NEW ULM Minnesota

# Annual Financial Report

For the Fiscal year ended December 31, 2018

# Annual Financial Report

## City of New Ulm

New Ulm, Minnesota

For the Year Ended
December 31, 2018

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

City of New Ulm, Minnesota
New Ulm, Minnesota
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INTRODUCTORY SECTION

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# *City of New Ulm, Minnesota*

## *List of Principal Officials*

## Elected Officials

| OFFICIAL | OFFICE | TERM EXPIRES |
|---|---|---|
| Robert J. Beussman | Mayor | December 31, 2022 |
| Charles E. Schmitz | President, City Council | December 31, 2020 |
| David H. Christian | Councilor, Ward 1 | December 31, 2020 |
| Lisa K. Fischer | Councilor, Ward 2 | December 31, 2022 |
| Les P. Schultz | Councilor, Ward 3 | December 31, 2020 |
| Larry A. Mack | Councilor, Ward 4 | December 31, 2022 |

## Appointed Officials

| | |
|---|---|
| Christopher W. Dalton | City Manager |
| Ellwood A. Zabel | Building Official |
| Roger H. Hippert | City Attorney |
| Nicole L. Jorgensen | Finance Director |
| Steven P. Koehler, P.E. | City Engineer |
| David J. Schnobrich | Community Development Director |
| Nathan Beran | Information Technology Coordinator |
| Larry Botten | Electric Distribution Supervisor |
| Paul Macho | Fire Chief |
| Paulina Poplawska | Library Director |
| Dave O'Brien | Natural Gas Supervisor |
| Thomas E. Schmitz | Park & Recreation Director |
| Shawna Boomgarden | Personnel Officer |
| David L. Borchert | Police Chief |
| David A. Kuehn | Power Plant Chief Engineer |
| Curtis Curry | Public Works Superintendent |
| Kristine M. Manderfeld | Utilities Director |
| Dan O'Connor | Wastewater Treatment Supervisor |
| George I. Brown. | Water/District Energy Supervisor |
| Daniel Pirsig | Utility Graduate Engineer |
| Shannon Hillesheim | Public Utilities Commissioner |
| William Swan | Vice President Public Utilities Commission |
| Mary Ellen Schanus | Public Utilities Commissioner |
| Sean Fingland | Public Utilities Commissioner |
| Linda Heine | President Public Utilities Commission |

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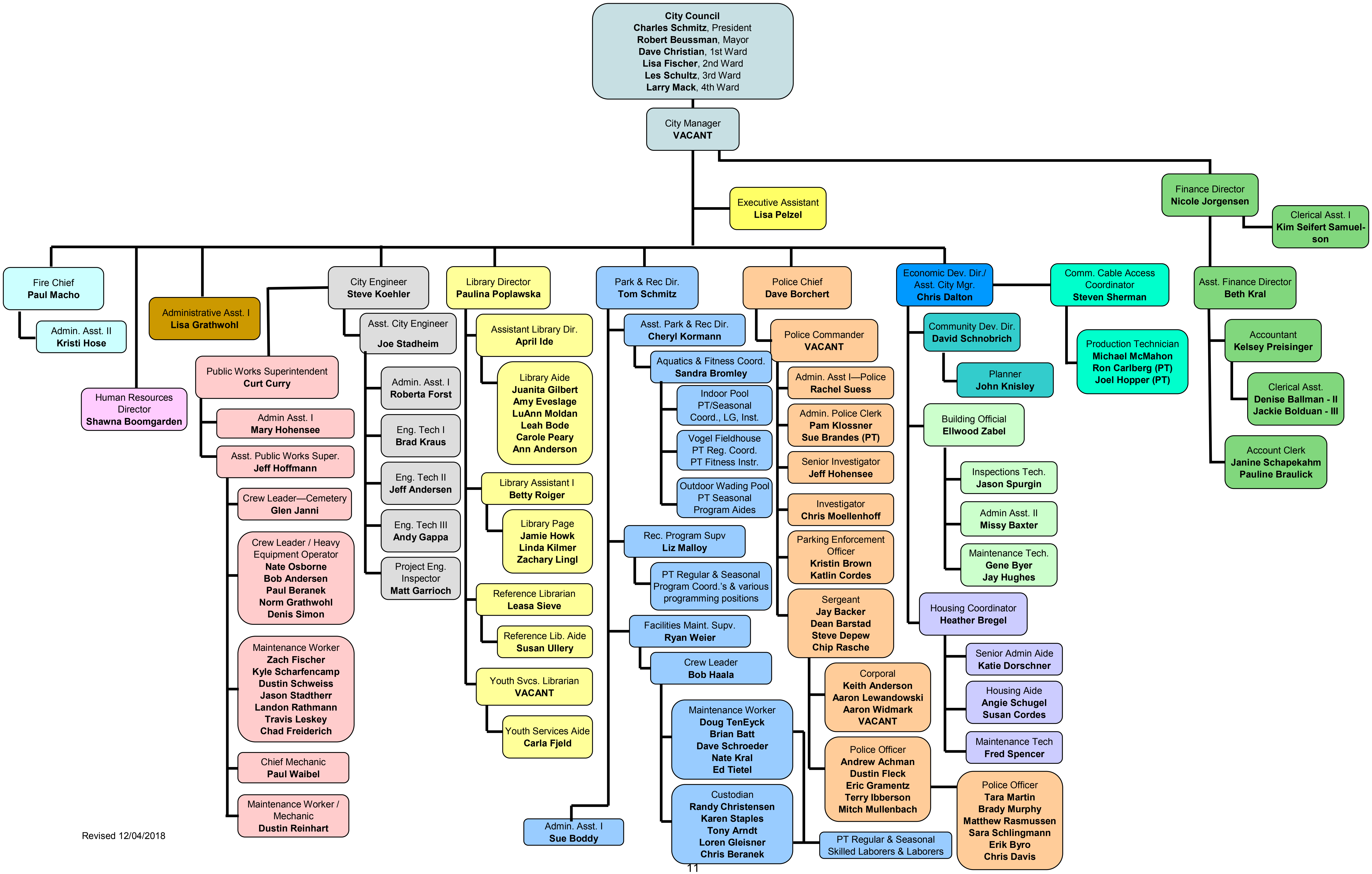
# City of New Ulm Organizational Chart




Revised 12/04/2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison schedules 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.

100 Warren Street, Suite 600
Mankato, MN 56001
Office 507.625.2727 | Fax 507.388.9139

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***Change in Accounting Standards***

As described in Note 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

**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 Changes in the City's OPEB Liability and Related Ratios starting on page 96 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 June 11, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 11, 2019

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, 2018. 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 $5,401,531 (2.87 percent) in 2018. The City's total net position for governmental activities increased $3,188,804 (59.0 percent) in 2018. The PUC's total net position increased $2,619,949 (48.5 percent) in 2018. The EDA's total net position decreased $407,222 (7.5 percent) in 2018.

- Total net position of the City (including component units) is $187,902,826, of which $35,389,957 is unrestricted.

- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of $36,703,732, an increase of $6,461,892 in comparison with the prior year. Of the ending balance, $5,896,780 (16.1 percent) was unassigned (*available for spending* at the City's discretion).

- At the end of the current fiscal year the unassigned fund balance of the General fund was $6,344,853, or 25.7 percent of total General fund expenditures.

- The City's total debt (including component units) increased by $3,377,106, or 10.7 percent during the current fiscal year.

## Overview of the Financial Statements

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

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

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

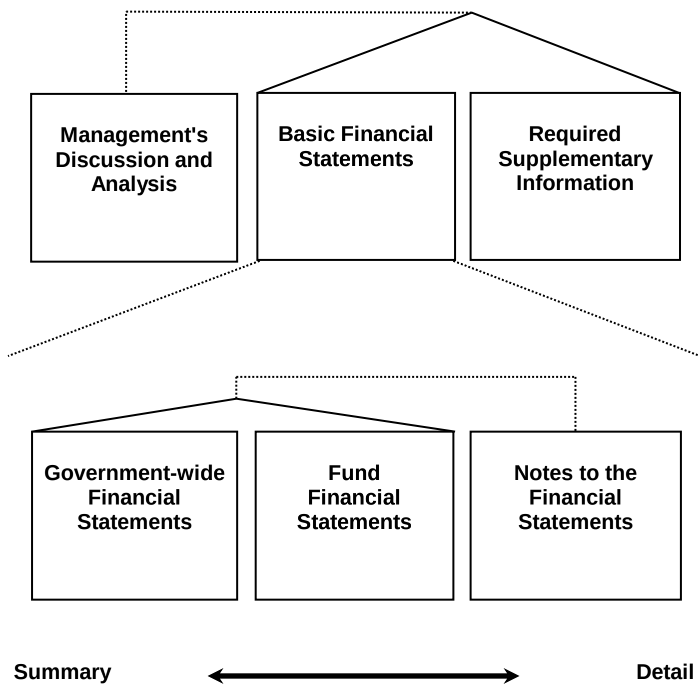


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

| | | Fund Financial Statements | |
|---|---|---|---|
| | **Government-wide Statements** | **Governmental Funds** | **Proprietary Funds** |
| Scope | Entire City government (except fiduciary funds) and the City's component units | The activities of the City that are not proprietary or fiduciary, such as police, fire and parks | Activities the City operates similar to private businesses, such as the water and sewer system |
| Required financial statements | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• Statement of Revenues, Expenditures, and Changes in Fund Balances | • Statement of Net Position<br>• Statement of Revenues, Expenses and Changes in Net Position<br>• 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, Park and Recreation fund, Sales Tax Revenue fund, Bond Sinking fund, Sales Tax Referendum fund, Capital Improvement 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 51 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 53 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 55 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 96 of this report. The City has disclosed this information in Notes 4, 6 and 7 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 106 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, 2018.

