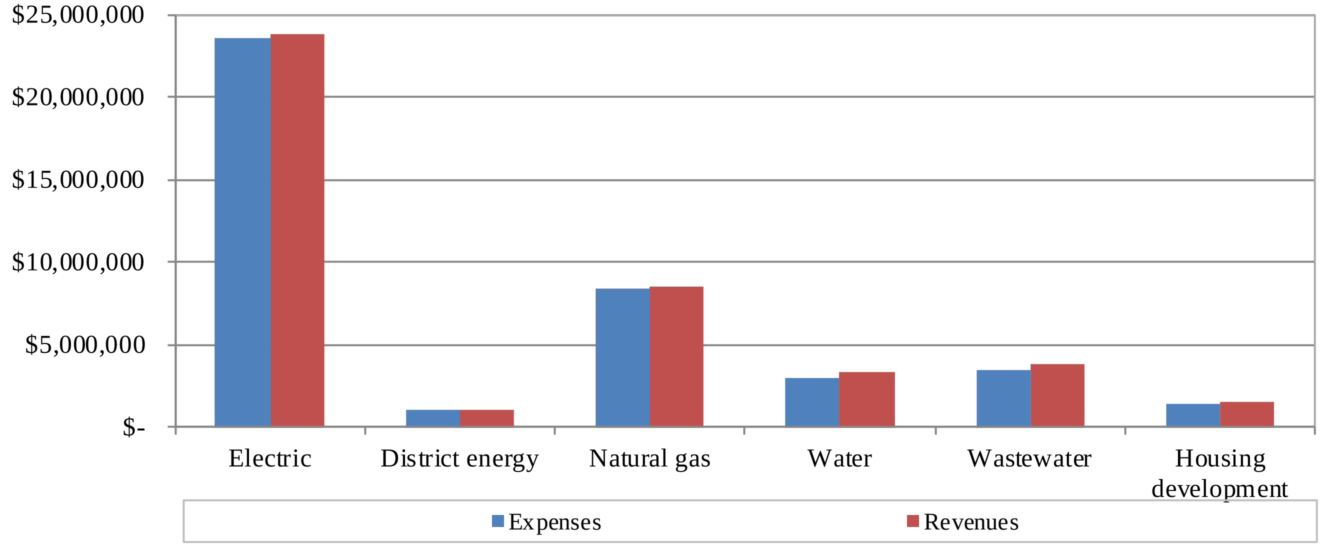


Revenues by Source - Governmental Activities

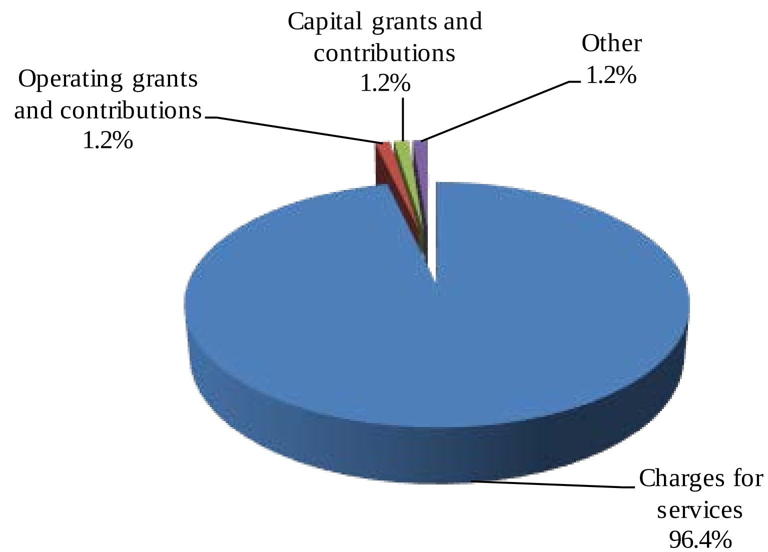


Component unit activities. Component unit (business-type) activities increased the City's net position by $1,757,605, of which $259,213 relates to the EDA.

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 102.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $23,913,148, a decrease of $1,619,703 in comparison with the prior year. Approximately 25.7 percent ($6,150,431) 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 ($592,339), 2) Restricted ($10,028,527), 3) Committed ($6,299,199), and Assigned ($842,652).

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 $6,801,441, while total fund balance reached $6,850,892. 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 61.5 percent of total General fund expenditures, while total fund balance represents 62.0 percent of that same amount.

The fund balance of the City's General fund decreased by $1,390,281 during the current fiscal year. The key factor in this change was:

- A budgeted use of fund balance for land purchases and security upgrades at City Hall.

The *Economic Development Loan Program fund* has a total fund balance of $1,198,362, which is all restricted for economic development. The fund had a decrease in fund balance of $750,857. This decrease 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 $591,491. 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 14.1 percent of total fund expenditures. The fund balance of the fund decreased by $766,005 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 $22,175, which is a decrease in the deficit of $464,239 from the prior year which is mainly due to a contribution from the EDA of $533,000.

The *Sales Tax Revenue fund* has an ending fund balance of $4,453,206, which is an increase of $469,933 from the prior year. Sales tax revenues continue to exceed expenditures and transfers out.

The *Bond Sinking fund* has a total fund balance of $2,178,688, which is all restricted for debt service. The fund had an increase in fund balance of $611,405. This increase was due to collection of taxes and assessments in excess of 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 $4,629,817, a decrease of $349,618 during the current fiscal year. The key factor in this decrease was the planned use of reserves in 2017.

The *Airport Runway Extension fund* had an ending fund balance deficit of $278,415 which increased $6,876 during the current fiscal year. This increase 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 $184,951 which was due to a decrease in fund balance of $85,761 during the current fiscal year. This decrease is due to airport projects being completed.

The *2014 Bonds fund* had an ending fund balance of $321,126, which was a decrease in fund balance of $13,232. This was a result of spending down bond proceeds during the year.

The *2015 Bonds fund* had an ending fund balance of $0, which was a decrease in fund balance of $604,481. This fund was closed during the year to the *2017 Bonds fund*.

The *2016 Bonds fund* had an ending fund balance of $267,509, which was a decrease in fund balance of $102,025. This was a result of spending down bond proceeds.

The *2017 Bonds fund* had an ending fund balance of $999,892, which is related to the bond proceeds and other revenues in excess of construction costs.

The *2018 Bonds fund* had an ending fund balance deficit of $250,554, which is related to current year construction costs.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $1,632,626 in increases in appropriations for the General fund and can be briefly summarized as follows:

- $1,200,000 for Armory land purchase
- There were many adjustments made in 2017 to all departments due to projects not completed in 2016, including $326,981 for consulting services 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 resulting in a smaller use of fund balance than budgeted.

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, 2017, amounts to $158,294,737 (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 5.6 percent (a 4.5 percent increase for governmental activities and a 7.0 percent increase for the component unit activities).

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

- Infrastructure capital improvement projects of over $7.0 million
- Land purchase for Armory

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

	Governmental Activities			Component Unit Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	$ 11,424,435	$ 8,851,350	$ 2,573,085	$ 1,615,251	$ 1,615,251	$ -
Non-exhaustible Monuments	30,000	30,000	-	-	-	-
Buildings	13,635,943	13,780,812	(144,869)	3,810,583	4,175,591	(365,008)
Improvement Other Than Buildings	2,395,331	1,344,232	1,051,099	118,872	131,427	(12,555)
Infrastructure/PUC Plant	55,899,131	55,484,565	414,566	60,440,070	55,392,096	5,047,974
Machinery and Equipment	3,314,652	3,085,799	228,853	4,415,672	4,333,140	82,532
Office Furniture and Equipment	20,293	27,192	(6,899)	27,087	32,507	(5,420)
Park Equipment	549,194	494,023	55,171	-	-	-
Construction in Progress	473,721	889,690	(415,969)	124,502	271,431	(146,929)
Total	$ 87,742,700	$ 83,987,663	$ 3,755,037	$ 70,552,037	$ 65,951,443	$ 4,600,594

Additional information on the City's capital assets can be found in Note 3C of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $28,052,472. The following is a breakdown of the debt outstanding.

City of New Ulm's Outstanding Debt

	Governmental Activities			Component Unit Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
G.O. Improvement Bonds	$ 13,655,000	$ 13,860,000	$ (205,000)	$ -	$ -	$ -
General Obligation Revenue Bonds	2,030,000	2,650,000	(620,000)	12,148,000	7,191,000	4,957,000
Special Assessments	219,472	263,366	(43,894)	-	-	-
Total	$ 15,904,472	$ 16,773,366	$ (868,894)	$ 12,148,000	$ 7,191,000	$ 4,957,000

The City's total debt (including component units) increased by $4,088,106 (17.1 percent) during the current fiscal year. The key factor in this increase was debt issued exceeding debt retired.

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 $24,740,727 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 3E 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) 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 2.4 percent, which is lower than the rate of 5.4 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 4.1 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 $20,997,695 which was 17 percent lower than the valuation of building permits issued in 2016.

The City's appointed officials considered many factors when setting the fiscal year 2018 budget, rates, and fees that will be charged, including many of the items above. The major factors considered when adopting the 2018 budget were capital expenditures and debt service requirements. Due to the changes mentioned above, the overall tax levy increased by $119,094 for calendar year 2018.

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.

BASIC FINANCIAL STATEMENTS

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City of New Ulm, Minnesota
Statement of Net Position
December 31, 2017

	Primary Government	Component Units	
	Governmental Activities	Public Utilities Commission	Economic Development Authority
Assets			
Cash and investments	$ 24,513,097	$ 24,160,152	$ 1,929,635
Restricted cash and investments	-	3,893,551	39,168
Receivables			
Interest	187,528	-	-
Delinquent taxes	130,480	-	2,067
Accounts	363,793	5,880,694	1,676
Notes	630,188	4,071	-
Special assessments	4,898,061	47,163	-
Intergovernmental	1,624,409	-	-
Due from component unit/primary government	316,942	-	534,978
Inventories	105,263	2,395,258	-
Prepaid items	47,335	339,066	43,309
Pension asset	865,406	-	-
Assets held for resale	-	-	372,865
Capital assets			
Nondepreciable assets	11,928,156	672,081	1,067,672
Depreciable assets, net of accumulated depreciation	75,814,544	66,209,936	2,602,348
Total Assets	121,425,202	103,601,972	6,593,718
Deferred Outflows of Resources			
Deferred pension resources	4,356,694	1,304,530	24,129
Liabilities			
Accounts payable	401,545	3,928,139	8,786
Contracts payable	-	82,881	-
Retainage payable	218,595	24,553	-
Due to component unit/primary government	-	316,942	-
Due to other governments	79,493	93,057	46,616
Accrued interest payable	30,352	81,832	1,341
Accrued salaries payable	280,622	238,933	11,995
Accrued items	-	29,713	-
Deposits payable	23,125	21,733	32,305
Unearned revenue	24,243	248,388	459
Noncurrent liabilities			
Due within one year	3,656,638	1,111,606	5,422
Due in more than one year	19,407,709	17,217,879	66,042
Total Liabilities	24,122,322	23,395,656	172,966
Deferred Inflows of Resources			
Deferred pension resources	5,385,277	1,314,792	16,085
Net Position			
Net investment in capital assets	71,613,741	55,204,876	3,670,020
Restricted			
Capital improvements	184,951	3,658,202	-
Library programs	4,394	-	-
Parkland dedication	194,041	-	-
Economic development	2,339,502	-	-
Maintain parking areas	496,784	-	-
Sales tax projects	4,453,206	-	-
Debt service	7,110,951	235,349	-
Housing vouchers	-	-	5,541
Unrestricted	9,876,727	21,097,627	2,753,235
Total Net Position	$ 96,274,297	$ 80,196,054	$ 6,428,796

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 2,184,218	$ 355,835	$ 5,048	$ 2,770
Public safety	3,722,112	264,345	344,096	-
Streets and highways	4,744,529	17,972	40,012	2,686,427
Sanitation and waste removal	161,164	176,199	222	-
Culture and recreation	4,907,109	1,075,904	27,165	36,091
Economic development	20,000	20,769	753,854	-
Miscellaneous	2,905,154	540,794	64,162	116,714
Interest and other costs	430,431	-	-	-
Total Primary Government	$ 19,074,717	$ 2,451,818	$ 1,234,559	$ 2,842,002
Component Units				
Business-type activities				
Electric	$ 23,611,648	$ 23,630,303	$ 7,068	$ 142,733
District energy	1,062,479	1,044,613	106	-
Natural gas	8,323,010	8,483,514	2,129	20,232
Water	2,903,880	3,057,351	1,677	285,532
Wastewater	3,445,561	3,774,182	2,268	32,650
Housing development	1,450,868	1,055,769	477,966	29,719
Total Component Units	$ 40,797,446	$ 41,045,732	$ 491,214	$ 510,866

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Special service district tax
- Tax increments
- Sales tax
- Hotel-motel taxes
- Payment in lieu of taxes
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other
- Gain on sale of capital assets
- Total General Revenues

Change in net position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Units	
Governmental Activities	Public Utilities Commission	Economic Development Authority
$ (1,820,565)		
(3,113,671)		
(2,000,118)		
15,257		
(3,767,949)		
754,623		
(2,183,484)		
(430,431)		
(12,546,338)		
	$ 168,456	$ -
	(17,760)	-
	182,865	-
	440,680	-
	363,539	-
	-	112,586
	1,137,780	112,586
4,762,366	-	116,318
2,277,442	-	-
38,284	-	-
210,716	-	-
1,200,996	-	-
142,122	-	-
2,012,129	-	-
278,807	-	-
4,251,459	-	314
300,971	285,686	17,170
7,000	-	12,825
85,012	74,926	-
15,567,304	360,612	146,627
3,020,966	1,498,392	259,213
93,253,331	78,697,662	6,169,583
$ 96,274,297	$ 80,196,054	$ 6,428,796

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

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FUND FINANCIAL STATEMENTS

City of New Ulm, Minnesota
Balance Sheet (Continued on the Following Pages)
Governmental Funds
December 31, 2017