**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 $99,374,211 at the close of the current year.

By far, the largest portion of the City's (not including component units) net position (68.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## City of New Ulm's Summary of Net Position

| | Primary Government - Governmental Activities | | | Component Unit - Public Utilities Commission | | | Component Unit - Economic Development Authority | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | (Restated) 2017 | Increase (Decrease) | 2018 | (Restated) 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Current and | | | | | | | | | |
| Other Assets | $ 40,386,359 | $ 33,682,502 | $ 6,703,857 | $ 36,749,429 | $ 36,719,955 | $ 29,474 | $ 2,683,275 | $ 2,923,698 | $ (240,423) |
| Capital assets | 88,005,307 | 87,742,700 | 262,607 | 66,859,563 | 66,882,017 | (22,454) | 3,516,053 | 3,670,020 | (153,967) |
| Total Assets | 128,391,666 | 121,425,202 | 6,966,464 | 103,608,992 | 103,601,972 | 7,020 | 6,199,328 | 6,593,718 | (394,390) |
| Deferred Outflows of Resources | | | | | | | | | |
| Deferred pension resources | 3,629,043 | 4,356,694 | (727,651) | 777,384 | 1,304,530 | (527,146) | 20,410 | 24,129 | (3,719) |
| Deferred other postemployment benefit resources | 48,979 | - | 48,979 | 12,010 | - | 12,010 | - | - | - |
| Total Deferred Outflows of Resources | 3,678,022 | 4,356,694 | (678,672) | 789,394 | 1,304,530 | (515,136) | 20,410 | 24,129 | (3,719) |
| Long-term Liabilities | | | | | | | | | |
| Outstanding | 27,018,983 | 23,153,237 | 3,865,746 | 17,010,314 | 18,638,447 | (1,628,133) | 67,449 | 71,464 | (4,015) |
| Other Liabilities | 1,074,357 | 1,057,975 | 16,382 | 3,656,768 | 5,066,171 | (1,409,403) | 111,563 | 101,502 | 10,061 |
| Total Liabilities | 28,093,340 | 24,211,212 | 3,882,128 | 20,667,082 | 23,704,618 | (3,037,536) | 179,012 | 172,966 | 6,046 |
| Deferred Inflows of Resources | 4,603,162 | 5,385,277 | (782,115) | 1,224,263 | 1,314,792 | (90,529) | 19,152 | 16,085 | 3,067 |
| Net Position | | | | | | | | | |
| Net Investment in Capital Assets | 68,473,406 | 71,613,741 | (3,140,335) | 55,697,448 | 55,204,876 | 492,572 | 3,516,053 | 3,670,020 | (153,967) |
| Restricted | 20,694,683 | 14,783,829 | 5,910,854 | 4,118,753 | 3,893,551 | 225,202 | 12,526 | 5,541 | 6,985 |
| Unrestricted | 10,206,122 | 9,787,837 | 418,285 | 22,690,840 | 20,788,665 | 1,902,175 | 2,492,995 | 2,753,235 | (260,240) |
| Total Net Position | $ 99,374,211 | $ 96,185,407 | $ 3,188,804 | $ 82,507,041 | $ 79,887,092 | $ 2,619,949 | $ 6,021,574 | $ 6,428,796 | $ (407,222) |

An additional portion of the City's net position (20.8 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 $3,188,804 during the current fiscal year, * related to public safety and culture and recreation. 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 $3,188,804, thereby accounting for 59.0 percent of the total growth in the net position of the City (including the component units). Capital grants and contributions of $2,985,117 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's Changes in Net Position

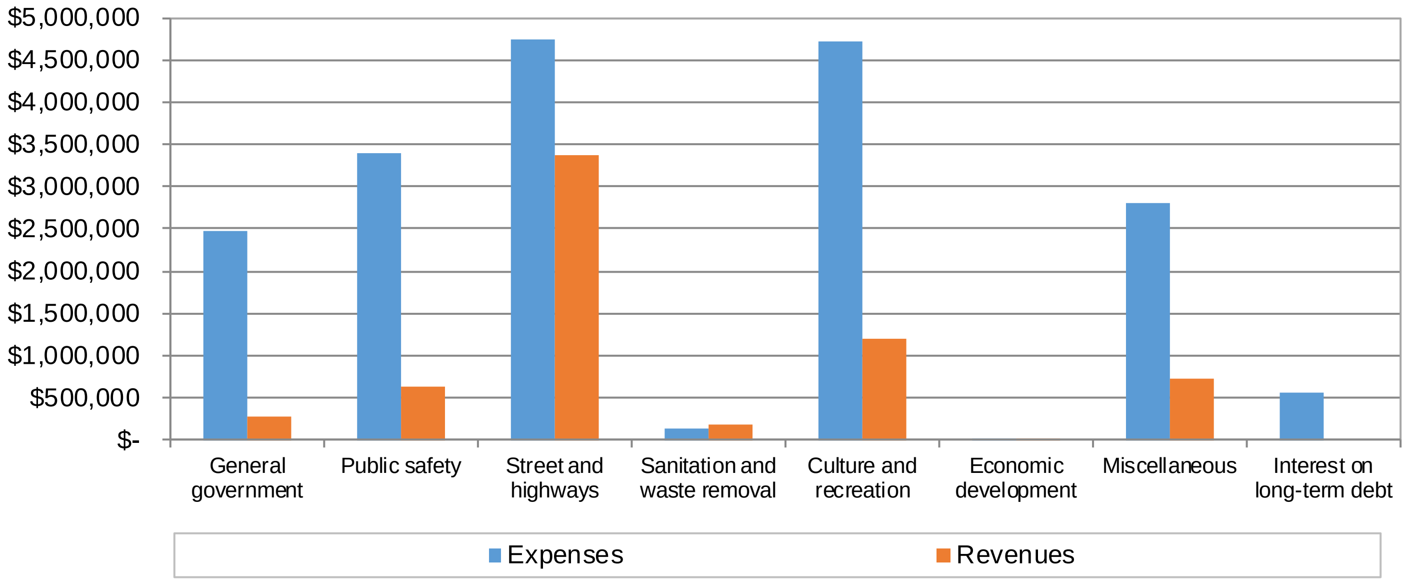
| | Primary Government - Governmental Activities | | | Component Unit - Public Utilities Commission | | | Component Unit - Economic Development Authority | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Revenues | | | | | | | | | |
| Program revenues | | | | | | | | | |
| Charges For Services | $ 2,991,103 | $ 2,451,818 | $ 539,285 | $ 40,422,699 | $ 39,989,963 | $ 432,736 | $ 1,070,368 | $ 1,055,769 | $ 14,599 |
| Operating Grants and Contributions | 437,894 | 1,234,559 | (796,665) | 37,024 | 13,248 | 23,776 | 444,563 | 477,966 | (33,403) |
| Capital Grants and Contributions | 2,985,117 | 2,841,551 | 143,566 | 823,236 | 481,147 | 342,089 | 93,597 | 29,719 | 63,878 |
| General revenues | | | | | | | | | |
| Property Taxes | 7,150,841 | 7,039,808 | 111,033 | - | - | - | 120,159 | 116,318 | 3,841 |
| Other Taxes | 3,671,482 | 3,883,054 | (211,572) | - | - | - | - | - | - |
| Grants and Contributions Not Restricted to Specific Programs | 4,335,673 | 4,251,459 | 84,214 | - | - | - | 228 | 314 | (86) |
| Unrestricted Investment Earnings | 441,368 | 301,422 | 139,946 | 406,648 | 285,686 | 120,962 | 38,783 | 17,170 | 21,613 |
| Other | 41,274 | 92,012 | (50,738) | 18,843 | 74,926 | (56,083) | 398,555 | 12,825 | 385,730 |
| Total Revenues | 22,054,752 | 22,095,683 | (40,931) | 41,708,450 | 40,844,970 | 863,480 | 2,166,253 | 1,710,081 | 456,172 |