	General	Special Revenue: Economic Development Loan Program	Special Revenue: Park and Recreation	Special Revenue: TIF Districts	Special Revenue: Sales Tax Revenue
Assets					
Cash and investments	$ 5,744,897	$ 550,477	$ 698,262	$ 219,441	$ 4,239,200
Receivables					
Interest	187,528	-	-	-	-
Delinquent taxes	44,312	-	13,489	-	-
Accounts	313,682	-	41,539	-	5,562
Notes, net of allowance	-	296,400	-	-	-
Special assessments	169,960	-	-	-	-
Intergovernmental	1,027,827	-	-	227,854	208,444
Advances to other funds	-	351,485	-	-	-
Prepaid items	31,394	-	8,785	-	-
Total Assets	$ 7,519,600	$ 1,198,362	$ 762,075	$ 447,295	$ 4,453,206
Liabilities					
Accounts payable	$ 213,996	$ -	$ 90,566	$ 43,000	$ -
Retainage payable	-	-	-	-	-
Due to other funds	1,926	-	-	-	-
Advances from other funds	-	-	-	351,485	-
Due to other governments	-	-	4,384	74,985	-
Accrued salaries payable	199,664	-	53,627	-	-
Deposits payable	23,125	-	-	-	-
Unearned revenue	15,725	-	8,518	-	-
Total Liabilities	454,436	-	157,095	469,470	-
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	44,312	-	13,489	-	-
Special assessments	169,960	-	-	-	-
Total Deferred Inflows of Resources	214,272	-	13,489	-	-
Fund Balances					
Nonspendable					
Prepaid items	31,394	-	8,785	-	-
Perpetual care	-	-	-	-	-
Restricted					
Capital improvement	-	-	-	-	-
Library programs	-	-	-	-	-
Parkland dedication	-	-	194,041	-	-
Economic development	-	1,198,362	-	-	-
Maintain parking areas	-	-	-	-	-
Sales tax projects	-	-	-	-	4,453,206
Debt service	-	-	-	99,866	-
Committed					
Capital improvement	-	-	-	-	-
Library programs	-	-	-	-	-
Fire fighting	-	-	-	-	-
Assigned					
Park and recreation services	-	-	388,665	-	-
Library services	-	-	-	-	-
Library programs	-	-	-	-	-
DARE program	-	-	-	-	-
Fire fighting	-	-	-	-	-
Subsequent year budgeted deficit	18,057	-	-	-	-
Unassigned	6,801,441	-	-	(122,041)	-
Total Fund Balances	6,850,892	1,198,362	591,491	(22,175)	4,453,206
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,519,600	$ 1,198,362	$ 762,075	$ 447,295	$ 4,453,206

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

Debt Service	Capital Projects						
Bond Sinking	**Capital Improvement**	**Airport Runway Extension**	**Airport Primary Runway**	**2014 Bonds**	**2015 Bonds**	**2016 Bonds**	**2017 Bonds**
$ 2,178,688	$ 4,666,197	$ (278,415)	$ 184,951	$ 321,126	$ -	$ 283,283	$ 1,136,681
-	-	-	-	-	-	-	-
39,139	2,833	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,508,629	-	-	-	-	-	-	-
-	-	-	-	-	-	50,046	15,986
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 6,726,456	$ 4,669,030	$ (278,415)	$ 184,951	$ 321,126	$ -	$ 333,329	$ 1,152,667
$ -	$ 36,380	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	65,820	152,775
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	36,380	-	-	-	-	65,820	152,775
39,139	2,833	-	-	-	-	-	-
4,508,629	-	-	-	-	-	-	-
4,547,768	2,833	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	184,951	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,178,688	-	-	-	-	-	-	-
-	4,629,817	-	-	321,126	-	267,509	999,892
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(278,415)	-	-	-	-	-
2,178,688	4,629,817	(278,415)	184,951	321,126	-	267,509	999,892
$ 6,726,456	$ 4,669,030	$ (278,415)	$ 184,951	$ 321,126	$ -	$ 333,329	$ 1,152,667

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

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City of New Ulm, Minnesota
Balance Sheet (Continued)
Governmental Funds
December 31, 2017

	Capital Projects		
	2018 Bonds	**Other Governmental Funds**	**Total Governmental Funds**
Assets			
Cash and investments	$ (344,806)	$ 2,478,102	$ 22,078,084
Receivables			
Interest	-	-	187,528
Delinquent taxes	-	30,707	130,480
Accounts	-	3,010	363,793
Notes, net of allowance	-	333,788	630,188
Special assessments	-	219,472	4,898,061
Intergovernmental	94,252	-	1,624,409
Advances to other funds	-	-	351,485
Prepaid items	-	7,156	47,335
Total Assets	$ (250,554)	$ 3,072,235	$ 30,311,363
Liabilities			
Accounts payable	$ -	$ 10,694	$ 394,636
Retainage payable	-	-	218,595
Due to other funds	-	-	1,926
Advances from other funds	-	-	351,485
Due to other governments	-	124	79,493
Accrued salaries payable	-	22,880	276,171
Deposits payable	-	-	23,125
Unearned revenue	-	-	24,243
Total Liabilities	-	33,698	1,369,674
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	-	30,707	130,480
Special assessments	-	219,472	4,898,061
Total Deferred Inflows of Resources	-	250,179	5,028,541
Fund Balances			
Nonspendable			
Prepaid items	-	7,156	47,335
Perpetual care	-	545,004	545,004
Restricted			
Capital improvement	-	-	184,951
Library programs	-	4,394	4,394
Parkland dedication	-	-	194,041
Economic development	-	1,141,140	2,339,502
Maintain parking areas	-	478,370	478,370
Sales tax projects	-	-	4,453,206
Debt service	-	95,509	2,374,063
Committed			
Capital improvement	-	-	6,218,344
Library programs	-	71,541	71,541
Fire fighting	-	9,314	9,314
Assigned			
Park and recreation services	-	-	388,665
Library services	-	357,164	357,164
Library programs	-	14,145	14,145
DARE program	-	59,860	59,860
Fire fighting	-	4,761	4,761
Subsequent year budgeted deficit	-	-	18,057
Unassigned	(250,554)	-	6,150,431
Total Fund Balances	(250,554)	2,788,358	23,913,148
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ (250,554)	$ 3,072,235	$ 30,311,363

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

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City of New Ulm, Minnesota
Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds
December 31, 2017

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

Total Fund Balances - Governmental Funds	$	23,913,148
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.		85,168,722
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		(555,076)
Other post employment benefit obligation		(372,708)
Special assessments payable		(219,472)
Bond principal payable		(15,375,000)
Notes payable		(310,000)
Pension liability		(5,899,766)
Bond discounts, net of accumulated amortization		41,036
Bond premiums, net of accumulated amortization		(265,523)
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		130,480
Special assessments receivable		4,898,061
Governmental funds do not report long-term amounts related to pensions.		
Pension asset		865,406
Deferred outflows of pension resources		4,330,158
Deferred inflows of pension resources		(5,358,534)
Governmental funds do not report a liability for accrued interest until due and payable.		(30,352)
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.		5,313,717
Total Net Position - Governmental Activities	$	96,274,297

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 (Continued on the Following Pages)

Governmental Funds

For the Year Ended December 31, 2017

		Special Revenue			
	General	**Economic Development Loan Program**	**Park and Recreation**	**TIF Districts**	**Sales Tax Revenue**
Revenues					
Taxes	$ 4,704,959	$ -	$ 1,356,870	$ 210,716	$ 1,200,996
Special assessments	36,062	-	-	-	-
Licenses and permits	259,026	-	-	-	-
Intergovernmental	3,611,341	-	975,289	227,854	-
Contribution from component unit	-	-	-	526,000	-
Charges for services	876,262	-	1,031,738	-	-
Fines and forfeitures	96,305	-	-	-	-
Investment earnings (loss)	80,424	30,668	12,272	2,099	45,411
Miscellaneous	52,490	-	57,666	7,000	-
Total Revenues	9,716,869	30,668	3,433,835	973,669	1,246,407
Expenditures					
Current					
General government	2,118,311	-	-	-	-
Public safety	3,407,908	-	-	-	-
Streets and highways	2,359,225	-	-	-	-
Sanitation and waste removal	177,007	-	-	-	-
Culture and recreation	-	-	3,416,415	-	-
Economic development	-	20,000	-	-	-
Miscellaneous	1,362,546	-	-	495,666	68,724
Capital outlay					
General government	1,327,368	-	-	-	-
Public safety	274,208	-	-	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	783,425	-	-
Miscellaneous	30,373	-	-	-	-
Debt service					
Principal	-	-	-	43,894	-
Interest	-	-	-	16,522	-
Bond issuance costs and fees	-	-	-	-	-
Total Expenditures	11,056,946	20,000	4,199,840	556,082	68,724
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,340,077)	10,668	(766,005)	417,587	1,177,683
Other Financing Sources (Uses)					
Sales of capital assets	8,434	-	-	-	-
Transfers in	98,080	-	-	46,652	-
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Transfers out	(156,718)	(761,525)	-	-	(707,750)
Total Other Financing Sources (Uses)	(50,204)	(761,525)	-	46,652	(707,750)
Net Change in Fund Balances	(1,390,281)	(750,857)	(766,005)	464,239	469,933
Fund Balances, January 1	8,241,173	1,949,219	1,357,496	(486,414)	3,983,273
Fund Balances, December 31	$ 6,850,892	$ 1,198,362	$ 591,491	$ (22,175)	$ 4,453,206

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

Debt Service	Capital Projects						
Bond Sinking	**Capital Improvement**	**Airport Runway Extension**	**Airport Primary Runway**	**2014 Bonds**	**2015 Bonds**	**2016 Bonds**	**2017 Bonds**
$ 2,279,434	$ 377,899	$ -	$ -	$ -	$ -	$ -	$ -
1,771,719	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	216,829	-	-	-	-	11,760	319,718
-	-	-	-	-	-	-	468,826
-	4,770	-	-	-	-	-	-
-	-	-	-	-	-	-	-
33,005	54,369	(2,171)	(2,126)	5,485	8,586	4,253	(1,297)
-	3,236	-	-	-	-	-	570
4,084,158	657,103	(2,171)	(2,126)	5,485	8,586	16,013	787,817
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(39,422)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	60,633	-	-	-	-	-	-
-	229,059	-	-	-	-	-	-
-	-	-	-	18,717	117	118,038	3,436,343
-	1,514,879	-	-	-	-	-	-
-	-	-	83,635	-	-	-	-
-	-	-	-	-	-	-	-
-	-	4,705	-	-	-	-	-
2,753	-	-	-	-	-	-	54,190
2,753	1,804,571	4,705	83,635	18,717	(39,305)	118,038	3,490,533
4,081,405	(1,147,468)	(6,876)	(85,761)	(13,232)	47,891	(102,025)	(2,702,716)
-	24,339	-	-	-	-	-	-
-	871,591	-	-	-	-	-	652,372
-	-	-	-	-	-	-	2,995,000
-	-	-	-	-	-	-	55,236
(3,470,000)	(98,080)	-	-	-	(652,372)	-	-
(3,470,000)	797,850	-	-	-	(652,372)	-	3,702,608
611,405	(349,618)	(6,876)	(85,761)	(13,232)	(604,481)	(102,025)	999,892
1,567,283	4,979,435	(271,539)	270,712	334,358	604,481	369,534	-
$ 2,178,688	$ 4,629,817	$ (278,415)	$ 184,951	$ 321,126	$ -	$ 267,509	$ 999,892

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

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City of New Ulm, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2017

	Capital Projects		
	2018 Bonds	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ -	$ 791,313	$ 10,922,187
Special assessments	-	59,696	1,867,477
Licenses and permits	-	-	259,026
Intergovernmental	94,252	16,087	5,473,130
Contribution from component unit	-	-	994,826
Charges for services	-	46,608	1,959,378
Fines and forfeitures	-	28,357	124,662
Investment earnings (loss)	(190)	23,266	294,054
Miscellaneous	-	26,202	147,164
Total Revenues	94,062	991,529	22,041,904
Expenditures			
Current			
General government	-	-	2,118,311
Public safety	-	7,706	3,415,614
Streets and highways	-	-	2,319,803
Sanitation and waste removal	-	-	177,007
Culture and recreation	-	768,390	4,184,805
Economic development	-	-	20,000
Miscellaneous	-	60,915	1,987,851
Capital outlay			
General government	-	-	1,388,001
Public safety	-	-	503,267
Streets and highways	344,616	-	3,917,831
Culture and recreation	-	-	2,298,304
Miscellaneous	-	-	114,008
Debt service			
Principal	-	3,820,000	3,863,894
Interest	-	357,750	378,977
Bond issuance costs and fees	-	-	56,943
Total Expenditures	344,616	5,014,761	26,744,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,554)	(4,023,232)	(4,702,712)
Other Financing Sources (Uses)			
Sales of capital assets	-	-	32,773
Transfers in	-	4,177,750	5,846,445
Bonds issued	-	-	2,995,000
Premium on bonds issued	-	-	55,236
Transfers out	-	-	(5,846,445)
Total Other Financing Sources (Uses)	-	4,177,750	3,083,009
Net Change in Fund Balances	(250,554)	154,518	(1,619,703)
Fund Balances, January 1	-	2,633,840	25,532,851
Fund Balances, December 31	$ (250,554)	$ 2,788,358	$ 23,913,148

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

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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, 2017

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

Net Change in Fund Balances - Governmental Funds	$	(1,619,703)
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		8,060,046
Depreciation expense		(4,362,846)
The net effect of various miscellaneous transactions involving capital assets		
Sale of capital assets		(5,375)
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		3,863,894
Debt issued or incurred		(2,995,000)
Premium on bonds issued, net of amortization		(22,940)
Discount on bonds issued, net of amortization		(26,268)
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.		(539)
Long-term pension activity is not reported in governmental funds.		
Pension expense		(45,280)
Direct aid contributions		16,549
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		675
Special assessments		(73,406)
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		(82,313)
Compensated absences		(58,060)
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.		371,532
Change in Net Position - Governmental Activities	$	3,020,966

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, 2017

	General			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 4,510,137	$ 4,510,137	$ 4,704,959	$ 194,822
Special assessments	23,000	23,000	36,062	13,062
Licenses and permits	238,050	238,050	259,026	20,976
Intergovernmental	3,677,787	3,677,787	3,611,341	(66,446)
Charges for services	801,005	801,005	876,262	75,257
Fines and forfeitures	68,700	68,700	96,305	27,605
Investment earnings	56,650	56,650	80,424	23,774
Miscellaneous	57,900	57,900	52,490	(5,410)
Total Revenues	9,433,229	9,433,229	9,716,869	283,640
Expenditures				
Current				
General government	2,308,467	2,328,067	2,118,311	209,756
Public safety	3,409,632	3,417,233	3,407,908	9,325
Streets and highways	2,446,590	2,446,590	2,359,225	87,365
Sanitation and waste removal	162,405	162,405	177,007	(14,602)
Culture and recreation	-	-	-	-
Miscellaneous	1,380,635	1,436,623	1,362,546	74,077
Capital outlay	1,834,700	3,384,137	1,631,949	1,752,188
Total Expenditures	11,542,429	13,175,055	11,056,946	2,118,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,109,200)	(3,741,826)	(1,340,077)	2,401,749
Other Financing Sources (Uses)				
Sales of capital assets	-	-	8,434	8,434
Transfers in	1,340,000	1,340,000	98,080	(1,241,920)
Transfers out	(25,000)	(25,000)	(156,718)	(131,718)
Total Other Financing Sources (Uses)	1,315,000	1,315,000	(50,204)	(1,365,204)
Net Change in Fund Balances	(794,200)	(2,426,826)	(1,390,281)	1,036,545
Fund Balances, January 1	8,241,173	8,241,173	8,241,173	-
Fund Balances, December 31	$ 7,446,973	$ 5,814,347	$ 6,850,892	$ 1,036,545