# City of New Ulm's Changes in Net Position (Continued)

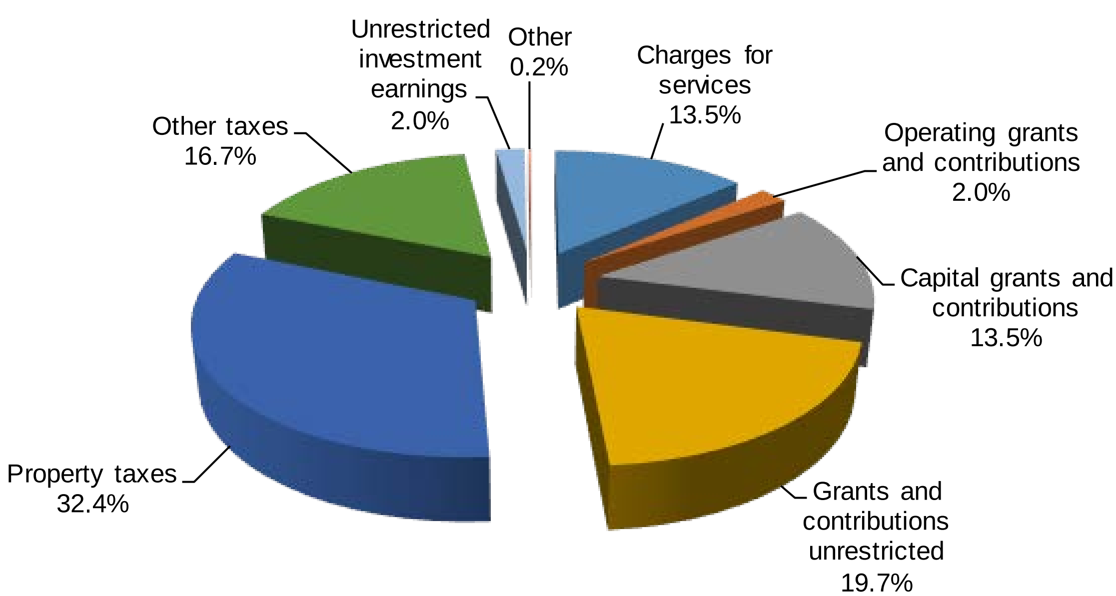
| | Primary Government - Governmental Activities | | | Component Unit - Public Utilities Commission | | | Component Unit - Economic Development Authority | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Expenses | | | | | | | | | |
| General government | $ 2,479,763 | $ 2,184,218 | $ 295,545 | $ - | $ - | $ - | $ - | $ - | $ - |
| Public safety | 3,397,909 | 3,722,112 | (324,203) | - | - | - | - | - | - |
| Streets and highways | 4,745,941 | 4,744,529 | 1,412 | - | - | - | - | - | - |
| Sanitation and waste removal | 149,853 | 161,164 | (11,311) | - | - | - | - | - | - |
| Culture and recreation | 4,706,882 | 4,907,109 | (200,227) | - | - | - | - | - | - |
| Economic development | 24,928 | 20,000 | 4,928 | - | - | - | - | - | - |
| Miscellaneous | 2,804,058 | 2,905,154 | (101,096) | - | - | - | - | - | - |
| Interest and other costs | 556,614 | 430,431 | 126,183 | - | - | - | - | - | - |
| Electric | - | - | - | 23,586,398 | 23,611,648 | (25,250) | - | - | - |
| District energy | - | - | - | 914,623 | 1,062,479 | (147,856) | - | - | - |
| Natural gas | - | - | - | 7,963,247 | 8,323,010 | (359,763) | - | - | - |
| Water | - | - | - | 2,877,978 | 2,903,880 | (25,902) | - | - | - |
| Wastewater | - | - | - | 3,746,255 | 3,445,561 | 300,694 | - | - | - |
| Housing development | - | - | - | - | - | - | 2,573,475 | 1,450,868 | 1,122,607 |
| Total Expenses | 18,865,948 | 19,074,717 | (208,769) | 39,088,501 | 39,346,578 | (258,077) | 2,573,475 | 1,450,868 | 1,122,607 |
| Change in Net Position | 3,188,804 | 3,020,966 | 167,838 | 2,619,949 | 1,498,392 | 1,121,557 | (407,222) | 259,213 | (666,435) |
| Net Position, January 1 as Restated (Note 11)* | 96,185,407 | 93,253,331 | 2,932,076 | 79,887,092 | 78,697,662 | 1,189,430 | 6,428,796 | 6,169,583 | 259,213 |
| Net Position, December 31 | $ 99,374,211 | $ 96,274,297 | $ 3,099,914 | $ 82,507,041 | $ 80,196,054 | $ 2,310,987 | $ 6,021,574 | $ 6,428,796 | $ (407,222) |

* GASB Statement No. 75 was implemented for the year ended December 31, 2018 and required a $88,890 and $308,962 restatement of beginning governmental and component unit net position, respectively. Prior year amounts were not restated causing a variance in ending net position at December 31, 2017 and beginning net position on January 1, 2018. See note 11.

## Expenses and Program Revenues - Governmental Activities

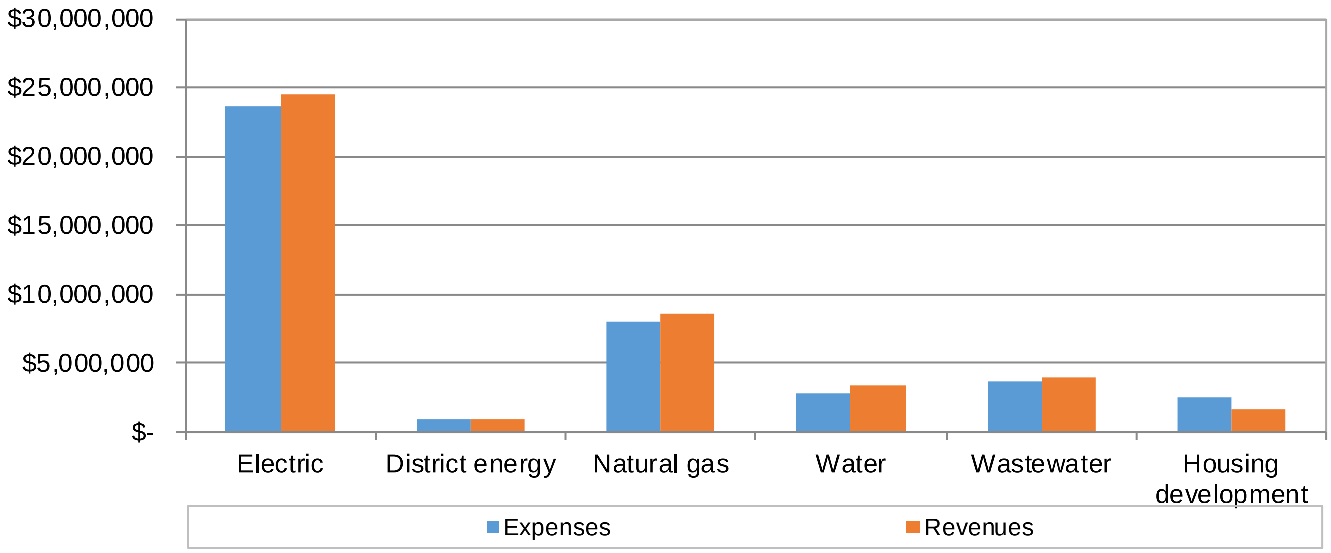



## Revenues by Source - Governmental Activities

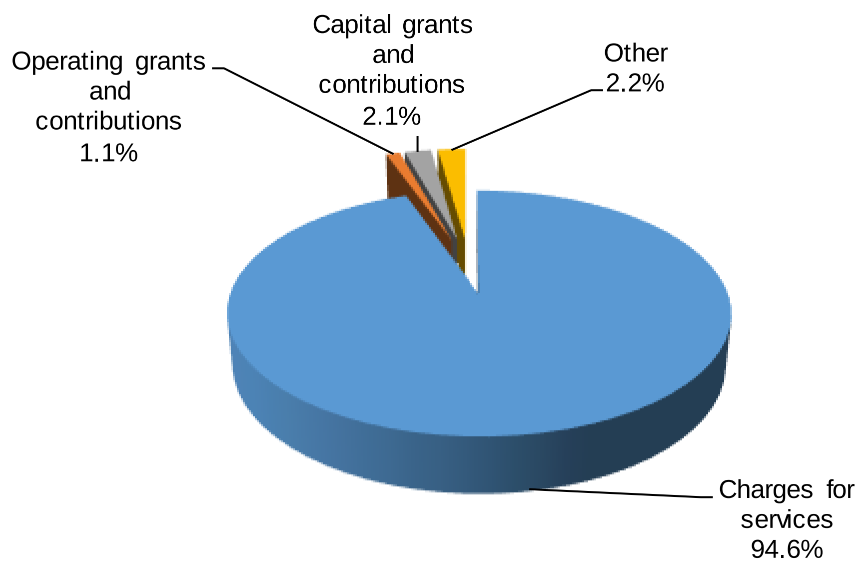



**Component unit activities.** Component unit (business-type) activities increased the City's net position by $2,212,727 of which a decrease of $407,222 relates to the EDA.