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

Park and Recreation							
Budgeted Amounts							
	Original		**Final**		**Actual Amounts**		**Variance with Final Budget**
$	1,317,232	$	1,317,232	$	1,356,870	$	39,638
	-		-		-		-
	-		-		-		-
	975,443		975,443		975,289		(154)
	944,200		944,200		1,031,738		87,538
	-		-		-		-
	15,500		15,500		12,272		(3,228)
	12,600		12,600		57,666		45,066
	3,264,975		3,264,975		3,433,835		168,860
	-		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	3,090,675		3,140,180		3,416,415		(276,235)
	-		-		-		-
	439,300		804,020		783,425		20,595
	3,529,975		3,944,200		4,199,840		(255,640)
	(265,000)		(679,225)		(766,005)		(86,780)
	-		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	(265,000)		(679,225)		(766,005)		(86,780)
	1,357,496		1,357,496		1,357,496		-
$	1,092,496	$	678,271	$	591,491	$	(86,780)

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, 2017

	Internal Service Funds
Assets	
Current assets	
Cash and investments	$ 3,089,057
Receivables	
Accounts	645
Due from other funds	1,926
Inventories	105,263
Prepaid items	233,985
Total current assets	3,430,876
Noncurrent assets	
Capital assets	
Buildings and structures	1,816,748
Machinery and equipment	5,500,872
Accumulated depreciation	(4,743,642)
Total noncurrent assets	2,573,978
Total assets	6,004,854
Deferred outflows of resources	
Deferred pension resources	26,536
Liabilities	
Current liabilities	
Accounts payable	6,909
Accrued salaries payable	4,451
Claims incurred but not paid	29,713
Unearned revenue	242,158
Total current liabilities	283,231
Noncurrent liabilities	
Pension liability	107,838
Total liabilities	391,069
Deferred inflows of resources	
Deferred pension resources	26,743
Net position	
Investment in capital assets	2,573,978
Unrestricted	3,039,600
Total Net Position	$ 5,613,578

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, 2017

		Internal Service Funds
Operating Revenues		
Charges for services	$	1,012,899
Pension revenue		39
Insurance premiums		2,956,187
Insurance refunds		11,035
Total Operating Revenues		3,980,160
Operating Expenses		
Administrative and general		222,530
Insurance premiums		2,597,244
Self funded claims		353,981
Vehicle maintenance		213,578
Depreciation		380,341
Total Operating Expenses		3,767,674
Operating Income (Loss)		212,486
Non-operating Revenues (Expenses)		
State other aid		63,836
Gain on sale of assets		52,239
Investment income		32,390
Miscellaneous income		7,959
Total Non-operating Revenues (Expenses)		156,424
Change in Net Position		368,910
Net Position		
January 1		5,244,668
December 31	$	5,613,578

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, 2017

	Internal Service Funds
Cash Flows From Operating Activities	
Receipts from interfund services provided	$ 3,986,937
Grant receipts	63,836
Payments to suppliers and interfund services provided	(496,018)
Payments to and on behalf of employees	(3,248,865)
Other receipts	18,994
Net cash provided (used) by operating activities	324,884
Cash Flows From Non-Capital Financing Activities	
Increase (decrease) in due from other funds	1,883
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	56,719
Acquisition of capital assets	(448,033)
Net cash provided (used) by capital and related financing activities	(391,314)
Cash Flows From Investing Activities	
Interest income received	32,390
Net Increase (Decrease) in Cash and Cash Equivalents	(32,157)
Cash and Cash Equivalents	
January 1	3,121,214
December 31	$ 3,089,057
Reconciliation of operating income (loss) to net Cash Provided (Used) by Operating Activities	
Operating income (loss)	$ 212,486
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Other income related to operations	71,795
Depreciation	380,341
(Increase) decrease in assets	
Accounts receivable	2,312
Inventory	(5,105)
Prepaid items	(233,985)
(Increase) decrease in deferred outflows of resources	
Deferred pension resources	19,665
(Decrease) increase in liabilities	
Accounts payable	(136,191)
Accrued salaries payable	(16)
Claims incurred, but not paid	10,792
Unearned revenue	15,539
Pension liability	(21,461)
(Decrease) increase in deferred inflows of resources	
Deferred pension resources	8,712
Net Cash Provided (Used) by Operating Activities	$ 324,884
Schedule of Noncash Investing, Capital and Financing Activities	
Book value of disposed/traded capital assets	$ 4,480

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, 2017

		Agency
Assets		
Cash and investments	$	434,372
Liabilities		
Accounts payable	$	39,720
Due to other entities		394,652
Total Liabilities	$	434,372

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

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Note 1: 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.

The *2017 Bonds fund* accounts for costs associated with projects financed through the issuance of G.O. Improvement Bonds, Series 2017.

The *2018 Bonds fund* accounts for costs associated with projects that will be financed through the issuance of G.O. Improvement Bonds, Series 2018.

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 70 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, 2017:

- U.S. Federal governmental agency securities of $20,145,698 are valued using quoted market prices (Level 1 inputs) which includes the PUC portion of $8,662,651.

- Negotiable certificates of deposit of $19,584,541 are valued using a matrix pricing model (Level 2 inputs) which includes the PUC portion of $8,421,352.

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 2017. 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 acquisition 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, 2017 was $555,076 and $506,380 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 January 1, 2017.

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. The General fund is typically used to liquidate the governmental net pension liability.

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 $2,012,129 and $1,873,145 for 2017 and 2016, respectively.

Note 2: 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, 2017, expenditures exceeded appropriations for the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Park and recreation	$ 3,944,200	$ 4,199,840	$ 255,640
Debt Service			
Bond sinking	2,500	2,753	253

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	$ 22,175
Capital Projects	
Major	
Airport Runway Extension	278,415
2018 Bonds	250,554

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 and 2018 Bonds fund was caused by excess capital expenditures over Federal and State aids and grants from current and prior years. These deficit will be eliminated through transfers, grant dollars and future bond proceeds.

Note 3: 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 $15,237,707, including $434,372 reported in fiduciary funds. The bank balance of $15,682,821 was covered by $250,000 of federal depository insurance and $15,432,821 by letters or credit issued 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, 2017, 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:

	Primary Government					
Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Non-pooled Investments at Fair Value						
Governmental Agency Securities	N/A	1 to 3 years	$ 5,573	$ 5,573	$ -	$ -
Governmental Agency Securities	AAA	more than 3 years	11,477,474	11,477,474	-	-
Negotiable certificates of deposit	N/A	less than 6 months	1,116,964	-	1,116,964	-
Negotiable certificates of deposit	N/A	6 months to 1 year	1,814,107	-	1,814,107	-
Negotiable certificates of deposit	N/A	1 to 3 years	4,016,802	-	4,016,802	-
Negotiable certificates of deposit	N/A	more than 3 years	4,215,316	-	4,215,316	-
Total Primary Government Investments			22,646,236	11,483,047	11,163,189	-

	Component Unit - PUC					
Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Non-pooled Investments at Fair Value						
Governmental Agency Securities	N/A	1 to 3 years	$ 4,205	$ 4,205	$ -	$ -
Governmental Agency Securities	AAA	more than 3 years	8,658,446	8,658,446	-	-
Negotiable certificates of deposit	N/A	less than 6 months	842,622	-	842,622	-
Negotiable certificates of deposit	N/A	6 months to 1 year	1,368,536	-	1,368,536	-
Negotiable certificates of deposit	N/A	1 to 3 years	3,030,219	-	3,030,219	-
Negotiable certificates of deposit	N/A	more than 3 years	3,179,975	-	3,179,975	-
Total Component Unit - Puc Investments			17,084,003	8,662,651	8,421,352	-
Total Investments			$ 39,730,239	$ 20,145,698	$ 19,584,541	$ -

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	$ 1,865,082	$ 10,969,450	$ 1,968,803	$ 434,372	$ 15,237,707
Investments	22,646,236	17,084,003	-	-	39,730,239
Cash on Hand	1,779	250	-	-	2,029
Total	$ 24,513,097	$ 28,053,703	$ 1,968,803	$ 434,372	$ 54,969,975
Cash and Investments	$ 24,513,097	$ 24,160,152	$ 1,929,635	$ 434,372	$ 51,037,256
Restricted Cash and Investments	-	3,893,551	39,168	-	3,932,719
Total	$ 24,513,097	$ 28,053,703	$ 1,968,803	$ 434,372	$ 54,969,975

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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 8,851,350	$ 2,573,085	$ -	$ 11,424,435
Non-exhaustible monuments	30,000	-	-	30,000
Construction in progress	889,690	301,863	(717,832)	473,721
Total Capital Assets Not Being Depreciated	9,771,040	2,874,948	(717,832)	11,928,156
Capital Assets Being Depreciated				
Buildings	28,471,225	554,202	-	29,025,427
Improvements other than buildings	2,320,142	1,207,333	-	3,527,475
Infrastructure	92,596,708	3,631,048	-	96,227,756
Machinery and equipment	9,119,005	849,425	(326,745)	9,641,685
Office furniture and equipment	170,661	-	-	170,661
Park equipment	819,529	108,955	-	928,484
Total Capital Assets Being Depreciated	133,497,270	6,350,963	(326,745)	139,521,488
Less Accumulated Depreciation For				
Buildings	(14,690,413)	(699,071)	-	(15,389,484)
Improvements other than buildings	(975,910)	(156,234)	-	(1,132,144)
Infrastructure	(37,112,143)	(3,216,482)	-	(40,328,625)
Machinery and equipment	(6,033,206)	(610,717)	316,890	(6,327,033)
Office furniture and equipment	(143,469)	(6,899)	-	(150,368)
Park equipment	(325,506)	(53,784)	-	(379,290)
Total Accumulated Depreciation	(59,280,647)	(4,743,187)	316,890	(63,706,944)
Total Capital Assets Being Depreciated, Net	74,216,623	1,607,776	(9,855)	75,814,544
Governmental Activities Capital Assets, Net	$ 83,987,663	$ 4,482,724	$ (727,687)	$ 87,742,700

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

Governmental Activities	
General government	$ 57,904
Public safety	235,100
Streets and highways, including depreciation of general infrastructure assets	2,644,671
Culture and recreation	703,703
Miscellaneous	713,222
Community access	8,246
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	380,341
Total Depreciation Expense - Governmental Activities	$ 4,743,187

Discretely presented component units

Capital asset activity for the PUC for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 547,579	$ -	$ -	$ 547,579
Construction in progress	271,431	87,902	(234,831)	124,502
Total Capital Assets Not Being Depreciated	819,010	87,902	(234,831)	672,081
Capital Assets Being Depreciated				
Buildings and structures	5,434,726	43,044	-	5,477,770
Plant in service	128,770,890	8,183,235	-	136,954,125
Machinery and equipment	15,746,907	768,769	(301,442)	16,214,234
Total Capital Assets Being Depreciated	149,952,523	8,995,048	(301,442)	158,646,129
Less Accumulated Depreciation For				
Buildings and structures	(4,048,126)	(136,034)	-	(4,184,160)
Plant in service	(73,325,521)	(3,127,950)	-	(76,453,471)
Machinery and equipment	(11,413,767)	(686,237)	301,442	(11,798,562)
Total Accumulated Depreciation	(88,787,414)	(3,950,221)	301,442	(92,436,193)
Total Capital Assets Being Depreciated, Net	61,165,109	5,044,827	-	66,209,936
Total PUC Capital Assets, Net	$ 61,984,119	$ 5,132,729	$ (234,831)	$ 66,882,017

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

Electric	$ 1,685,772
District Energy	102,810
Natural Gas	348,776
Water	780,495
Wastewater	907,506
Capital Assets Held By the Puc'S Internal Service Funds Are Charged To the Various Functions Based on Their Usage of the Assets	124,862
Total Depreciation Expense - PUC	$ 3,950,221

The PUC has active construction projects as of December 31, 2017. At year end the PUC's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Wastewater Treatment Plant Improvements	$ 4,479,771	$ 191,466

Capital asset activity for the EDA for the year ended June 30, 2017 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	9,098,847	69,151	(1,079)	-	9,166,919
Improvements other than buildings	404,113	-	-	-	404,113
Furniture and equipment	207,168	2,836	(1,464)	-	208,540
Total Capital Assets Being Depreciated	9,710,128	71,987	(2,543)	-	9,779,572
Less Accumulated Depreciation For					
Buildings	(6,309,856)	(340,631)	541	-	(6,649,946)
Improvements other than buildings	(325,959)	(19,866)	-	-	(345,825)
Furniture and equipment	(174,661)	(8,256)	1,464	-	(181,453)
Total Accumulated Depreciation	(6,810,476)	(368,753)	2,005	-	(7,177,224)
Total Capital Assets Being Depreciated, Net	2,899,652	(296,766)	(538)	-	2,602,348
Total EDA Capital Assets, Net	$3,967,324	$ (296,766)	$ (538)	$ -	$3,670,020

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

Housing Development	$ 368,753

D. Interfund receivables, payables and transfers

The composition of interfund balances as of December 31, 2017 is as follows:

Advances to/from other funds:

Receivable Fund	**Payable Fund**	**Amount**
Economic Development Loan Program	TIF Districts	$ 351,485

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

Due to/from primary government and component units:

Receivable Entity/Fund	Payable Entity/Fund	Amount
Internal service funds - primary government	Public Utilities Commission - component unit	$ 316,942

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. A timing difference of $534,978 exists due to the EDA having a June 30 year-end.