## 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 106.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $30,375,040, an increase of $6,461,892 in comparison with the prior year. Approximately 19.4 percent ($5,896,780) 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 ($602,036), 2) Restricted ($16,897,866), 3) Committed ($5,769,299), and Assigned ($1,209,059).

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 $6,344,853, while total fund balance reached $6,567,473. 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 61.0 percent of total General fund expenditures, while total fund balance represents 63.1 percent of that same amount.

The fund balance of the City's General fund decreased by $283,419 during the current fiscal year. The key factor in this change was:

- A budgeted use of fund balance for miscellaneous capital purchases.

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 $749,924 . 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 20.1 percent of total fund expenditures. The fund balance of the fund increased by $158,433 during the current fiscal year. The key factor in this increase was due to the timing of capital projects.

The *Sales Tax Revenue fund* has an ending fund balance of $3,504,076, which is a decrease of $949,130 from the prior year due to the financing of various capital projects.

The *Bond Sinking fund* has a total fund balance of $1,829,191, which is all restricted for debt service. The fund had a decrease in fund balance of $349,497. This decrease was due to the excess of transfers out to various nonmajor debt service funds to cover bond payments in excess of the collection of taxes and assessments.

The *Sales Tax Referendum fund* has an ending fund balance of $7,196,875 due to the issuance of sales tax bonds during the year.

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 $4,766,475 , an increase of $136,658 during the current fiscal year. The key factor in this decrease was due to less capital improvements than anticipated.

The *2018 Bonds fund* had an ending fund balance of $1,122,040, which is an increase of $1,372,594 from the prior year. The key factor in this an increase is related to unspent bond proceeds.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $400,994 in increases in appropriations for the General fund and can be briefly summarized as follows:

- $50,000 for the City portion of a new phone system
- There were many adjustments made in 2018 to all departments due to projects not completed in 2017, including $306,848 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, 2018, amounts to $158,380,923 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, computer equipment, and infrastructure (roads, highways, and bridges). The total increase in the City's investment in capital assets for the current fiscal year was 0.1 percent (a 0.3 percent increase for governmental activities and a 0.3 percent decrease for the component unit activities).

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

| | Governmental Activities | | | Component Unit Activities | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| Land | $ 11,557,174 | $ 11,424,435 | $ 132,739 | $ 1,615,251 | $ 1,615,251 | $ - |
| Non-exhaustible Monuments | 30,000 | 30,000 | - | - | - | - |
| Buildings | 13,025,483 | 13,635,943 | (610,460) | 3,539,748 | 3,810,583 | (270,835) |
| Improvement Other Than Buildings | 2,292,054 | 2,395,331 | (103,277) | 109,070 | 118,872 | (9,802) |
| Infrastructure/PUC Plant | 56,896,311 | 55,899,131 | 997,180 | 60,668,415 | 60,440,070 | 228,345 |
| Machinery and Equipment | 3,198,484 | 3,314,652 | (116,168) | 4,356,424 | 4,415,672 | (59,248) |
| Office Furniture and Equipment | 43,932 | 20,293 | 23,639 | 62,605 | 27,087 | 35,518 |
| Park Equipment | 623,155 | 549,194 | 73,961 | - | - | - |
| Construction in Progress | 338,714 | 473,721 | (135,007) | 24,103 | 124,502 | (100,399) |
| Total | $ 88,005,307 | $ 87,742,700 | $ 262,607 | $ 70,375,616 | $ 70,552,037 | $ (176,421) |

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 $31,429,578. The following is a breakdown of the debt outstanding.

## City of New Ulm's Outstanding Debt

| | Governmental Activities | | | Component Unit Activities | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Increase (Decrease) | 2018 | 2017 | Increase (Decrease) |
| G.O. Improvement Bonds | $ 12,855,000 | $ 13,655,000 | $ (800,000) | $ - | $ - | $ - |
| General Obligation Revenue Bonds | 7,055,000 | 2,030,000 | 5,025,000 | 11,344,000 | 12,148,000 | (804,000) |
| Special Assessments | 175,578 | 219,472 | (43,894) | - | - | - |
| Total | $ 20,085,578 | $ 15,904,472 | $ 4,181,106 | $ 11,344,000 | $ 12,148,000 | $ (804,000) |

The City's total debt (including component units) increased by $3,377,106 (10.7 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 $25,578,513 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 3.6 percent, which is higher than the rate of 3.5 percent a year ago. This compares unfavorably to the State's average unemployment rate of 3.2 percent, but favorably to the national average rate of 3.7 percent.
- Inflationary trends in the region are comparable to national indices.
- The occupancy rate of the EDA's Public Housing and Market Rate Housing projects is at 98 to 100 percent for the past three years.
- The City issued building permits with an estimated value of approximately $24,081,400 which was 14.69 percent higher than the valuation of building permits issued in 2017.

The City's appointed officials considered many factors when setting the fiscal year 2019 budget, rates, and fees that will be charged, including many of the items above. The major factors considered when adopting the 2019 budget were capital expenditures and debt service requirements. Due to the changes mentioned above, the overall tax levy increased by $469,855 for calendar year 2019.

**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.

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# BASIC FINANCIAL STATEMENTS

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# City of New Ulm, Minnesota
Statement of Net Position
December 31, 2018

| | Primary Government | Component Units | |
|---|---|---|---|
| | Governmental Activities | Public Utilities Commission | Economic Development Authority |
| Assets | | | |
| Cash and investments | $ 32,672,654 | $ 24,551,578 | $ 2,521,821 |
| Restricted cash and investments | - | 4,118,753 | 43,324 |
| Receivables | | | |
| Interest | 275,640 | - | - |
| Delinquent taxes | 140,747 | - | 1,979 |
| Accounts | 146,433 | 5,324,957 | 2,670 |
| Notes | 601,447 | 2,889 | - |
| Special assessments | 5,100,851 | 47,163 | - |
| Intergovernmental | 558,229 | - | - |
| Due from component unit/primary government | 116,191 | - | - |
| Inventories | 110,411 | 2,576,642 | - |
| Prepaid items | 39,051 | 127,447 | 42,866 |
| Net pension asset | 624,705 | - | - |
| Assets held for resale | - | - | 70,615 |
| Capital assets | | | |
| Nondepreciable assets | 11,925,888 | 571,682 | 1,067,672 |
| Depreciable assets, net of accumulated depreciation | 76,079,419 | 66,287,881 | 2,448,381 |
| Total Assets | 128,391,666 | 103,608,992 | 6,199,328 |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | 3,629,043 | 777,384 | 20,410 |
| Deferred other postemployment benefit resources | 48,979 | 12,010 | - |
| Total Deferred Outflows of Resouces | 3,678,022 | 789,394 | 20,410 |
| Liabilities | | | |
| Accounts payable | 351,044 | 2,380,785 | 12,729 |
| Retainage payable | 223,782 | 19,492 | - |
| Due to component unit/primary government | - | 116,191 | - |
| Due to other governments | 5,081 | 101,012 | 57,380 |
| Accrued interest payable | 128,768 | 47,331 | 1,380 |
| Accrued salaries payable | 315,165 | 269,319 | 7,723 |
| Accrued items | - | 24,466 | - |
| Deposits payable | 27,625 | 23,180 | 32,234 |
| Unearned revenue | 22,892 | 674,992 | 117 |
| Noncurrent liabilities | | | |
| Due within one year | 2,961,202 | 1,158,033 | 5,075 |
| Due in more than one year | 24,057,781 | 15,852,281 | 62,374 |
| Total Liabilities | 28,093,340 | 20,667,082 | 179,012 |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | 4,603,162 | 1,224,263 | 19,152 |
| Net Position | | | |
| Net investment in capital assets | 68,473,406 | 55,697,448 | 3,516,053 |
| Restricted | | | |
| Capital improvements | 7,388,974 | 3,927,342 | - |
| Library programs | 6,238 | - | - |
| Parkland dedication | 182,544 | - | - |
| Economic development | 2,150,235 | - | - |
| Maintain parking areas | 511,671 | - | - |
| Sales tax projects | 3,504,076 | - | - |
| TIF activities | 67,064 | | |
| Debt service | 6,883,881 | 191,411 | - |
| Housing vouchers | - | - | 12,526 |
| Unrestricted | 10,205,097 | 22,690,840 | 2,492,995 |
| Total Net Position | $ 99,373,186 | $ 82,507,041 | $ 6,021,574 |