Interfund transfers

Interfund transfers for the year ended December 31, 2017 were as follows:

	Transfer in					
Fund	General	TIF Districts	Capital Improvement	2017 Bonds	Nonmajor Governmental	Totals
Transfer Out						
General	$ -	$ 46,652	$ 110,066	$ -	$ -	$ 156,718
Economic Development Loan Program	-	-	761,525	-	-	761,525
Sales Tax Revenue	-	-	-	-	707,750	707,750
Bond Sinking	-	-	-	-	3,470,000	3,470,000
Capital Improvement	98,080	-	-	-	-	98,080
2015 Bonds	-	-	-	652,372	-	652,372
Total Transfers Out	$ 98,080	$ 46,652	$ 871,591	$ 652,372	$ 4,177,750	$ 5,846,445

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 2017 were made for the following purposes:

Capital improvements
Capital reserves
TIF expenditures
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
2011A G.O. PIRF Bonds	$ 3,225,000	2.00 - 3.25	08/19/11	12/01/21	$ 1,000,000
2012 G.O. PIRF Bonds	3,300,000	0.60 - 1.90	08/21/12	12/01/22	1,285,000
2013A G.O. PIRF Bonds	2,875,000	0.30 - 2.15	07/15/13	12/01/23	1,790,000
2014 G.O. PIRF Bonds	3,470,000	0.30 - 2.16	09/09/14	12/01/24	1,645,000
2015 G.O. PIRF Bonds	3,275,000	2.00 - 2.25	07/01/15	12/01/25	2,665,000
2016 G.O. PIRF Bonds	3,195,000	1.50 - 2.00	07/19/16	12/01/26	2,275,000
2017 G.O. PIRF Bonds	2,995,000	2.00	09/05/17	12/01/27	2,995,000
Total G.O. Special Assessment Bonds					$ 13,655,000

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
2018	$ 2,600,000	$ 280,769	$ 2,880,769
2019	2,270,000	222,635	2,492,635
2020	1,875,000	181,408	2,056,408
2021	1,760,000	144,095	1,904,095
2022	1,530,000	106,815	1,636,815
2023 - 2027	3,620,000	173,572	3,793,572
Total	$ 13,655,000	$ 1,109,294	$ 14,764,294

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	$ 2,030,000

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
2018	$ 645,000	$ 69,150	$ 714,150
2019	675,000	48,510	723,510
2020	710,000	25,560	735,560
Total	$ 2,030,000	$ 143,220	$ 2,173,220

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	$ 219,472

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
2018	$ 43,894	$ 15,802	$ 59,696
2019	43,895	10,535	54,430
2020	43,895	7,901	51,796
2021	43,895	5,267	49,162
2022	43,893	2,634	46,527
Total	$ 219,472	$ 42,139	$ 261,611

Changes in long-term liabilities

Long-term liability activity for the primary government for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	$13,860,000	$ 2,995,000	$ (3,200,000)	$ 13,655,000	$ 2,600,000
General obligation sales tax revenue bonds	2,650,000	-	(620,000)	2,030,000	645,000
Bond discounts	(67,304)	-	26,268	(41,036)	-
Bond premiums	242,583	55,236	(32,296)	265,523	-
Total bonds payable	16,685,279	3,050,236	(3,826,028)	15,909,487	3,245,000
Special Assessments Payable	263,366	-	(43,894)	219,472	43,894
Compensated Absences Payable	497,016	526,269	(468,209)	555,076	367,744
Other Postemployment Benefits Obligation	290,395	88,443	(6,130)	372,708	-
Pension Liability					
GERF	4,717,969	6,585	(998,651)	3,725,903	-
PEPFF	6,942,791	-	(4,661,090)	2,281,701	-
Total Pension Liability	11,660,760	6,585	(5,659,741)	6,007,604	-
Governmental Activity Long-term Liabilities	$29,396,816	$ 3,671,533	$ (10,004,002)	$ 23,064,347	$ 3,656,638

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	$ 2,100,000
Water Fund					
2013B G.O. Revenue Bonds	2,950,000	2.00 - 3.00	07/15/13	12/01/28	2,245,000
Wastewater Treatment Fund					
2007 G.O. Revenue Note (PFA)	4,002,900	2.65	06/27/07	08/20/26	2,243,000
2017A G.O. Revenue Bonds	5,560,000	2.00 - 3.00	09/05/17	12/01/36	5,560,000
Total G.O. Revenue Bonds Payable					12,148,000
Unamortized Bond Discounts/Premiums					222,038
Net PUC Bonds Payable					$ 12,370,038

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	$ 22,989,492	$ 2,954,116	$ 3,667,281
Principal and Interest	258,556	239,300	356,515
Percentage of Revenues	1.1%	8.1%	9.7%

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
2018	$ 804,000	$ 354,850	$ 1,158,850
2019	865,000	297,922	1,162,922
2020	881,000	276,828	1,157,828
2021	902,000	255,324	1,157,324
2022	924,000	233,311	1,157,311
2023 - 2027	4,467,000	798,488	5,265,488
2028 - 2032	1,815,000	362,325	2,177,325
2033 - 2036	1,490,000	114,000	1,604,000
Total	$ 12,148,000	$ 2,693,048	$ 14,841,048

Changes in long-term liabilities

Long-term liability activity for the PUC for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Public Utilities Commission Activities					
Bonds Payable					
General obligation revenue bonds	$ 7,191,000	$ 5,560,000	$ (603,000)	$ 12,148,000	$ 804,000
Bond discounts	(22,088)	-	3,345	(18,743)	-
Bond premiums	65,768	183,038	(8,025)	240,781	-
Total Bonds Payable	7,234,680	5,743,038	(607,680)	12,370,038	804,000
Compensated Absences Payable	487,578	299,625	(280,823)	506,380	307,606
Other Postemployment Benefit Obligation	286,877	53,239	(45,268)	294,848	-
Pension Liability GERF	6,422,528	76,178	(1,340,487)	5,158,219	-
Public Utilities Commission Long-term Liabilities	$ 14,431,663	$ 6,172,080	$ (2,274,258)	$ 18,329,485	$ 1,111,606

Economic Development Authority

Changes in long-term liabilities

Long-term liability activity for the EDA for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Economic Development Authority Activities					
Compensated Absences payable	$ 5,991	$ 9,141	$ (5,874)	$ 9,258	$ 5,422
Pension Liability GERF	50,843	16,831	(5,468)	62,206	-
Economic Development Authority Long-term Liabilities	$ 56,834	$ 25,972	$ (11,342)	$ 71,464	$ 5,422

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	$ 9,830,000
Highland Regency House	10/01/13	4,590,000	4,430,000
Total Conduit Debt Obligations		$ 14,925,000	$ 14,260,000

Note 4: 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.

<u>GERF benefits</u>

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.

<u>PEPFF benefits</u>

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.

<u>GERF contributions</u>

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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were $307,932, $274,808 and $267,657, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

<u>PEPFF contributions</u>

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were $289,480, $274,764 and $260,582, 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, 2017, the City of New Ulm reported a liability of $3,798,441 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 $62,206 due to a timing difference which exists due to the EDA having a June 30 year-end. At December 31, 2017, the PUC reported a liability of $5,158,219 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 2017. 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 $47,742 of which the EDA's portion was $740. The State of Minnesota's proportionate share of the net pension liability associated with the PUC totaled $64,829. The net pension liability was measured as of June 30, 2017, 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, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of New Ulm's proportionate share was 0.595 percent which was a 0.0005 percent increase from its proportion measured as of June 30, 2016. The EDA's proportionate share was calculated at 0.0008 percent at June 30, 2017 and at .0010 percent at June 30, 2016. The PUC's proportionate share was 0.0808 percent which was a 0.0017 percent increase from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $56,722 for its proportionate share of GERF's pension expense of which the EDA's portion was calculated at $2,148. The PUC recognized pension expense of $95,672 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional $3,570 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 $21. In addition, the PUC recognized an additional $4,848 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, 2017, 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	$ 121,572	$ 238,609	$ 169,711	$ 323,995	$ 205	$ 5,079
Changes in Actuarial Assumptions	612,194	376,705	854,437	517,112	13,371	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	165,818	-	232,103	6,821	-
Changes in Proportion	22,231	150,725	77,742	241,582	-	11,006
Contributions to GERF Subsequent To the Measurement Date	152,732	-	202,640	-	3,732	-
Total	$ 908,729	$ 931,857	$ 1,304,530	$ 1,314,792	$ 24,129	$ 16,085

Deferred outflows of resources totaling $359,104 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, 2018. 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
2018	$ (157,059)	$ (196,471)	$ 108
2019	222,840	275,532	(1,783)
2020	(69,180)	(73,008)	3,733
2021	(172,461)	(218,955)	2,254

PEPFF contributions

At December 31, 2017, the City reported a liability of $2,281,701 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1690 percent which was a 0.0040 percent decrease from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $128,170 for its proportionate share of PEPFF's pension expense. The City also recognized $15,210 for the year ended December 31, 2017 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, 2017, 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	$ 53,521	$ 619,777
Changes in Actuarial Assumptions	3,168,350	3,239,449
Net Difference Between Projected and Actual Earnings on Plan Investments	-	184,604
Changes in Proportion	46,223	58,536
Contributions to PEPFF Subsequent To the Measurement Date	143,550	-
Total	$ 3,411,644	$ 4,102,366

Deferred outflows of resources totaling $143,550 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	$	(92,368)
2019		134,121
2020		(42,418)
2021		(184,514)
2022		(649,093)

E. Actuarial assumptions

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans

Actuarial assumptions used in the June 30, 2017 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 most recent five-year experience study for PEPFF was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

<u>GERF</u>

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

<u>PEPFF</u>

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

F. Discount rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. 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 and PEPFF 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.

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	$ 5,779,150	$ 3,725,903	$ 2,044,944
Component unit - PUC	8,000,780	5,158,219	2,831,066
Component unit - EDA	88,351	62,206	40,670
PEPFF	4,297,109	2,281,701	617,871

H. Pension plan fiduciary net position

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

Note 5: DEFINED 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.

Pension expense for the year is equal to contributions made. The City's contributions to the PEDCP for the years ended December 31, 2017, 2016 and 2015 were $1,850, $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
$ 1,850	$ 1,850	5.00%	5.00%	5.00%

Note 6: 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, 2017, 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.

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 $94,035 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2017, 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, 2017 were $45,555. 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, 2017, the City reported a net pension liability (asset) of ($865,406) for the plan. The net pension liability (asset) was measured as of December 31, 2017. 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, 2017. 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, 2017	$ 1,834,306	$ 2,360,704	$ (526,398)
Changes For the Year			
Service cost	58,047	-	58,047
Interest on pension liability (asset)	139,590	-	139,590
Actuarial experience (gains)/losses	41,094	-	41,094
Net investment return	-	462,875	(462,875)
Contributions (employer)	-	133,557	(133,557)
Benefit payments	(62,305)	(62,305)	-
Administrative expenses	-	(18,693)	18,693
Total Net Changes	176,426	515,434	(339,008)
Ending Balance December 31, 2017	$ 2,010,732	$ 2,876,138	$ (865,406)

For the year ended December 31, 2017, the City recognized pension expense of ($151,434).

At December 31, 2017, 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	$ -	$ 118,765
Changes in Actuarial Assumptions	36,321	30,748
Net Difference Between Projected And Actual Earnings on Plan Investments	-	201,541
Total	$ 36,321	$ 351,054

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

2018	$ (55,098)
2019	(55,100)
2020	(82,211)
2021	(72,628)
2022	(15,874)
Thereafter	(33,822)

E. Actuarial assumptions

The total pension liability at December 31, 2017 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	7.00%
20 Year Municipal Bond Yield	3.31%

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

The 7.00 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 2017 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	81.65 %	5.20 - 5.39 %
Cash	4.99	0.79
Fixed Income	13.36	1.98
Total	100.00 %	

F. Funding status

The discount rate used to measure the total pension liability was 7.00 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 (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
Defined Benefit Plan	$ (778,666)	$ (865,406)	$ (946,135)

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.

Note 7: 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 2017 and 2016 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
Insurance Trust Fund				
2017	$ -	$ 119,590	$ (119,590)	$ -
2016	-	1,716	(1,716)	-
Health Insurance Trust Fund				
2017	18,921	2,853,419	(2,842,627)	29,713
2016	20,049	2,403,667	(2,404,795)	18,921

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 $29,713 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 2017 was $88,122.

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 2017 was $3,060,509 which accounted for 31 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	$ 94,068	$ 58,795
Interest on Net OPEB Obligation	10,164	10,041
Adjustment to Annual Required Contribution	(15,789)	(15,597)
Annual OPEB cost (expense)	88,443	53,239
Contributions Made	(6,130)	(45,268)
Increase in Net OPEB Obligation	82,313	7,971
Net OPEB Obligation- Beginning of Year	290,395	286,877
Net OPEB Obligation - End of Year	$ 372,708	$ 294,848

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 2017 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
12/31/17	$ 88,443	6.9 %	$ 372,708
12/31/16	44,836	26.0	290,395
12/31/15	43,872	33.3	257,207

PUC

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	$ 53,239	85.0 %	$ 294,848
12/31/16	54,005	84.8	286,877
12/31/15	53,486	63.5	278,665

Funded status and funding progress. As of January 1, 2017, the actuarial accrued liability for benefits was $404,837 and $504,814 for the City and PUC, respectively, all of which was unfunded. The covered payroll was $4,579,328 and $5,742,095 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.3 and 9.2 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 mortality tables from the National Center for Health Statistics using the RP-2014 tables for general employees and RP-2000 tables for police and fire employees.

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 6.8 percent initially, varying to a reduced to rate of 4.4 percent in 2075 thereafter.

Health insurance premiums - 2017 premiums represent a blended average cost of both active and retired individuals.

Inflation rate - The expected long-term inflation assumption of 2.75 percent was used for an intermediate growth scenario.

Payroll growth rate - The expected salary increase assumption was 3.25 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.5 percent was used. In addition, a simplified version of the entry age actuarial cost method 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, 2017 was 30 years.

Note 8: MAJOR CUSTOMER

Two industrial customers of the PUC represent approximately 22.5 percent of the total utility revenue excluding municipal sales of the PUC and approximately 15.6 percent of outstanding utility receivables at December 31, 2017.

Note 9: TAX ABATEMENTS

As of December 31, 2017, 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, 2017 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%	$ 30,862	10,688
Total			$ 14,802

REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF NEW ULM
NEW ULM, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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

City

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
06/30/17	0.0586 %	$ 3,725,903	$ 47,002	$ 3,772,905	$ 3,772,144	98.8 %	75.9 %
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 (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

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
06/30/17	0.0808 %	$ 5,158,219	$ 64,829	$ 5,223,048	$ 5,202,783	99.1 %	75.9 %
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

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
06/30/16	0.0008 %	$ 62,206	$ 812	$ 63,018	$ 48,745	127.6 %	68.9 %
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.

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)
12/31/17	$ 303,233	$ 303,233	$ -	$ 4,042,123	7.5 %
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

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)
12/31/17	$ 403,498	$ 403,498	$ -	$ 5,379,971	7.5 %
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)
06/30/17	$ 3,732	$ 3,732	$ -	$ 49,760	7.5 %
06/30/16	4,421	4,421	-	58,947	7.5
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.

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in actuarial assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in plan provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

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

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
06/30/17	0.1690 %	$ 2,281,701	$ -	$ 2,281,701	$ 1,736,069	131.4 %	85.4 %
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

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)
12/31/17	$ 289,480	$ 289,480	$ -	$ 1,786,912	16.2 %
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.

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in actuarial assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in plan provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

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

	2017	2016	2015
Total Pension Liability			
Service cost	$ 58,047	$ 65,792	$ 62,284
Interest	139,590	132,000	124,754
Changes of benefit terms	-	117,530	-
Differences between expected and actual experience	-	(151,303)	-
Changes of assumptions	41,094	(19,793)	(21,961)
Benefit payments	(62,305)	(129,632)	(262,579)
Net Change in Total Pension Liability	176,426	14,594	(97,502)
Total Pension Liability - January 1	1,834,306	1,819,712	1,917,214
Total Pension Liability - December 31 (A)	$ 2,010,732	$ 1,834,306	$ 1,819,712
Plan Fiduciary Net Position			
Municipal contributions	133,557	125,286	142,880
Projected investment return	462,875	203,866	10,372
Benefit payments, including refunds of employee contributions	(62,305)	(129,632)	(262,579)
Administrative expenses	(18,693)	(13,143)	(17,929)
Net Change in Plan Fiduciary Net Position	515,434	186,377	(127,256)
Plan Fiduciary Net Position - January 1	2,360,704	2,174,327	2,301,583
Plan Fiduciary Net Position - December 31 (B)	$ 2,876,138	$ 2,360,704	$ 2,174,327
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (865,406)	$ (526,398)	$ (354,615)
Plan Fiduciary Net Position As a Percentage Of the Total Pension Liability (B/A)	143.04%	128.70%	119.49%
Covered-Employee Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) As a Percentage Of Covered-Employee Payroll	N/A	N/A	N/A

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

Notes to the Required Supplementary Information - Fire Relief Association

Changes in actuarial assumptions

2017 - The expected investment return and discount rate decreased from 7.50 percent to 7.00 percent to reflect updated capital market assumptions.