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, 2018

| | | Program Revenues | | |
|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | $ 2,479,763 | $ 333,212 | $ (51,701) | $ 2,008 |
| Public safety | 3,397,909 | 255,284 | 375,950 | - |
| Streets and highways | 4,745,941 | 516,198 | 42,398 | 2,809,259 |
| Sanitation and waste removal | 149,853 | 187,700 | 222 | - |
| Culture and recreation | 4,706,882 | 1,074,942 | 30,943 | 103,030 |
| Economic development | 24,928 | 15,787 | 1,025 | - |
| Miscellaneous | 2,804,058 | 607,980 | 39,057 | 70,820 |
| Interest and other costs | 556,614 | - | - | - |
| Total Primary Government | $ 18,865,948 | $ 2,991,103 | $ 437,894 | $ 2,985,117 |
| Component Units | | | | |
| Business-type activities | | | | |
| Electric | $ 23,586,398 | $ 24,288,160 | $ 19,358 | $ 131,079 |
| District energy | 914,623 | 909,274 | 349 | - |
| Natural gas | 7,963,247 | 8,538,595 | 6,178 | 30,258 |
| Water | 2,877,978 | 2,953,034 | 4,662 | 454,937 |
| Wastewater | 3,746,255 | 3,733,636 | 6,477 | 206,962 |
| Housing development | 2,573,475 | 1,070,368 | 444,563 | 93,597 |
| Total Component Units | $ 41,661,976 | $ 41,493,067 | $ 481,587 | $ 916,833 |

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 as Restated (Note 11)

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 |
| | | |
| $ (2,196,244) | | |
| (2,766,675) | | |
| (1,378,086) | | |
| 38,069 | | |
| (3,497,967) | | |
| (8,116) | | |
| (2,086,201) | | |
| (556,614) | | |
| (12,451,834) | | |
| | | |
| | $ 852,199 | $ - |
| | (5,000) | - |
| | 611,784 | - |
| | 534,655 | - |
| | 200,820 | - |
| | - | (964,947) |
| | 2,194,458 | (964,947) |
| | | |
| 5,049,610 | - | 120,159 |
| 2,101,231 | - | - |
| 39,496 | - | - |
| 141,137 | - | - |
| 1,170,553 | - | - |
| 128,840 | - | - |
| 1,972,936 | - | - |
| 218,520 | - | - |
| 4,335,673 | - | 228 |
| 441,368 | 406,648 | 38,783 |
| - | - | 398,555 |
| 40,249 | 18,843 | - |
| 15,639,613 | 425,491 | 557,725 |
| 3,187,779 | 2,619,949 | (407,222) |
| 96,185,407 | 79,887,092 | 6,428,796 |
| $ 99,373,186 | $ 82,507,041 | $ 6,021,574 |

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
## Governmental Funds
## December 31, 2018

| | | Special Revenue | | Debt Service |
|---|---|---|---|---|
| | General | Park and Recreation | Sales Tax Revenue | Bond Sinking |
| **Assets** | | | | |
| Cash and investments | $ 6,314,576 | $ 903,049 | $ 3,278,907 | $ 1,829,520 |
| Receivables | | | | |
| Interest | 275,640 | - | - | - |
| Delinquent taxes | 24,886 | 7,848 | - | 81,921 |
| Accounts | 91,873 | 44,331 | 4,970 | - |
| Notes, net of allowance | - | - | - | - |
| Special assessments | 153,975 | - | - | 4,771,298 |
| Intergovernmental | 273,576 | - | 221,208 | - |
| Advances to other funds | - | - | - | - |
| Prepaid items | 30,120 | 6,225 | - | - |
| Total Assets | $ 7,164,646 | $ 961,453 | $ 3,505,085 | $ 6,682,739 |
| **Liabilities** | | | | |
| Accounts payable | $ 146,458 | $ 131,733 | $ 1,009 | $ 329 |
| Retainage payable | - | - | - | - |
| Due to other funds | 410 | - | - | - |
| Due to other governments | - | 4,790 | - | - |
| Accrued salaries payable | 229,863 | 58,222 | - | - |
| Advances from other funds | - | - | - | - |
| Deposits payable | 27,625 | - | - | - |
| Unearned revenue | 13,956 | 8,936 | - | - |
| Total Liabilities | 418,312 | 203,681 | 1,009 | 329 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue | | | | |
| Taxes | 24,886 | 7,848 | - | 81,921 |
| Special assessments | 153,975 | - | - | 4,771,298 |
| Total Deferred Inflows of Resources | 178,861 | 7,848 | - | 4,853,219 |
| **Fund Balances** | | | | |
| Nonspendable | | | | |
| Prepaid items | 30,120 | 6,225 | - | - |
| Perpetual care | - | - | - | - |
| Restricted | | | | |
| Library programs | - | - | - | - |
| Parkland dedication | - | 182,544 | - | - |
| Economic development | - | - | - | - |
| Maintain parking areas | - | - | - | - |
| Sales tax projects | - | - | 3,504,076 | - |
| TIF activities | - | - | - | - |
| Debt service | - | - | - | 1,829,191 |
| Capital improvements | - | - | - | - |
| Committed | | | | |
| Capital improvement | - | - | - | - |
| Library services | - | - | - | - |
| Library programs | - | - | - | - |
| Fire fighting | - | - | - | - |
| Assigned | | | | |
| Park and recreation services | - | 561,155 | - | - |
| DARE program | - | - | - | - |
| Library services | - | - | - | - |
| Library programs | - | - | - | - |
| Fire fighting | - | - | - | - |
| Subsequent year budgeted deficit | 192,500 | - | - | - |
| Unassigned | 6,344,853 | - | - | - |
| Total Fund Balances | 6,567,473 | 749,924 | 3,504,076 | 1,829,191 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 7,164,646 | $ 961,453 | $ 3,505,085 | $ 6,682,739 |

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

| Capital Projects | | | | |
|---|---|---|---|---|
| Sales Tax Referendum | Capital Improvement | 2018 Bonds | Other Governmental Funds | Total Governmental Funds |
| $ 7,196,875 | $ 4,766,475 | $ 1,266,841 | $ 4,127,435 | $ 29,683,678 |
| - | - | - | - | 275,640 |
| - | 693 | - | 25,399 | 140,747 |
| - | - | - | 5,259 | 146,433 |
| - | - | - | 601,447 | 601,447 |
| - | - | - | 175,578 | 5,100,851 |
| - | - | 47,459 | 15,986 | 558,229 |
| - | - | - | 156,631 | 156,631 |
| - | - | - | 2,706 | 39,051 |
| $ 7,196,875 | $ 4,767,168 | $ 1,314,300 | $ 5,110,441 | $ 36,702,707 |
| | | | | |
| $ - | $ - | $ - | $ 61,861 | $ 341,390 |
| - | - | 192,260 | 31,522 | 223,782 |
| - | - | - | - | 410 |
| - | - | - | 291 | 5,081 |
| - | - | - | 21,198 | 309,283 |
| - | - | - | 156,631 | 156,631 |
| - | - | - | - | 27,625 |
| - | - | - | - | 22,892 |
| - | - | 192,260 | 271,503 | 1,087,094 |
| | | | | |
| - | 693 | - | 25,399 | 140,747 |
| - | - | - | 175,578 | 5,100,851 |
| - | 693 | - | 200,977 | 5,241,598 |
| | | | | |
| - | - | - | 2,706 | 39,051 |
| - | - | - | 562,985 | 562,985 |
| - | - | - | 6,238 | 6,238 |
| - | - | - | - | 182,544 |
| - | - | - | 2,150,235 | 2,150,235 |
| - | - | - | 492,843 | 492,843 |
| - | - | - | - | 3,504,076 |
| - | - | | 67,064 | 67,064 |
| - | - | - | 154,661 | 1,983,852 |
| 7,196,875 | - | 1,122,040 | 192,099 | 8,511,014 |
| - | 4,766,475 | - | 901,148 | 5,667,623 |
| - | - | - | 20,821 | 20,821 |
| - | - | - | 71,541 | 71,541 |
| - | - | - | 9,314 | 9,314 |
| - | - | - | - | 561,155 |
| - | - | - | 60,444 | 60,444 |
| - | - | - | 379,188 | 379,188 |
| - | - | - | 15,480 | 15,480 |
| - | - | - | 292 | 292 |
| - | - | - | - | 192,500 |
| - | - | - | (449,098) | 5,895,755 |
| 7,196,875 | 4,766,475 | 1,122,040 | 4,637,961 | 30,374,015 |
| | | | | |
| $ 7,196,875 | $ 4,767,168 | $ 1,314,300 | $ 5,110,441 | $ 36,702,707 |

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, 2018

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net position are different because | |
| Total Fund Balances - Governmental Funds | $ 30,375,040 |
| Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds. | 85,457,352 |
| 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 | (531,952) |
| Other post employment benefit obligation | (557,662) |
| Special assessments payable | (175,578) |
| Bond principal payable | (19,595,000) |
| Notes payable | (315,000) |
| Pension liability | (5,175,980) |
| Bond premiums, net of accumulated amortization | (568,363) |
| 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 | 140,747 |
| Special assessments receivable | 5,100,851 |
| Governmental funds do not report long-term amounts related to pensions and other postemeployment benefits. | |
| Pension asset | 624,705 |
| Deferred outflows of pension resources | 3,606,935 |
| Deferred inflows of pension resources | (4,578,223) |
| Deferred outflows of other postemployment benefits resouces | 48,979 |
| Governmental funds do not report a liability for accrued interest until due and payable. | (128,768) |
| 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. | 5,645,103 |
| Total Net Position - Governmental Activities | $ 99,373,186 |

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

City of New Ulm, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

| | | Special Revenue | | Debt Service |
|---|---|---|---|---|
| | General | Park and Recreation | Sales Tax Revenue | Bond Sinking |
| **Revenues** | | | | |
| Taxes | $ 5,024,329 | $ 1,602,317 | $ 1,170,553 | $ 2,058,449 |
| Special assessments | 21,137 | - | - | 1,170,672 |
| Licenses and permits | 257,902 | - | - | - |
| Intergovernmental | 3,664,024 | 1,110,133 | - | - |
| Contribution from component unit | - | - | - | - |
| Charges for services | 962,437 | 1,032,420 | - | - |
| Fines and forfeitures | 65,086 | - | - | - |
| Investment earnings (loss) | 87,822 | 8,184 | 63,885 | 60,208 |
| Miscellaneous | 21,367 | 122,338 | - | - |
| Total Revenues | 10,104,104 | 3,875,392 | 1,234,438 | 3,289,329 |
| **Expenditures** | | | | |
| Current | | | | |
| General government | 2,454,803 | - | - | - |
| Public safety | 3,481,572 | - | - | - |
| Streets and highways | 2,481,979 | - | - | - |
| Sanitation and waste removal | 159,917 | - | - | - |
| Culture and recreation | - | 3,292,169 | - | - |
| Economic development | - | - | - | - |
| Miscellaneous | 1,595,162 | - | 95,943 | - |
| Capital outlay | | | | |
| General government | 29,003 | - | - | - |
| Public safety | 110,871 | - | - | - |
| Streets and highways | - | - | - | - |
| Culture and recreation | - | 440,531 | - | - |
| Economic development | - | - | - | - |
| Miscellaneous | 94,734 | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs and fees | - | - | - | 3,064 |
| Total Expenditures | 10,408,041 | 3,732,700 | 95,943 | 3,064 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (303,937) | 142,692 | 1,138,495 | 3,286,265 |
| **Other Financing Sources (Uses)** | | | | |
| Sales of capital assets | 2,505 | - | - | - |
| Transfers in | 30,962 | 15,741 | - | - |
| Bonds issued | - | - | - | - |
| Bond discounts | - | - | - | - |
| Premium on bonds issued | - | - | - | - |
| Transfers out | (12,949) | - | (2,087,625) | (3,635,762) |
| Total Other Financing Sources (Uses) | 20,518 | 15,741 | (2,087,625) | (3,635,762) |
| **Net Change in Fund Balances** | (283,419) | 158,433 | (949,130) | (349,497) |
| **Fund Balances, January 1** | 6,850,892 | 591,491 | 4,453,206 | 2,178,688 |
| **Fund Balances, December 31** | $ 6,567,473 | $ 749,924 | $ 3,504,076 | $ 1,829,191 |

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

| Capital Projects | | | | |
|---|---|---|---|---|
| Sales Tax Referendum | Capital Improvement | 2018 Bonds | Other Governmental Funds | Total Governmental Funds |
| $ - | $ 24,113 | $ - | $ 932,295 | $ 10,812,056 |
| - | - | - | 57,062 | 1,248,871 |
| - | - | - | - | 257,902 |
| - | - | 854,933 | 39,135 | 5,668,225 |
| - | - | 513,443 | - | 513,443 |
| - | 6,165 | - | 45,445 | 2,046,467 |
| - | - | - | 20,509 | 85,595 |
| 32,098 | 70,948 | (4,783) | 101,857 | 420,219 |
| - | - | 1,050 | 35,673 | 180,428 |
| 32,098 | 101,226 | 1,364,643 | 1,231,976 | 21,233,206 |
| | | | | |
| - | - | - | - | 2,454,803 |
| - | - | - | 12,220 | 3,493,792 |
| 923 | - | 141,555 | - | 2,624,457 |
| - | - | - | - | 159,917 |
| - | - | - | 766,394 | 4,058,563 |
| - | - | - | 24,928 | 24,928 |
| - | - | - | 235,099 | 1,926,204 |
| | | | | |
| - | 19,837 | - | - | 48,840 |
| - | 5,418 | - | - | 116,289 |
| 33,314 | - | 3,101,081 | 141,636 | 3,276,031 |
| - | 7,592 | - | - | 448,123 |
| - | - | - | 125,147 | 125,147 |
| - | - | - | - | 94,734 |
| | | | | |
| - | - | - | 5,433,894 | 5,433,894 |
| 38,683 | - | - | 350,169 | 388,852 |
| - | - | 33,683 | - | 36,747 |
| 72,920 | 32,847 | 3,276,319 | 7,089,487 | 24,711,321 |
| | | | | |
| (40,822) | 68,379 | (1,911,676) | (5,857,511) | (3,478,115) |
| | | | | |
| - | 11,225 | - | - | 13,730 |
| - | 90,808 | 595,690 | 5,723,387 | 6,456,588 |
| 7,055,000 | - | 2,560,000 | - | 9,615,000 |
| (43,616) | - | (20,543) | - | (64,159) |
| 226,313 | - | 149,123 | - | 375,436 |
| - | (33,754) | - | (686,498) | (6,456,588) |
| 7,237,697 | 68,279 | 3,284,270 | 5,036,889 | 9,940,007 |
| | | | | |
| 7,196,875 | 136,658 | 1,372,594 | (820,622) | 6,461,892 |
| | | | | |
| - | 4,629,817 | (250,554) | 5,459,608 | 23,913,148 |
| | | | | |
| $ 7,196,875 | $ 4,766,475 | $ 1,122,040 | $ 4,638,986 | $ 30,375,040 |

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

# City of New Ulm, Minnesota
## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
## Governmental Funds
## For the Year Ended December 31, 2018

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because | | |
| Net Change in Fund Balances - Governmental Funds | $ | 6,461,892 |
| 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 | | 4,855,371 |
| Depreciation expense | | (4,566,741) |
| 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 | | 5,433,894 |
| Debt issued or incurred | | (9,615,000) |
| Premium on bonds issued, net of amortization | | (302,840) |
| Discount on bonds issued, net of amortization | | (41,036) |
| 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. | | (98,416) |
| Long-term pension activity is not reported in governmental funds. | | |
| Pension expense | | 498,661 |
| Direct aid contributions | | 41,512 |
| 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 | | 10,267 |
| Special assessments | | 202,790 |
| 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 | | (47,085) |
| Compensated absences | | 23,124 |
| 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. | | 331,386 |
| Change in Net Position - Governmental Activities | $ | 3,187,779 |