2016 - 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.

Changes in plan provisions

2016 - 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.

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)
12/31/17	$ 133,557	$ 133,557	$ -
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

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)
1/1/17	$ -	$ 404,837	$ 404,837	- %	$ 6,468,491	6.3 %
1/1/14	-	382,082	382,082	-	5,492,000	7.0
1/1/11	-	249,017	249,017	-	5,593,854	4.5
1/1/09	-	569,789	569,789	-	4,829,262	11.8

PUC

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)
1/1/17	$ -	$ 504,814	$ 504,814	- %	$ 5,472,095	9.2 %
1/1/14	-	444,656	444,656	-	4,323,000	10.3
1/1/11	-	462,047	462,047	-	4,844,377	9.5
1/1/09	-	509,670	509,670	-	4,534,345	11.2

City of New Ulm, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2017

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Permanent	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 1,837,589	$ 95,509	$ 545,004	$ 2,478,102
Receivables				
Delinquent taxes	30,707	-	-	30,707
Accounts	3,010	-	-	3,010
Notes, net of allowance	333,788	-	-	333,788
Special assessments	-	219,472	-	219,472
Prepaid items	7,156	-	-	7,156
Total Assets	$ 2,212,250	$ 314,981	$ 545,004	$ 3,072,235
Liabilities				
Accounts payable	$ 10,694	$ -	$ -	$ 10,694
Due to other governments	124	-	-	124
Accrued salaries payable	22,880	-	-	22,880
Total Liabilities	33,698	-	-	33,698
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	30,707	-	-	30,707
Special assessments	-	219,472	-	219,472
Total Deferred Inflows of Resources	30,707	219,472	-	250,179
Fund Balances				
Nonspendable				
Prepaid items	7,156	-	-	7,156
Perpetual care	-	-	545,004	545,004
Restricted				
Library programs	4,394	-	-	4,394
Economic development	1,141,140	-	-	1,141,140
Maintain parking areas	478,370	-	-	478,370
Debt service	-	95,509	-	95,509
Committed				
Library programs	71,541	-	-	71,541
Fire fighting	9,314	-	-	9,314
Assigned for				
DARE program	59,860	-	-	59,860
Library services	357,164	-	-	357,164
Library programs	14,145	-	-	14,145
Fire fighting	4,761	-	-	4,761
Total Fund Balances	2,147,845	95,509	545,004	2,788,358
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,212,250	$ 314,981	$ 545,004	$ 3,072,235

City of New Ulm, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2017

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Permanent	Total Nonmajor Governmental Funds
Revenues				
Taxes				
General	$ 750,447	$ -	$ -	$ 750,447
Delinquent	5,384	-	-	5,384
Mobile home	1,677	-	-	1,677
Special service district	33,705	-	-	33,705
Penalties and interest	100	-	-	100
Intergovernmental				
State				
Other aid	1,287	-	-	1,287
County				
Library aid	14,800	-	-	14,800
Charges for services				
Public safety	9,495	-	-	9,495
Culture and recreation	12,328	-	-	12,328
Miscellaneous	24,785	-	-	24,785
Fines and forfeitures	28,357	-	-	28,357
Special assessments	-	59,696	-	59,696
Investment earnings (loss)	24,145	1,165	(2,044)	23,266
Miscellaneous				
Donations	11,220	-	-	11,220
Other	957	-	14,025	14,982
Total Revenues	918,687	60,861	11,981	991,529
Expenditures				
Current				
Public safety				
Fire	7,706	-	-	7,706
Culture and recreation				
Library	768,390	-	-	768,390
Miscellaneous				
Other	60,915	-	-	60,915
Debt service				
Principal	-	3,820,000	-	3,820,000
Interest	-	357,750	-	357,750
Total Expenditures	837,011	4,177,750	-	5,014,761
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,676	(4,116,889)	11,981	(4,023,232)
Other Financing Sources (Uses)				
Transfers in	-	4,177,750	-	4,177,750
Net Change in Fund Balances	81,676	60,861	11,981	154,518
Fund Balances, January 1	2,066,169	34,648	533,023	2,633,840
Fund Balances, December 31	$ 2,147,845	$ 95,509	$ 545,004	$ 2,788,358

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.

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SPECIAL REVENUE FUNDS (CONTINUED)

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*
- **TIF H-9** *Middle School*

City of New Ulm, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2017

	Community Development Block Grant	Library	Library Board	Parking Meter
Assets				
Cash and investments	$ 407,854	$ 388,459	$ 90,095	$ 478,915
Receivables				
Delinquent taxes	-	12,293	-	18,414
Accounts	-	180	-	1,435
Notes, net of allowance	25,722	-	-	-
Prepaid items	-	6,754	402	-
Total Assets	$ 433,576	$ 407,686	$ 90,497	$ 498,764
Liabilities				
Accounts payable	$ -	$ 10,328	$ 15	$ 123
Due to other governments	-	-	-	124
Accrued salaries payable	-	21,147	-	1,733
Total Liabilities	-	31,475	15	1,980
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	-	12,293	-	18,414
Fund Balances				
Nonspendable				
Prepaid items	-	6,754	402	-
Restricted				
Library programs	-	-	4,394	-
Economic development	433,576	-	-	-
Maintain parking areas	-	-	-	478,370
Committed				
Library programs	-	-	71,541	-
Fire fighting	-	-	-	-
Assigned				
DARE program	-	-	-	-
Library services	-	357,164	-	-
Library programs	-	-	14,145	-
Fire fighting	-	-	-	-
Total Fund Balances	433,576	363,918	90,482	478,370
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 433,576	$ 407,686	$ 90,497	$ 498,764

State MIF Grant	Rehabilitation Loan Program	Character Counts	Firefighters	Small Cities	Total Nonmajor
$ 111,502	$ 238,695	$ 59,860	$ 12,908	$ 49,301	$ 1,837,589
-	-	-	-	-	30,707
-	-	-	1,395	-	3,010
-	308,066	-	-	-	333,788
-	-	-	-	-	7,156
$ 111,502	$ 546,761	$ 59,860	$ 14,303	$ 49,301	$ 2,212,250
$ -	$ -	$ -	$ 228	$ -	$ 10,694
-	-	-	-	-	124
-	-	-	-	-	22,880
-	-	-	228	-	33,698
-	-	-	-	-	30,707
-	-	-	-	-	7,156
-	-	-	-	-	4,394
111,502	546,761	-	-	49,301	1,141,140
-	-	-	-	-	478,370
-	-	-	-	-	71,541
-	-	-	9,314	-	9,314
-	-	59,860	-	-	59,860
-	-	-	-	-	357,164
-	-	-	-	-	14,145
-	-	-	4,761	-	4,761
111,502	546,761	59,860	14,075	49,301	2,147,845
$ 111,502	$ 546,761	$ 59,860	$ 14,303	$ 49,301	$ 2,212,250

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, 2017

	Community Development Block Grant	Library	Library Board
Revenues			
Taxes			
General	$ -	$ 750,447	$ -
Delinquent	-	5,339	-
Mobile home	-	1,677	-
Special service district	-	-	-
Penalties and interest	-	-	-
Intergovernmental			
State			
Other aid	-	1,154	-
County			
Library aid	-	14,800	-
Charges for services			
Public safety	-	-	-
Culture and recreation	-	12,328	-
Miscellaneous	-	-	-
Fines and forfeitures	-	9,306	-
Investment earnings (loss)	4,918	2,271	978
Miscellaneous			
Donations	-	-	8,483
Other	-	957	-
Total Revenues	4,918	798,279	9,461
Expenditures			
Current			
Public safety			
Fire	-	-	-
Culture and recreation			
Library	-	760,336	8,054
Miscellaneous			
Other	-	-	-
Total Expenditures	-	760,336	8,054
Net Change in Fund Balances	4,918	37,943	1,407
Fund Balances, January 1	428,658	325,975	89,075
Fund Balances, December 31	$ 433,576	$ 363,918	$ 90,482

Parking Meter	State MIF Grant	Rehabilitation Loan Program	Character Counts	Firefighters	Small Cities	Total Nonmajor
$ -	$ -	$ -	$ -	$ -	$ -	$ 750,447
45	-	-	-	-	-	5,384
-	-	-	-	-	-	1,677
33,705	-	-	-	-	-	33,705
100	-	-	-	-	-	100
133	-	-	-	-	-	1,287
-	-	-	-	-	-	14,800
-	-	-	-	9,495	-	9,495
-	-	-	-	-	-	12,328
24,785	-	-	-	-	-	24,785
19,051	-	-	-	-	-	28,357
5,092	1,206	8,338	661	161	520	24,145
-	-	-	-	-	2,737	11,220
-	-	-	-	-	-	957
82,911	1,206	8,338	661	9,656	3,257	918,687
-	-	-	-	7,706	-	7,706
-	-	-	-	-	-	768,390
60,915	-	-	-	-	-	60,915
60,915	-	-	-	7,706	-	837,011
21,996	1,206	8,338	661	1,950	3,257	81,676
456,374	110,296	538,423	59,199	12,125	46,044	2,066,169
$ 478,370	$ 111,502	$ 546,761	$ 59,860	$ 14,075	$ 49,301	$ 2,147,845

City of New Ulm, Minnesota
Community Development Block Grant Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 407,854	$ 393,491
Receivables		
Notes, net of allowance	25,722	35,167
Total Assets	$ 433,576	$ 428,658
Fund Balances		
Restricted		
Economic development	$ 433,576	$ 428,658

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, 2017 and 2016

	2017	2016
Revenues		
Investment earnings	$ 4,918	$ 4,494
Fund Balances, January 1	428,658	424,164
Fund Balances, December 31	$ 433,576	$ 428,658

City of New Ulm, Minnesota
Economic Development Loan Program Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 550,477	$ 1,560,130
Receivables		
Notes	296,400	365,089
Advances to other funds	351,485	24,000
Total Assets	$ 1,198,362	$ 1,949,219
Fund Balances		
Restricted		
Economic development	$ 1,198,362	$ 1,949,219

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, 2017 and 2016

	2017	2016
Revenues		
Investment earnings	$ 30,668	$ 30,728
Expenditures		
Current		
Economic development		
Other services and charges	20,000	-
Debt service		
Principal	-	10,984
Interest	-	54
Total Expenditures	20,000	11,038
Net Change in Fund Balances	(750,857)	19,690
Fund Balances, January 1	1,949,219	1,929,529
Fund Balances, December 31	$ 1,198,362	$ 1,949,219

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City of New Ulm, Minnesota
Library Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

		2017		2016
Assets				
Cash and investments	$	388,459	$	337,670
Receivables				
Delinquent taxes		12,293		12,122
Accounts receivable		180		234
Prepaid items		6,754		11,177
Total Assets	$	407,686	$	361,203
Liabilities				
Accounts payable	$	10,328	$	5,550
Accrued salaries		21,147		17,556
Total Liabilities		31,475		23,106
Deferred Inflows of Resources				
Unavailable revenue				
Taxes		12,293		12,122
Fund Balances				
Nonspendable				
Prepaid items		6,754		11,177
Assigned				
Library services		357,164		314,798
Total Fund Balances		363,918		325,975
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	407,686	$	361,203

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, 2017 and 2016

	2017			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
General	$ 748,504	$ 748,504	$ 750,447	$ 1,943
Delinquent	-	-	5,339	5,339
Mobile home	-	-	1,677	1,677
Intergovernmental				
State				
Other aid	1,232	1,232	1,154	(78)
County	14,082	14,082	14,800	718
Local	-	-	-	-
Charges for services	11,050	11,050	12,328	1,278
Fines and forfeitures	10,000	10,000	9,306	(694)
Investment earnings	2,000	2,000	2,271	271
Miscellaneous				
Other	900	900	957	57
Total Revenues	787,768	787,768	798,279	10,511
Expenditures				
Current				
Culture and recreation				
Personal services	621,002	621,002	589,056	31,946
Supplies	65,500	65,500	73,064	(7,564)
Contractual services	50,366	50,366	50,102	264
Other services and charges	50,900	50,900	48,114	2,786
Total Current	787,768	787,768	760,336	27,432
Capital outlay				
Culture and recreation	-	-	-	-
Total Expenditures	787,768	787,768	760,336	27,432
Net Change in Fund Balances	-	-	37,943	37,943
Fund Balances, January 1	325,975	325,975	325,975	-
Fund Balance, December 31	$ 325,975	$ 325,975	$ 363,918	$ 37,943

	2016		
	Final Budget	**Actual Amounts**	**Variance with Final Budget**
	$ 691,861	$ 679,137	$ (12,724)
	-	4,657	4,657
	-	1,747	1,747
	1,200	1,232	32
	14,082	14,082	-
	-	10,485	10,485
	11,400	12,744	1,344
	10,700	8,963	(1,737)
	2,000	2,000	-
	800	977	177
	732,043	736,024	3,981
	566,725	502,856	63,869
	64,700	66,880	(2,180)
	48,618	48,538	80
	52,000	44,937	7,063
	732,043	663,211	68,832
	4,250	129,609	(125,359)
	736,293	792,820	(56,527)
	(4,250)	(56,796)	(52,546)
	382,771	382,771	-
	$ 378,521	$ 325,975	$ (52,546)

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City of New Ulm, Minnesota
Library Board Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 90,095	$ 88,261
Prepaid items	402	856
Total Assets	$ 90,497	$ 89,117
Liabilities		
Accounts payable	$ 15	$ 42
Fund Balances		
Nonspendable		
Prepaid items	402	856
Restricted		
Library programs	4,394	3,511
Committed		
Library programs	71,541	71,541
Assigned		
Library programs	14,145	13,167
Total Fund Balances	90,482	89,075
Total Liabilities and Fund Balances	$ 90,497	$ 89,117

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, 2017 and 2016

	2017	2016
Revenues		
Investment earnings	$ 978	$ 822
Miscellaneous		
Donations	8,483	10,763
Total Revenues	9,461	11,585
Expenditures		
Current		
Culture and recreation		
Library		
Current/capital		
Supplies	4,344	5,273
Other services and charges	3,710	1,123
Total Expenditures	8,054	6,396
Net Change in Fund Balances	1,407	5,189
Fund Balances, January 1	89,075	83,886
Fund Balances, December 31	$ 90,482	$ 89,075

City of New Ulm, Minnesota
Park and Recreation Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 698,262	$ 1,535,788
Receivables		
Delinquent taxes	13,489	13,227
Accounts	41,539	50,148
Prepaid items	8,785	2,750
Total Assets	$ 762,075	$ 1,601,913
Liabilities		
Accounts payable	$ 90,566	$ 169,299
Due to other governments	4,384	4,957
Accrued salaries payable	53,627	43,944
Unearned revenue	8,518	12,990
Total Liabilities	157,095	231,190
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	13,489	13,227
Fund Balances		
Nonspendable		
Prepaid items	8,785	2,750
Restricted		
Parkland dedication	194,041	173,024
Assigned		
Park and recreation services	388,665	1,181,722
Total Fund Balances	591,491	1,357,496
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 762,075	$ 1,601,913