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 - Budget and Actual
### General and Park and Recreation Funds
### For the Year Ended December 31, 2018

| | General | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual Amounts | Variance with Final Budget |
| Revenues | | | | |
| Taxes | $ 5,025,629 | $ 5,025,629 | $ 5,024,329 | $ (1,300) |
| Special assessments | 29,300 | 29,300 | 21,137 | (8,163) |
| Licenses and permits | 249,000 | 249,000 | 257,902 | 8,902 |
| Intergovernmental | 4,032,630 | 4,032,630 | 3,664,024 | (368,606) |
| Charges for services | 1,156,181 | 1,156,181 | 962,437 | (193,744) |
| Fines and forfeitures | 70,700 | 70,700 | 65,086 | (5,614) |
| Investment earnings | 69,330 | 69,330 | 87,822 | 18,492 |
| Miscellaneous | 66,680 | 66,680 | 21,367 | (45,313) |
| Total Revenues | 10,699,450 | 10,699,450 | 10,104,104 | (595,346) |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,312,013 | 2,323,011 | 2,454,803 | (131,792) |
| Public safety | 3,567,156 | 3,570,490 | 3,481,572 | 88,918 |
| Streets and highways | 2,831,138 | 2,831,138 | 2,481,979 | 349,159 |
| Sanitation and waste removal | 187,927 | 187,927 | 159,917 | 28,010 |
| Culture and recreation | - | - | - | - |
| Miscellaneous | 1,566,243 | 1,586,057 | 1,595,162 | (9,105) |
| Capital outlay | 253,000 | 619,848 | 234,608 | 385,240 |
| Total Expenditures | 10,717,477 | 11,118,471 | 10,408,041 | 710,430 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (18,027) | (419,021) | (303,937) | 115,084 |
| Other Financing Sources (Uses) | | | | |
| Sales of capital assets | - | - | 2,505 | 2,505 |
| Transfers in | - | - | 30,962 | 30,962 |
| Transfers out | - | - | (12,949) | (12,949) |
| Total Other Financing Sources (Uses) | - | - | 20,518 | 20,518 |
| Net Change in Fund Balances | (18,027) | (419,021) | (283,419) | 135,602 |
| Fund Balances, January 1 | 6,850,892 | 6,850,892 | 6,850,892 | - |
| Fund Balances, December 31 | $ 6,832,865 | $ 6,431,871 | $ 6,567,473 | $ 135,602 |

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 |
| $ 1,594,640 | $ 1,594,640 | $ 1,602,317 | $ 7,677 |
| - | - | - | - |
| - | - | - | - |
| 1,109,948 | 1,109,948 | 1,110,133 | 185 |
| 1,031,400 | 1,031,400 | 1,032,420 | 1,020 |
| - | - | - | - |
| 11,900 | 11,900 | 8,184 | (3,716) |
| 20,800 | 20,800 | 122,338 | 101,538 |
| 3,768,688 | 3,768,688 | 3,875,392 | 106,704 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 3,233,907 | 3,254,127 | 3,292,169 | (38,042) |
| - | - | - | - |
| 607,863 | 873,002 | 440,531 | 432,471 |
| 3,841,770 | 4,127,129 | 3,732,700 | 394,429 |
| (73,082) | (358,441) | 142,692 | 501,133 |
| - | - | - | - |
| - | - | 15,741 | 15,741 |
| - | - | - | - |
| - | - | 15,741 | 15,741 |
| (73,082) | (358,441) | 158,433 | 516,874 |
| 591,491 | 591,491 | 591,491 | - |
| $ 518,409 | $ 233,050 | $ 749,924 | $ 516,874 |

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, 2018

| | Internal Service Funds |
|---|---|
| Assets | |
| Current assets | |
| Cash and investments | $ 3,871,960 |
| Due from other funds | 410 |
| Inventories | 110,411 |
| Total Current Assets | 3,982,781 |
| | |
| Noncurrent assets | |
| Capital assets | |
| Buildings and structures | 1,816,748 |
| Machinery and equipment | 5,727,856 |
| Accumulated depreciation | (4,996,649) |
| Total Noncurrent Assets | 2,547,955 |
| | |
| Total Assets | 6,530,736 |
| | |
| Deferred Outflows of Resources | |
| Deferred pension resources | 22,108 |
| | |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 10,625 |
| Accrued salaries payable | 5,882 |
| Claims incurred but not paid | 24,466 |
| Unearned revenue | 239,721 |
| Total Current Liabilities | 280,694 |
| | |
| Noncurrent Liabilities | |
| Pension liability | 99,448 |
| | |
| Total Liabilities | 380,142 |
| | |
| Deferred Inflows of Resources | |
| Deferred pension resources | 24,939 |
| | |
| Net Position | |
| Investment in capital assets | 2,547,955 |
| Unrestricted | 3,599,808 |
| | |
| Total Net Position | $ 6,147,763 |

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, 2018

| | Internal Service Funds |
|---|---|
| Operating Revenues | |
| Charges for services | $ 1,064,644 |
| Insurance premiums | 3,098,215 |
| Insurance refunds | 12,188 |
| Total Operating Revenues | 4,175,047 |
| Operating Expenses | |
| Administrative and general | 222,807 |
| Insurance premiums | 2,916,662 |
| Self funded claims | 186,559 |
| Vehicle maintenance | 278,194 |
| Depreciation | 390,643 |
| Total Operating Expenses | 3,994,865 |
| Operating Income (Loss) | 180,182 |
| Non-operating Revenues (Expenses) | |
| State other aid | 333 |
| Pension revenue | 761 |
| Gain on sale of assets | 26,519 |
| Investment income | 48,285 |
| Miscellaneous income | 278,105 |
| Total Non-operating Revenues (Expenses) | 354,003 |
| Change in Net Position | 534,185 |
| Net Position, January 1 | 5,613,578 |
| Net Position, December 31 | $ 6,147,763 |

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, 2018

| | Internal Service Funds |
|---|---|
| **Cash Flows from Operating Activities** | |
| Receipts from interfund services provided | $ 4,161,067 |
| Payments to suppliers and interfund services provided | (318,565) |
| Payments to and on behalf of employees | (3,061,925) |
| Other receipts | 290,626 |
| Net Cash Provided (Used) by Operating Activities | 1,071,203 |
| **Cash Flows from Non-Capital Financing Activities** | |
| Increase (decrease) in due from other funds | 1,516 |
| **Cash Flows from Capital and Related Financing Activities** | |
| Proceeds from sale of capital assets | 26,519 |
| Acquisition of capital assets | (364,620) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (338,101) |
| **Cash Flows from Investing Activities** | |
| Interest income received | 48,285 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 782,903 |
| **Cash and Cash Equivalents** | |
| January 1 | 3,089,057 |
| December 31 | $ 3,871,960 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities** | |
| Operating income (loss) | $ 180,943 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | |
| Other income related to operations | 278,438 |
| Depreciation | 390,643 |
| Changes in assets and liabilities | |
| (Increase) decrease in assets | |
| Accounts receivable | 645 |
| Inventory | (5,148) |
| Prepaid items | 233,985 |
| (Increase) decrease in deferred outflows of resources | |
| Deferred pension resources | 4,428 |
| (Decrease) increase in liabilities | |
| Accounts payable | 3,716 |
| Accrued salaries payable | 1,431 |
| Claims incurred, but not paid | (5,247) |
| Unearned revenue | (2,437) |
| Pension liability | (8,390) |
| (Decrease) increase in deferred inflows of resources | |
| Deferred pension resources | (1,804) |
| Net Cash Provided (Used) by Operating Activities | $ 1,071,203 |

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, 2018

| | Agency |
|---|---|
| **Assets** | |
| Cash and investments | $ 378,204 |
| **Liabilities** | |
| Accounts payable | $ 35,174 |
| Due to other entities | 343,030 |
| Total Liabilities | $ 378,204 |

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.*

## Note 1: Summary of Significant Accounting Policies (Continued)

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

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 *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 *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.

*Sales Tax Referendum fund* was established to record bond funds received and the usage of those funds to complete projects that were approved by a voter approved referendum.

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

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

***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.

## Note 1: Summary of Significant Accounting Policies (Continued)

**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, 2018:

- U.S. Federal governmental agency securities of $20,528,044 are valued using quoted market prices (Level 1 inputs) which includes the PUC portion of $7,595,376.

- Negotiable certificates of deposit of $21,743,000 are valued using a matrix pricing model (Level 2 inputs) which includes the PUC portion of $8,044,910.

### *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.

## Note 1: Summary of Significant Accounting Policies (Continued)

***Receivables and Payables (Continued)***

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 2018. 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.

***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.

***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.

***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.

## Note 1: Summary of Significant Accounting Policies (Continued)

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 |

### *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 two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

## Note 1: Summary of Significant Accounting Policies (Continued)

***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, 2018 was $531,952 and $473,613 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.

***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 75, at December 31, 2018.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERF, PEPFF, PEDCP and the New Ulm Fire Relief Association is as follows:

| | Public Employees Retirement Association of Minnesota (PERA) | | | | |
|---|---|---|---|---|---|
| | GERF | PEPFF | PEDCP | Fire Relief Association | Total All Plans |
| Pension Expense | $ 126,401 | $ 81,510 | $ 925 | $ (105,185) | $ 103,651 |

***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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### *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.