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, 2017 and 2016

	2017			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
General	$ 886,323	$ 886,323	$ 888,639	$ 2,316
Delinquent	-	-	5,791	5,791
Mobile home	-	-	1,971	1,971
Payment in lieu of taxes	430,909	430,909	460,469	29,560
Intergovernmental				
State				
Local governmental aid	972,561	972,561	972,561	-
Other aid	2,882	2,882	2,728	(154)
Charges for services	944,200	944,200	1,031,738	87,538
Investment earnings	15,500	15,500	12,272	(3,228)
Miscellaneous				
Donations	5,000	5,000	17,738	12,738
Other	7,600	7,600	39,928	32,328
Total Revenues	3,264,975	3,264,975	3,433,835	168,860
Expenditures				
Current				
Culture and recreation				
Administration				
Personal services	321,485	321,485	358,203	(36,718)
Supplies	7,500	7,500	3,914	3,586
Contractual services	28,874	28,874	26,948	1,926
Other services and charges	38,131	38,131	39,197	(1,066)
Total	395,990	395,990	428,262	(32,272)
Park				
Personal services	467,567	467,567	510,854	(43,287)
Supplies	114,500	125,751	157,081	(31,330)
Contractual services	187,084	207,198	291,401	(84,203)
Other services and charges	102,400	93,900	83,080	10,820
Total	871,551	894,416	1,042,416	(148,000)
Outdoor pool				
Personal services	18,451	18,451	25,924	(7,473)
Supplies	10,200	10,200	7,287	2,913
Contractual services	10,550	16,245	10,471	5,774
Other services and charges	6,200	6,200	7,405	(1,205)
Total	45,401	51,096	51,087	9

2016		
Final Budget	Actual Amounts	Variance with Final Budget
$ 758,513	$ 744,569	$ (13,944)
-	5,198	5,198
-	1,918	1,918
387,828	384,962	(2,866)
873,333	873,333	-
2,810	2,882	72
881,500	993,091	111,591
18,000	14,471	(3,529)
5,000	96,963	91,963
8,200	26,575	18,375
2,935,184	3,143,962	208,778
263,443	272,818	(9,375)
7,500	6,112	1,388
26,929	32,033	(5,104)
32,931	32,101	830
330,803	343,064	(12,261)
452,875	470,202	(17,327)
123,000	135,069	(12,069)
234,365	214,232	20,133
100,150	90,225	9,925
910,390	909,728	662
14,834	24,954	(10,120)
9,900	6,642	3,258
1,500	27,378	(25,878)
5,600	5,614	(14)
31,834	64,588	(32,754)

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, 2017 and 2016

	2017			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Expenditures (Continued)				
Current (continued)				
Culture and recreation (continued)				
Recreation center				
Personal services	$ 594,586	$ 594,586	$ 585,578	$ 9,008
Supplies	122,600	122,600	113,798	8,802
Contractual services	87,304	106,355	175,215	(68,860)
Other services and charges	213,800	213,800	202,230	11,570
Total	1,018,290	1,037,341	1,076,821	(39,480)
Civic center				
Personal services	212,337	212,337	167,253	45,084
Supplies	55,600	55,600	65,256	(9,656)
Contractual services	78,483	78,483	115,664	(37,181)
Other services and charges	245,000	245,000	283,903	(38,903)
Total	591,420	591,420	632,076	(40,656)
Community center				
Personal services	86,205	86,205	95,997	(9,792)
Supplies	22,200	22,200	17,806	4,394
Contractual services	21,918	23,812	38,285	(14,473)
Other services and charges	37,700	37,700	33,665	4,035
Total	168,023	169,917	185,753	(15,836)
Total Current	3,090,675	3,140,180	3,416,415	(276,235)
Capital outlay				
Culture and recreation				
Park	355,000	719,720	740,643	(20,923)
Outdoor pool	5,300	5,300	-	5,300
Recreation center	15,300	15,300	10,651	4,649
Civic center	21,800	21,800	17,368	4,432
Community center	41,900	41,900	14,763	27,137
Total capital outlay	439,300	804,020	783,425	20,595
Total Expenditures	3,529,975	3,944,200	4,199,840	(255,640)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(265,000)	(679,225)	(766,005)	(86,780)
Other Financing Sources (Uses)				
Transfers out	-	-	-	-
Net Change in Fund Balances	(265,000)	(679,225)	(766,005)	(86,780)
Fund Balances, January 1	1,357,496	1,357,496	1,357,496	-
Fund Balances, December 31	$ 1,092,496	$ 678,271	$ 591,491	$ (86,780)

2016		
Final Budget	Actual Amounts	Variance with Final Budget
$ 570,946	$ 537,603	$ 33,343
118,210	107,516	10,694
81,975	109,753	(27,778)
203,700	211,048	(7,348)
974,831	965,920	8,911
206,765	172,910	33,855
55,000	60,422	(5,422)
62,867	68,645	(5,778)
256,700	266,028	(9,328)
581,332	568,005	13,327
71,648	74,313	(2,665)
18,700	15,260	3,440
20,373	22,614	(2,241)
39,450	33,609	5,841
150,171	145,796	4,375
2,979,361	2,997,101	(17,740)
1,038,536	527,029	511,507
24,000	-	24,000
10,200	9,948	252
-	-	-
5,000	-	5,000
1,077,736	536,977	540,759
4,057,097	3,534,078	523,019
(1,121,913)	(390,116)	731,797
(135,000)	(135,000)	-
(1,256,913)	(525,116)	731,797
1,882,612	1,882,612	-
$ 625,699	$ 1,357,496	$ 731,797

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City of New Ulm, Minnesota
Parking Meter Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 478,915	$ 458,319
Receivables		
Delinquent taxes	18,414	13,980
Accounts	1,435	1,094
Total Assets	$ 498,764	$ 473,393
Liabilities		
Accounts payable	$ 123	$ 40
Due to other governments	124	143
Accrued salaries payable	1,733	2,856
Total Liabilities	1,980	3,039
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	18,414	13,980
Fund Balances		
Restricted		
Maintain parking areas	478,370	456,374
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 498,764	$ 473,393

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, 2017 and 2016

	2017			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
Delinquent	$ -	$ -	$ 45	$ 45
Special service district	40,000	40,000	33,705	(6,295)
Penalties and interest	-	-	100	100
Intergovernmental				
State				
Other aid	132	132	133	1
Charges for services	20,500	20,500	24,785	4,285
Fines and forfeitures	15,500	15,500	19,051	3,551
Investment earnings	4,500	4,500	5,092	592
Total Revenues	80,632	80,632	82,911	2,279
Expenditures				
Current				
Miscellaneous				
Personal services	61,333	61,333	52,180	9,153
Supplies	14,300	22,300	4,275	18,025
Contractual services	11,000	11,000	3,787	7,213
Other services and charges	800	800	673	127
Total expenditures	87,433	95,433	60,915	34,518
Net Change in Fund Balances	(6,801)	(14,801)	21,996	36,797
Fund Balances, January 1	456,374	456,374	456,374	-
Fund Balances, December 31	$ 449,573	$ 441,573	$ 478,370	$ 36,797

2016		
Final Budget	Actual Amounts	Variance with Final Budget
$ -	$ 2,402	$ 2,402
40,000	35,876	(4,124)
-	64	64
150	132	(18)
20,000	21,508	1,508
15,500	15,582	82
5,100	4,374	(726)
80,750	79,938	(812)
60,472	56,293	4,179
11,000	2,404	8,596
8,000	26,377	(18,377)
1,000	385	615
80,472	85,459	(4,987)
278	(5,521)	(5,799)
461,895	461,895	-
$ 462,173	$ 456,374	$ (5,799)

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City of New Ulm, Minnesota
Sales Tax Revenue Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 4,239,200	$ 3,744,447
Receivables		
Accounts	5,562	5,809
Intergovernmental	208,444	233,017
Total Assets	$ 4,453,206	$ 3,983,273
Fund Balances		
Restricted		
Sales tax projects	$ 4,453,206	$ 3,983,273

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, 2017 and 2016

	2017	2016
Revenues		
Taxes		
Sales and excise tax	$ 1,200,996	$ 1,113,853
Investment earnings	45,411	35,983
Total Revenues	1,246,407	1,149,836
Expenditures		
Current		
Miscellaneous		
Supplies	68,724	27,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,177,683	1,122,336
Other Financing Sources (Uses)		
Transfers out	(707,750)	(699,708)
Net Change in Fund Balances	469,933	422,628
Fund Balances, January 1	3,983,273	3,560,645
Fund Balances, December 31	$ 4,453,206	$ 3,983,273

City of New Ulm, Minnesota
Character Counts Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and Investments	$ 59,860	$ 59,199
Fund Balances		
Assigned		
DARE program	$ 59,860	$ 59,199

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, 2017 and 2016

	2017			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental				
Fines and forfeitures	$ -	$ -	$ -	$ -
Investment earnings	-	-	661	661
Total Revenues	-	-	661	661
Expenditures				
Current				
Public safety				
Personal services	-	-	-	-
Supplies	-	-	-	-
Other services and charges	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	661	661
Fund Balances, January 1	59,199	59,199	59,199	-
Fund Balance, December 31	$ 59,199	$ 59,199	$ 59,860	$ 661

2016		
Final Budget	**Actual Amounts**	**Variance with Final Budget**
$ 500	$ -	$ (500)
600	568	(32)
1,100	568	(532)
2,941	-	2,941
4,500	-	4,500
3,250	-	3,250
10,691	-	10,691
(9,591)	568	10,159
58,631	58,631	-
$ 49,040	$ 59,199	$ 10,159

City of New Ulm, Minnesota
State MIF Grant Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 111,502	$ 110,296
Fund Balances		
Restricted		
Economic development	$ 111,502	$ 110,296

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, 2017 and 2016

	2017	2016
Revenues		
Intergovernmental	$ 435,000	$ -
Investment earnings	1,206	1,000
Total revenues	436,206	1,000
Expenditures		
Current		
Economic development		
Other services and charges	435,000	-
Net change in fund balances	1,206	1,000
Fund Balances, January 1	110,296	109,296
Fund Balances, December 31	$ 111,502	$ 110,296

City of New Ulm, Minnesota
Rehabilitation Loan Program Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 238,695	$ 340,831
Receivables		
Notes, net of allowance	308,066	197,592
Total Assets	$ 546,761	$ 538,423
Fund Balances		
Restricted		
Economic development	$ 546,761	$ 538,423

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, 2017 and 2016

	2017	2016
Revenues		
Investment earnings	$ 8,338	$ 7,273
Fund Balances, January 1	538,423	531,150
Fund Balances, December 31	$ 546,761	$ 538,423

City of New Ulm, Minnesota
Firefighters Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 12,908	$ 11,180
Receivables		
Accounts	1,395	945
Total Assets	$ 14,303	$ 12,125
Liabilities		
Accounts payable	$ 228	$ -
Fund Balances		
Committed		
Fire fighting	9,314	9,314
Assigned		
Fire fighting	4,761	2,811
Total Fund Balances	14,075	12,125
Total Liabilities and Fund Balances	$ 14,303	$ 12,125

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, 2017 and 2016

	2017	2016
Revenues		
Charges for services		
Public safety	$ 9,495	$ 9,045
Investment earnings	161	121
Total Revenues	9,656	9,166
Expenditures		
Current		
Public safety		
Other services and charges	7,706	7,068
Net Change in Fund Balances	1,950	2,098
Fund Balances, January 1	12,125	10,027
Fund Balances, December 31	$ 14,075	$ 12,125

City of New Ulm, Minnesota
Small Cities Development Special Revenue Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 49,301	$ 46,044
Fund Balances		
Restricted		
Economic development	$ 49,301	$ 46,044

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, 2017 and 2016

	2017	2016
Revenues		
Investment earnings	$ 520	$ 412
Miscellaneous	2,737	-
Total Revenues	3,257	412
Fund Balances, January 1	46,044	45,632
Fund Balances, December 31	$ 49,301	$ 46,044

City of New Ulm, Minnesota

Special Revenue Tax Increment Financing Funds

Combining TIF Balance Sheet

December 31, 2017

(With Comparative Totals for December 31, 2016)

	TIF RD-9	TIF H - 2	TIF H - 5	TIF H - 7
Assets				
Cash and investments	$ -	$ 43,384	$ 25,998	$ 66,406
Receivables				
Intergovernmental	227,854	-	-	-
Total Assets	$ 227,854	$ 43,384	$ 25,998	$ 66,406
Liabilities				
Accounts payable	$ -	$ 43,000	$ -	$ -
Advances from other funds	347,485	-	-	-
Advances from component unit	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	347,485	43,000	-	-
Fund Balances				
Restricted				
TIF activities	-	384	25,998	66,406
Unassigned	(119,631)	-	-	-
Total Fund Balances	(119,631)	384	25,998	66,406
Total Liabilities and Fund Balances	$ 227,854	$ 43,384	$ 25,998	$ 66,406

TIF H - 8	TIF H - 9	Totals 2017	Totals 2016
$ 76,575	$ 7,078	$ 219,441	$ 121,468
-	-	227,854	-
$ 76,575	$ 7,078	$ 447,295	$ 121,468
$ -	$ -	$ 43,000	$ 42,900
4,000	-	351,485	24,000
-	-	-	466,000
74,985	-	74,985	74,982
78,985	-	469,470	607,882
-	7,078	99,866	2,453
(2,410)	-	(122,041)	(488,867)
(2,410)	7,078	(22,175)	(486,414)
$ 76,575	$ 7,078	$ 447,295	$ 121,468

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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	TIF RD-9	TIF H - 2	TIF H - 5	TIF H - 7
Revenues				
Taxes				
Captured TIF	$ 4,757	$ 42,846	$ 24,001	$ 64,127
Intergovernmental				
State				
Other	227,854	-	-	-
Contribution from component unit	-	-	526,000	-
Investment earnings (loss)	2	320	328	344
Miscellaneous	-	-	-	-
Total Revenues	232,613	43,166	550,329	64,471
Expenditures				
Current				
Miscellaneous	377,081	43,150	150	150
Debt service				
Principal	-	-	43,894	-
Interest	600	-	15,802	-
Total Expenditures	377,681	43,150	59,846	150
Excess (deficiency) of revenues over (under) expenditures	(145,068)	16	490,483	64,321
Other financing sources (uses)				
Transfers in	46,652	-	-	-
Net Change in Fund Balances	(98,416)	16	490,483	64,321
Fund Balances, January 1	(21,215)	368	(464,485)	2,085
Fund Balances, December 31	$ (119,631)	$ 384	$ 25,998	$ 66,406

TIF H - 8	TIF H - 9	Totals 2017	Totals 2016
$ 74,985	$ -	$ 210,716	$ 134,831
-	-	227,854	-
-	-	526,000	-
1,027	78	2,099	960
-	7,000	7,000	-
76,012	7,078	973,669	135,791
75,135	-	495,666	122,717
-	-	43,894	43,895
120	-	16,522	36,134
75,255	-	556,082	202,746
757	7,078	417,587	(66,955)
-	-	46,652	-
757	7,078	464,239	(66,955)
(3,167)	-	(486,414)	(419,459)
$ (2,410)	$ 7,078	$ (22,175)	$ (486,414)

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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 2017.

City of New Ulm, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2017

	2009C G.O. Sales Tax Refunding Bonds	2013 G.O. PIRF Fund	2009A G.O. PIRF Bonds
Assets			
Cash and investments	$ -	$ -	$ -
Receivables			
Special assessments			
Delinquent	-	-	-
Total Assets	$ -	$ -	$ -
Deferred Inflows of Resources			
Unavailable revenue			
Special assessments	$ -	$ -	$ -
Fund Balances			
Restricted			
Debt service	-	-	-
Total Deferred Inflows of Resources and Fund Balances	$ -	$ -	$ -

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
$ -	$ -	$ -	$ -	$ 95,509	$ 95,509
-	-	-	-	219,472	$ 219,472
$ -	$ -	$ -	$ -	$ 314,981	$ 314,981
$ -	$ -	$ -	$ -	$ 219,472	$ 219,472
-	-	-	-	95,509	95,509
$ -	$ -	$ -	$ -	$ 314,981	$ 314,981

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, 2017

	2009C G.O. Sales Tax Refunding Bonds	2013 G.O. PIRF Fund	2009A G.O. PIRF Bonds	2011 G.O. PIRF Bonds	2012 G.O. PIRF Bonds
Revenues					
Special assessments	$ -	$ -	$ -	$ -	$ -
Investment earnings (loss)	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures					
Debt service					
Principal	620,000	280,000	720,000	235,000	370,000
Interest	87,750	31,710	24,880	35,925	21,172
Total Expenditures	707,750	311,710	744,880	270,925	391,172
Excess (Deficiency) of Revenues Over (Under) Expenditures	(707,750)	(311,710)	(744,880)	(270,925)	(391,172)
Other Financing Sources (Uses)					
Transfers in	707,750	311,710	744,880	270,925	391,172
Net Change in Fund Balances	-	-	-	-	-
Fund Balances, January 1	-	-	-	-	-
Fund Balances, December 31	$ -	$ -	$ -	$ -	$ -

2014 G.O. PIRF Bonds	2015 G.O. PIRF Bonds	2016 G.O. PIRF Bonds	Total Nonmajor
$ -	$ -	$ 59,696	$ 59,696
-	-	1,165	1,165
-	-	60,861	60,861
370,000	305,000	920,000	3,820,000
41,250	62,038	53,025	357,750
411,250	367,038	973,025	4,177,750
(411,250)	(367,038)	(912,164)	(4,116,889)
411,250	367,038	973,025	4,177,750
-	-	60,861	60,861
-	-	34,648	34,648
$ -	$ -	$ 95,509	$ 95,509

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, 2017

	Bond Sinking			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
General	$ 2,251,019	$ 2,251,019	$ 2,256,681	$ 5,662
Delinquent	-	-	17,664	17,664
Mobile home	-	-	5,089	5,089
Total taxes	2,251,019	2,251,019	2,279,434	28,415
Special assessments	833,300	833,300	1,771,719	938,419
Investment earnings	15,000	15,000	33,005	18,005
Total Revenues	3,099,319	3,099,319	4,084,158	984,839
Expenditures				
Debt service				
Bond issuance costs and fees	2,500	2,500	2,753	(253)
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,096,819	3,096,819	4,081,405	984,586
Other Financing Sources (Uses)				
Transfers out	(2,949,351)	(2,949,351)	(3,470,000)	(520,649)
Net Change in Fund Balances	147,468	147,468	611,405	463,937
Fund Balances, January 1	1,567,283	1,567,283	1,567,283	-
Fund Balances, December 31	$ 1,714,751	$ 1,714,751	$ 2,178,688	$ 463,937

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, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 545,004	$ 533,023
Fund Balances		
Nonspendable		
Perpetual care	$ 545,004	$ 533,023

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, 2017 and 2016

	2017	2016
Revenues		
Investment earnings (loss)	$ (2,044)	$ (1,792)
Miscellaneous		
Other	14,025	23,885
Total Revenues	11,981	22,093
Fund Balances, January 1	533,023	510,930
Fund Balances, December 31	$ 545,004	$ 533,023

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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.

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City of New Ulm, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and investments	$ 5,744,897	$ 7,835,246
Receivables		
Interest	187,528	122,670
Delinquent taxes	44,312	47,014
Accounts	313,682	297,437
Special assessments	169,960	199,874
Intergovernmental	1,027,827	294,262
Prepaid items	31,394	20,672
Total Assets	$ 7,519,600	$ 8,817,175
Liabilities		
Accounts payable	$ 213,996	$ 90,544
Due to other funds	1,926	3,809
Accrued salaries payable	199,664	184,784
Deposits payable	23,125	35,625
Unearned revenue	15,725	14,352
Total Liabilities	454,436	329,114
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	44,312	47,014
Special assessments	169,960	199,874
Total Deferred Inflows of Resources	214,272	246,888
Fund Balances		
Nonspendable		
Prepaid items	31,394	20,672
Assigned		
Subsequent year budgeted deficit	18,057	794,200
Unassigned	6,801,441	7,426,301
Total Fund Balances	6,850,892	8,241,173
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,519,600	$ 8,817,175

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, 2017 and 2016

	2017				2016		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 2,789,130	$ 2,789,130	$ 2,805,170	$ 16,040	$ 2,821,378	$ 2,775,434	$ (45,944)
Delinquent	-	-	21,247	21,247	-	16,764	16,764
Mobile home	-	-	6,291	6,291	-	6,997	6,997
Franchise	250,000	250,000	278,807	28,807	241,000	250,549	9,549
Hotel/motel	115,000	115,000	142,122	27,122	108,000	141,963	33,963
Payment in lieu of taxes	1,356,007	1,356,007	1,449,004	92,997	1,402,555	1,393,537	(9,018)
Penalties and interest on delinquent taxes	-	-	2,318	2,318	-	1,091	1,091
Total taxes	4,510,137	4,510,137	4,704,959	194,822	4,572,933	4,586,335	13,402
Special assessments	23,000	23,000	36,062	13,062	24,000	40,435	16,435
Licenses and permits							
Business	63,000	63,000	69,616	6,616	62,000	64,330	2,330
Nonbusiness	175,050	175,050	189,410	14,360	167,600	206,936	39,336
Total licenses and permits	238,050	238,050	259,026	20,976	229,600	271,266	41,666
Intergovernmental							
Federal							
Airport improvement grant	162,000	162,000	67,013	(94,987)	322,000	-	(322,000)
Other federal grants	12,500	12,500	-	(12,500)	2,000	116,959	114,959
State							
Local government aid	3,060,514	3,060,514	3,060,509	(5)	3,158,360	3,158,360	-
Property tax credits and aids	-	-	221	221	-	217	217
Police amortization aid	162,000	162,000	184,741	22,741	152,000	175,023	23,023
Fire aid	93,900	93,900	94,035	135	83,152	93,158	10,006
Street maintenance aid	27,150	27,150	27,015	(135)	25,650	26,520	870
Other aid	148,223	148,223	164,054	15,831	79,680	116,737	37,057
County							
Highways	10,000	10,000	10,889	889	9,600	10,697	1,097
Local							
Other local	1,500	1,500	2,864	1,364	-	1,800	1,800
Total intergovernmental	3,677,787	3,677,787	3,611,341	(66,446)	3,832,442	3,699,471	(132,971)
Charges for services							
General government	77,250	77,250	79,139	1,889	72,915	95,061	22,146
Public safety	127,152	127,152	130,474	3,322	127,417	132,212	4,795
Public works	10,760	10,760	16,487	5,727	9,760	23,731	13,971
Miscellaneous	123,658	123,658	164,145	40,487	100,590	121,479	20,889
Charges to other funds	462,185	462,185	486,017	23,832	444,227	469,338	25,111
Total charges for services	801,005	801,005	876,262	75,257	754,909	841,821	86,912
Fines and forfeitures							
Court fines and forfeitures	68,700	68,700	96,305	27,605	68,000	89,536	21,536
Investment earnings	56,650	56,650	80,424	23,774	59,100	64,439	5,339
Miscellaneous							
Donations	300	300	4,300	4,000	300	3,500	3,200
Other	57,600	57,600	48,190	(9,410)	57,100	175,871	118,771
Total miscellaneous	57,900	57,900	52,490	(5,410)	57,400	179,371	121,971
Total Revenues	9,433,229	9,433,229	9,716,869	283,640	9,598,384	9,772,674	174,290

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, 2017 and 2016

	2017				2016		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures							
Current							
General government							
Personal services	$ 1,060,221	$ 1,060,221	$ 1,046,269	$ 13,952	$ 1,070,037	$ 961,399	$ 108,638
Supplies	88,525	88,525	49,089	39,436	34,250	63,937	(29,687)
Contractual services	480,624	490,424	349,003	141,421	463,457	519,974	(56,517)
Insurance	218,500	218,500	211,295	7,205	240,050	204,043	36,007
Other services and charges	460,597	470,397	462,655	7,742	453,035	461,383	(8,348)
Total general government	2,308,467	2,328,067	2,118,311	209,756	2,260,829	2,210,736	50,093
Public safety							
Fire							
Personal services	351,117	351,117	360,867	(9,750)	327,863	322,046	5,817
Supplies	39,200	40,401	29,845	10,556	39,700	30,623	9,077
Contractual services	39,694	39,694	39,529	165	38,068	38,088	(20)
Other services and charges	51,850	51,850	65,781	(13,931)	50,545	46,975	3,570
Total fire	481,861	483,062	496,022	(12,960)	456,176	437,732	18,444
Police							
Personal services	2,613,246	2,613,246	2,572,922	40,324	2,438,916	2,425,338	13,578
Supplies	110,850	117,250	98,580	18,670	117,500	107,575	9,925
Contractual services	46,818	46,818	52,696	(5,878)	47,423	50,523	(3,100)
Other services and charges	156,857	156,857	187,688	(30,831)	148,950	156,571	(7,621)
Total police	2,927,771	2,934,171	2,911,886	22,285	2,752,789	2,740,007	12,782
Total public safety	3,409,632	3,417,233	3,407,908	9,325	3,208,965	3,177,739	31,226
Streets and highways							
Personal services	1,144,860	1,144,860	1,107,344	37,516	1,055,112	1,009,132	45,980
Supplies	583,900	583,900	547,242	36,658	581,900	553,907	27,993
Contractual services	705,330	705,330	690,962	14,368	710,915	705,921	4,994
Other services and charges	12,500	12,500	13,677	(1,177)	12,500	(10,081)	22,581
Total streets and highways	2,446,590	2,446,590	2,359,225	87,365	2,360,427	2,258,879	101,548
Sanitation and waste removal							
Personal services	81,311	81,311	110,125	(28,814)	67,693	100,675	(32,982)
Supplies	15,950	15,950	741	15,209	9,450	6,966	2,484
Contractual services	60,344	60,344	62,721	(2,377)	62,774	61,144	1,630
Other services and charges	4,800	4,800	3,420	1,380	4,500	3,002	1,498
Total sanitation and waste removal	162,405	162,405	177,007	(14,602)	144,417	171,787	(27,370)
Miscellaneous							
Airport							
Personal services	4,816	4,816	5,026	(210)	5,927	4,300	1,627
Supplies	1,500	1,500	123	1,377	1,500	188	1,312
Contractual services	105,566	105,566	105,688	(122)	105,566	93,389	12,177
Insurance	8,500	8,500	7,748	752	8,650	7,944	706
Other services and charges	16,450	16,450	14,797	1,653	19,050	16,924	2,126
Total airport	136,832	136,832	133,382	3,450	140,693	122,745	17,948
Cemetery							
Personal services	179,370	179,370	175,172	4,198	164,783	165,871	(1,088)
Supplies	14,470	14,470	8,205	6,265	14,470	7,517	6,953
Contractual services	43,856	43,856	42,600	1,256	34,832	33,780	1,052
Other services and charges	5,000	5,000	3,588	1,412	5,200	4,046	1,154
Total cemetery	242,696	242,696	229,565	13,131	219,285	211,214	8,071

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, 2017 and 2016

	2017				2016		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures (Continued)							
Current (continued)							
Miscellaneous (continued)							
Engineering							
Personal services	$ 687,305	$ 687,305	$ 686,409	$ 896	$ 611,725	$ 605,643	$ 6,082
Supplies	15,280	15,280	16,525	(1,245)	17,230	12,299	4,931
Contractual services	73,210	129,198	107,418	21,780	120,609	59,096	61,513
Other services and charges	21,700	21,700	19,046	2,654	24,700	16,015	8,685
Total engineering	797,495	853,483	829,398	24,085	774,264	693,053	81,211
Community access							
Personal services	164,300	164,300	123,430	40,870	156,434	139,311	17,123
Supplies	24,500	24,500	27,950	(3,450)	24,050	26,101	(2,051)
Other services and charges	14,812	14,812	18,821	(4,009)	13,270	12,631	639
Total community access	203,612	203,612	170,201	33,411	193,754	178,043	15,711
Total miscellaneous	1,380,635	1,436,623	1,362,546	74,077	1,327,996	1,205,055	122,941
Total current	9,707,729	9,790,918	9,424,997	365,921	9,302,634	9,024,196	278,438
Capital outlay							
General government	1,716,000	2,916,000	1,327,368	1,588,632	2,000,000	-	2,000,000
Public safety	88,700	106,700	274,208	(167,508)	122,500	67,920	54,580
Miscellaneous	30,000	361,437	30,373	331,064	394,732	38,671	356,061
Total capital outlay	1,834,700	3,384,137	1,631,949	1,752,188	2,517,232	106,591	2,410,641
Total Expenditures	11,542,429	13,175,055	11,056,946	2,118,109	11,819,866	9,130,787	2,689,079
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,109,200)	(3,741,826)	(1,340,077)	2,401,749	(2,221,482)	641,887	2,863,369
Other Financing Sources (Uses)							
Sales of capital assets	-	-	8,434	8,434	-	7,660	7,660
Transfers in	1,340,000	1,340,000	98,080	(1,241,920)	50,000	50,000	-
Transfers out	(25,000)	(25,000)	(156,718)	(131,718)	-	-	-
Total Other Financing Sources (Uses)	1,315,000	1,315,000	(50,204)	(1,365,204)	50,000	57,660	7,660
Net Change in Fund Balances	(794,200)	(2,426,826)	(1,390,281)	1,036,545	(2,171,482)	699,547	2,871,029
Fund Balances, January 1	8,241,173	8,241,173	8,241,173	-	7,541,626	7,541,626	-
Fund Balances, December 31	$ 7,446,973	$ 5,814,347	$ 6,850,892	$ 1,036,545	$ 5,370,144	$ 8,241,173	$ 2,871,029

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, 2017
(With Comparative Totals for December 31, 2016)

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Totals 2017	Totals 2016
Assets					
Current Assets					
Cash and investments	$ 1,419,529	$ 654,044	$ 1,015,484	$ 3,089,057	$ 3,121,214
Receivables					
Accounts	-	645	-	645	2,957
Due from other funds	1,926	-	-	1,926	3,809
Inventories	105,263	-	-	105,263	100,158
Prepaid items	-	233,985	-	233,985	-
Total Current Assets	1,526,718	888,674	1,015,484	3,430,876	3,228,138
Noncurrent Assets					
Capital assets					
Buildings and structures	1,816,748	-	-	1,816,748	1,816,748
Machinery and equipment	5,500,872	-	-	5,500,872	5,321,725
Accumulated depreciation	(4,743,642)	-	-	(4,743,642)	(4,627,707)
Total Noncurrent Assets	2,573,978	-	-	2,573,978	2,510,766
Total Assets	4,100,696	888,674	1,015,484	6,004,854	5,738,904
Deferred Outflows of Resources					
Deferred pension resources	26,536	-	-	26,536	46,201
Liabilities					
Current Liabilities					
Accounts payable	6,519	-	390	6,909	143,100
Accrued salaries payable	4,451	-	-	4,451	4,467
Claims incurred but not paid	-	29,713	-	29,713	18,921
Unearned revenue	-	242,158	-	242,158	226,619
Total Current Liabilities	10,970	271,871	390	283,231	393,107
Noncurrent liabilities					
Pension liability	107,838	-	-	107,838	129,299
Total Liabilities	118,808	271,871	390	391,069	522,406
Deferred Inflows of Resources					
Deferred pension resources	26,743	-	-	26,743	18,031
Net Position					
Investment in capital assets	2,573,978	-	-	2,573,978	2,510,766
Unrestricted	1,407,703	616,803	1,015,094	3,039,600	2,733,902
Total Net Position	$ 3,981,681	$ 616,803	$ 1,015,094	$ 5,613,578	$ 5,244,668

City of New Ulm, Minnesota

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Totals 2017	Totals 2016
Operating Revenues					
Charges for services	$ 1,012,899	$ -	$ -	$ 1,012,899	$ 1,020,554
Pension revenue	39	-	-	39	503
Insurance premiums	-	2,956,187	-	2,956,187	2,425,530
Insurance refunds	-	11,035	-	11,035	5,847
Total Operating Revenues	1,012,938	2,967,222	-	3,980,160	3,452,434
Operating Expenses					
Administrative and general	200,746	21,784	-	222,530	196,641
Insurance premiums	-	2,597,244	-	2,597,244	2,198,301
Self funded claims	-	234,391	119,590	353,981	185,317
Vehicle maintenance	213,578	-	-	213,578	249,393
Depreciation	380,341	-	-	380,341	388,224
Total Operating Expenses	794,665	2,853,419	119,590	3,767,674	3,217,876
Operating Income (Loss)	218,273	113,803	(119,590)	212,486	234,558
Non-Operating Revenues (Expenses)					
State other aid	63,836	-	-	63,836	308
Gain on sale of assets	52,239	-	-	52,239	40,941
Investment income	12,984	7,441	11,965	32,390	25,657
Miscellaneous income	209	-	7,750	7,959	8,520
Total Non-Operating Revenues (Expenses)	129,268	7,441	19,715	156,424	75,426
Change in Net Position	347,541	121,244	(99,875)	368,910	309,984
Net Position					
January 1	3,634,140	495,559	1,114,969	5,244,668	4,934,684
December 31	$ 3,981,681	$ 616,803	$ 1,015,094	$ 5,613,578	$ 5,244,668

City of New Ulm, Minnesota

Internal Service Funds

Combining Statement of Cash Flows

For the year ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Totals 2017	Totals 2016
Cash Flows From Operating Activities					
Receipts from interfund services provided	$ 1,012,899	$ 2,974,038	$ -	$ 3,986,937	$ 3,478,387
Grant receipts	63,836	-	-	63,836	308
Payments to suppliers and interfund services used	(248,568)	(128,250)	(119,200)	(496,018)	(270,313)
Payments to and on behalf of employees	(172,253)	(3,076,612)	-	(3,248,865)	(2,553,054)
Other receipts	209	11,035	7,750	18,994	14,367
Net cash provided (used) by operating activities	656,123	(219,789)	(111,450)	324,884	669,695
Cash Flows From Non-Capital Financing Activities					
Increase (decrease) in due from other funds	1,883	-	-	1,883	(2,497)
Cash Flows From Capital and Related Financing Activities					
Proceeds from sale of capital assets	56,719	-	-	56,719	44,055
Acquisition of capital assets	(448,033)	-	-	(448,033)	(411,198)
Net cash provided (used) by capital and related financing activities	(391,314)	-	-	(391,314)	(367,143)
Cash Flows From Investing Activities					
Interest income received	12,984	7,441	11,965	32,390	25,657
Net Increase (Decrease) in Cash and Cash Equivalents	279,676	(212,348)	(99,485)	(32,157)	325,712
Cash and Cash Equivalents					
January 1	1,139,853	866,392	1,114,969	3,121,214	2,795,502
December 31	$ 1,419,529	$ 654,044	$ 1,015,484	$ 3,089,057	$ 3,121,214
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ 218,273	$ 113,803	$ (119,590)	$ 212,486	$ 234,558
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	64,045	-	7,750	71,795	8,828
Depreciation	380,341	-	-	380,341	388,224
Changes in assets and liabilities					
(Increase) decrease in assets					
Accounts receivable	-	2,312	-	2,312	4,762
Inventories	(5,105)	-	-	(5,105)	(738)
Prepaid items	-	(233,985)	-	(233,985)	-
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	19,665	-	-	19,665	(36,597)
(Decrease) increase in liabilities					
Accounts payable	(8,331)	(128,250)	390	(136,191)	996
Accrued salaries payable	(16)	-	-	(16)	787
Claims incurred, but not paid	-	10,792	-	10,792	(1,128)
Unearned revenue	-	15,539	-	15,539	27,541
Pension liability	(21,461)	-	-	(21,461)	45,292
(Decrease) increase in deferred inflows of resources					
Deferred pension resources	8,712	-	-	8,712	(2,830)
Net Cash Provided (Used) by Operating Activities	$ 656,123	$ (219,789)	$ (111,450)	$ 324,884	$ 669,695
Schedule of Noncash Investing, Capital and Financing Activities					
Book Value of Disposed/Traded of Capital Assets	$ 4,480	$ -	$ -	$ 4,480	$ 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, 2017 and 2016

	2017	2016	(Decrease) and Increase Amount	(Decrease) and Increase Percent
Operating Revenues				
Charges for services	$ 1,012,899	$ 1,020,554	$ (7,655)	-0.75%
Pension revenue	39	503	(464)	-92.25%
Total Operating Revenues	1,012,938	1,021,057	(8,119)	-0.80%
Operating Expenses				
Administrative and general				
Employer paid benefits	57,311	50,721	6,590	12.99%
Miscellaneous	8,791	7,061	1,730	24.50%
Salaries	114,926	98,341	16,585	16.86%
Utilities	19,718	18,753	965	5.15%
Total administrative and general	200,746	174,876	25,870	14.79%
Vehicle maintenance				
Gas, oil and grease	78,989	80,816	(1,827)	-2.26%
Miscellaneous	7,999	12,039	(4,040)	-33.56%
Repairs	118,637	147,146	(28,509)	-19.37%
Supplies	7,953	9,392	(1,439)	-15.32%
Total vehicle maintenance	213,578	249,393	(35,815)	-14.36%
Depreciation	380,341	388,224	(7,883)	-2.03%
Total Operating Expenses	794,665	812,493	(17,828)	-2.19%
Operating Income (Loss)	218,273	208,564	9,709	-4.66%
Non-Operating Revenues (Expenses)				
State other aid	63,836	308	63,528	20625.97%
Gain on sale of assets	52,239	40,941	11,298	27.60%
Investment income	12,984	9,735	3,249	33.37%
Miscellaneous revenue	209	1,552	(1,343)	-86.53%
Total Non-Operating Revenues (Expenses)	129,268	52,536	76,732	146.06%
Change in Net Position	347,541	261,100	$ 86,441	-33.11%
Net Position				
January 1	3,634,140	3,373,040		
December 31	$ 3,981,681	$ 3,634,140		

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, 2017 and 2016

			(Decrease) and Increase	
	2017	2016	Amount	Percent
Operating Revenues				
Insurance premiums	$ 2,956,187	$ 2,425,530	$ 530,657	21.88%
Insurance refunds	11,035	5,847	5,188	88.73%
Total Operating Revenues	2,967,222	2,431,377	535,845	22.04%
Operating Expenses				
Administration	21,784	21,765	19	0.09%
Insurance premiums	2,597,244	2,198,301	398,943	18.15%
Self funded claims	234,391	183,601	50,790	27.66%
Total Operating Expenses	2,853,419	2,403,667	449,752	18.71%
Operating Income (Loss)	113,803	27,710	86,093	-310.69%
Non-Operating Revenues (Expenses)				
Investment income	7,441	5,649	1,792	31.72%
Change in Net Position	121,244	33,359	$ 87,885	-263.45%
Net Position				
January 1	495,559	462,200		
December 31	$ 616,803	$ 495,559		

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, 2017 and 2016

	2017	2016	(Decrease) and Increase Amount	Percent
Operating Expenses				
Self funded claims	$ 119,590	$ 1,716	$ 117,874	6869.11%
Non-Operating Revenues (Expenses)				
Investment income	11,965	10,273	1,692	16.47%
Miscellaneous	7,750	6,968	782	11.22%
Total Non-Operating Revenues (Expenses)	19,715	17,241	2,474	14.35%
Change in Net Position	(99,875)	15,525	$ (115,400)	743.32%
Net Position				
January 1	1,114,969	1,099,444		
December 31	$ 1,015,094	$ 1,114,969		

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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, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
BLR Drug Task Force Fund (803)				
Assets				
Cash and investments	$ 386,423	$ 827,941	$ 834,048	$ 380,316
Due from other governments	46,917	-	46,917	-
Total Assets	$ 433,340	$ 827,941	$ 880,965	$ 380,316
Liabilities				
Accounts payable	$ 36,840	$ 39,839	$ 37,040	$ 39,639
Due to other entities	396,500	788,102	843,925	340,677
Total Liabilities	$ 433,340	$ 827,941	$ 880,965	$ 380,316
City Employee Lunchroom Fund (820)				
Assets				
Cash and investments	$ (1,310)	$ 1,442	$ 1,421	$ (1,289)
Liabilities				
Accounts payable	$ 11	$ 1,442	$ 1,387	$ 66
Due to other entities	(1,321)	-	34	(1,355)
Total Liabilities	$ (1,310)	$ 1,442	$ 1,421	$ (1,289)
Library Employee Lunchroom Fund (823)				
Assets				
Cash and investments	$ 846	$ 470	$ 252	$ 1,064
Liabilities				
Accounts payable	$ 3	$ 231	$ 228	$ 6
Due to other entities	843	239	24	1,058
Total Liabilities	$ 846	$ 470	$ 252	$ 1,064
PUC Employee Lunchroom Fund (825)				
Assets				
Cash and investments	$ 7,490	$ 1,528	$ 1,333	$ 7,685
Liabilities				
Accounts payable	$ 130	$ 1,212	$ 1,333	$ 9
Due to other entities	7,360	316	-	7,676
Total Liabilities	$ 7,490	$ 1,528	$ 1,333	$ 7,685
Miscellaneous Affiliated Groups Fund (830)				
Assets				
Cash and investments	$ 53,378	$ 124,461	$ 131,243	$ 46,596
Liabilities				
Accounts payable	$ 1,835	$ 60,283	$ 62,118	$ -
Due to other entities	51,543	64,178	69,125	46,596
Total Liabilities	$ 53,378	$ 124,461	$ 131,243	$ 46,596
Totals All Funds				
Assets				
Cash and investments	$ 446,827	$ 955,842	$ 968,297	$ 434,372
Due from other governments	46,917	-	46,917	-
Total Assets	$ 493,744	$ 955,842	$ 1,015,214	$ 434,372
Liabilities				
Accounts payable	$ 38,819	$ 103,007	$ 102,106	$ 39,720
Due to other entities	454,925	852,835	913,108	394,652
Total Liabilities	$ 493,744	$ 955,842	$ 1,015,214	$ 434,372

City of New Ulm, Minnesota

Summary Financial Report

Revenues and Expenditures for General Operations

Governmental Funds

For the Years Ended December 31, 2017 and 2016

	Total 2017	Total 2016	Percent Increase (Decrease)
Revenues			
Taxes	$ 10,922,187	$ 10,235,234	6.71 %
Special assessments	1,867,477	1,212,212	54.06
Licenses and permits	259,026	271,266	(4.51)
Intergovernmental	5,473,130	6,018,033	(9.05)
Contribution from component unit	994,826	413,450	140.62
Charges for services	1,959,378	1,883,114	4.05
Fines and forfeits	124,662	114,081	9.27
Investment earnings	294,054	232,465	26.49
Miscellaneous	147,164	343,072	(57.10)
Total Revenues	$ 22,041,904	$ 20,722,927	6.36 %
Per Capita	$ 1,628	$ 1,526	6.71 %
Expenditures			
Current			
General government	$ 2,118,311	$ 2,210,736	(4.18) %
Public safety	3,415,614	3,184,807	7.25
Streets and highways	2,319,803	2,657,989	(12.72)
Sanitation and waste removal	177,007	171,787	3.04
Culture and recreation	4,184,805	3,666,708	14.13
Economic development	20,000	-	100.00
Miscellaneous	1,987,851	1,440,731	37.98
Capital outlay			
General government	1,388,001	-	100.00
Public safety	503,267	968,339	(48.03)
Streets and highways	3,917,831	3,410,070	14.89
Culture and recreation	2,298,304	666,586	244.79
Miscellaneous	114,008	38,671	194.82
Debt service			
Principal	3,863,894	4,996,379	(22.67)
Interest and other charges	435,920	527,849	(17.42)
Total Expenditures	$ 26,744,616	$ 23,940,652	11.71 %
Per Capita	$ 1,975	$ 1,763	12.08 %
Total Long-term Indebtedness	$ 15,904,472	$ 16,773,366	(5.18) %
Per Capita	1,175	1,235	(4.87)
General Fund Balance - December 31	$ 6,850,892	$ 8,241,173	(16.87) %
Per Capita	506	607	(16.60)

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.

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OTHER REQUIRED REPORTS

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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, 2017, and related notes to the financial statements, and have issued our report thereon dated May 24, 2018.

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, 2018

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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, 2017, 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, 2018.

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, 2018

City of New Ulm, Minnesota

100 North Broadway
New Ulm, Minnesota 56073

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Web Site: www.newulmmn.gov

For the Fiscal year ended December 31, 2017

Photo: Hermann Park