### *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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### *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”.

### *Payment in Lieu of Taxes*

Revenues include payments in lieu of property taxes paid from the PUC to the City as required in the City Charter Section 235. Five percent of the specified receipts from sources of the utilities shall be paid over to the City Treasurer monthly. Total PUC payments to the City were $1,972,935 and $2,012,130 for 2018 and 2017, 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, and Parking Meter 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.

## Note 2: Stewardship, Compliance and Accountability (Continued)

### B. Excess Expenditures over Budget

For the year ended December 31, 2018, expenditures exceeded appropriations for the following fund:

| Fund | Budget | Actual | Excess of Expenditures Over Appropriations |
|---|---|---|---|
| Debt Service | | | |
| Bond sinking | $ 2,500 | $ 3,064 | $ 564 |

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 | |
| Nonmajor | |
| TIF Districts | $ 97,349 |
| Capital Projects | |
| Nonmajor | |
| Airport Runway Extension | 283,660 |

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

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

## Note 3: Detailed Notes on All Funds (Continued)

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 $22,013,311, including $378,204 reported in fiduciary funds. The bank balance of $23,557,475 was covered by $250,000 of federal depository insurance and the remaining $23,307,475 was covered 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.

## Note 3: Detailed Notes on All Funds (Continued)

### *Investments*

As of December 31, 2018, 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 | | | | | |
|---|---|---|---|---|---|---|
| | Credit Quality/ | Segmented Time | | Fair Value Measurement Using | | |
| Types of Investments | Ratings (1) | Distribution (2) | Amount | Level 1 | Level 2 | Level 3 |
| Non-pooled investments at fair value | | | | | | |
| Governmental Agency Securities | N/A | 1 to 3 years | $ 6,690,600 | $ 6,690,600 | $ - | $ - |
| Governmental Agency Securities | AAA | more than 3 years | 6,242,068 | 6,242,068 | - | - |
| Negotiable certificates of deposit | N/A | less than 6 months | 926,100 | - | 926,100 | - |
| Negotiable certificates of deposit | N/A | 6 months to 1 year | 1,849,050 | - | 1,849,050 | - |
| Negotiable certificates of deposit | N/A | 1 to 3 years | 5,538,330 | - | 5,538,330 | - |
| Negotiable certificates of deposit | N/A | more than 3 years | 5,384,610 | - | 5,384,610 | - |
| Total Primary Government Investments | | | 26,630,758 | 12,932,668 | 13,698,090 | - |

| | Component Unit - PUC | | | | | |
|---|---|---|---|---|---|---|
| | Credit Quality/ | Segmented Time | | Fair Value Measurement Using | | |
| Types of Investments | Ratings (1) | Distribution (2) | Amount | Level 1 | Level 2 | Level 3 |
| Pooled investments at amortized costs | | | | | | |
| Governmental Agency Securities | N/A | 1 to 3 years | $ 3,929,400 | $ 3,929,400 | $ - | $ - |
| Governmental Agency Securities | AAA | more than 3 years | 3,665,976 | 3,665,976 | - | - |
| Governmental Agency Securities | N/A | more than 3 years | - | - | - | - |
| Negotiable certificates of deposit | N/A | less than 6 months | 543,900 | - | 543,900 | - |
| Negotiable certificates of deposit | N/A | 6 months to 1 year | 1,085,950 | - | 1,085,950 | - |
| Negotiable certificates of deposit | N/A | 1 to 3 years | 3,252,670 | - | 3,252,670 | - |
| Negotiable certificates of deposit | N/A | more than 3 years | 3,162,390 | - | 3,162,390 | - |
| Total Component Unit - PUC Investments | | | 15,640,286 | 7,595,376 | 8,044,910 | - |
| Total Investments | | | $ 42,271,044 | $ 20,528,044 | $ 21,743,000 | $ - |

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

## Note 3: Detailed Notes on All Funds (Continued)

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 | $ 6,040,167 | $ 13,029,795 | $ 2,565,145 | $ 378,204 | $ 22,013,311 |
| Investments | 26,630,758 | 15,640,286 | - | - | 42,271,044 |
| Cash on Hand | 1,729 | 250 | - | - | 1,979 |
| Total | $ 32,672,654 | $ 28,670,331 | $ 2,565,145 | $ 378,204 | $ 64,286,334 |
| Cash and Investments | $ 32,672,654 | $ 24,551,578 | $ 2,521,821 | $ 378,204 | $ 60,124,257 |
| Restricted Cash and Investments | - | 4,118,753 | 43,324 | - | 4,162,077 |
| Total | $ 32,672,654 | $ 28,670,331 | $ 2,565,145 | $ 378,204 | $ 64,286,334 |

### B. Receivables

Notes receivable are for property rehabilitation, economic development, employee computer purchase program 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 3.5 percent and 6.0 percent.

## Note 3: Detailed Notes on All Funds (Continued)

### C. Capital Assets

***Primary government***

Capital asset activity for the year ended December 31, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | $ 11,424,435 | $ 132,739 | $ - | $ 11,557,174 |
| Non-exhaustible monuments | 30,000 | - | - | 30,000 |
| Construction in progress | 473,721 | 267,127 | (402,134) | 338,714 |
| Total Capital Assets not Being Depreciated | 11,928,156 | 399,866 | (402,134) | 11,925,888 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 29,025,427 | 98,873 | - | 29,124,300 |
| Improvements other than buildings | 3,527,475 | 74,569 | - | 3,602,044 |
| Infrastructure | 96,227,756 | 4,363,249 | - | 100,591,005 |
| Machinery and equipment | 9,641,685 | 520,658 | (181,488) | 9,980,855 |
| Office furniture and equipment | 170,661 | 29,003 | - | 199,664 |
| Park equipment | 928,484 | 135,907 | - | 1,064,391 |
| Total Capital Assets Being Depreciated | 139,521,488 | 5,222,259 | (181,488) | 144,562,259 |
| Less Accumulated Depreciation for | | | | |
| Buildings | (15,389,484) | (709,333) | - | (16,098,817) |
| Improvements other than buildings | (1,132,144) | (177,846) | - | (1,309,990) |
| Infrastructure | (40,328,625) | (3,366,069) | - | (43,694,694) |
| Machinery and equipment | (6,327,033) | (636,826) | 181,488 | (6,782,371) |
| Office furniture and equipment | (150,368) | (5,364) | - | (155,732) |
| Park equipment | (379,290) | (61,946) | - | (441,236) |
| Total Accumulated Depreciation | (63,706,944) | (4,957,384) | 181,488 | (68,482,840) |
| Total Capital Assets Being Depreciated, Net | 75,814,544 | 264,875 | - | 76,079,419 |
| Governmental Activities Capital Assets, Net | $ 87,742,700 | $ 664,741 | $ (402,134) | $ 88,005,307 |

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

| | |
|---|---|
| Governmental Activities | |
| General government | $ 67,580 |
| Public safety | 257,874 |
| Streets and highways, including depreciation of general infrastructure assets | 2,794,248 |
| Culture and recreation | 728,725 |
| Miscellaneous | 710,971 |
| Community access | 7,343 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | 390,643 |
| Total Depreciation Expense - Governmental Activities | $ 4,957,384 |

## Note 3: Detailed Notes on All Funds (Continued)

***Discretely presented component units***

Capital asset activity for the PUC for the year ended December 31, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets not Being Depreciated | | | | |
| Land | $ 547,579 | $ - | $ - | $ 547,579 |
| Construction in progress | 124,502 | 24,103 | (124,502) | 24,103 |
| Total Capital Assets not Being Depreciated | 672,081 | 24,103 | (124,502) | 571,682 |
| Capital Assets Being Depreciated | | | | |
| Buildings and structures | $ 5,477,770 | 46,943 | - | 5,524,713 |
| Plant in service | 136,954,125 | 3,574,351 | - | 140,528,476 |
| Machinery and equipment | 16,214,234 | 677,237 | (43,230) | 16,848,241 |
| Total Capital Assets Being Depreciated | 158,646,129 | 4,298,531 | (43,230) | 162,901,430 |
| Less Accumulated Depreciation For | | | | |
| Buildings and structures | $ (4,184,160) | (136,376) | - | (4,320,536) |
| Plant in service | (76,453,471) | (3,347,725) | - | (79,801,196) |
| Machinery and equipment | (11,798,562) | (736,485) | 43,230 | (12,491,817) |
| Total Accumulated Depreciation | (92,436,193) | (4,220,586) | 43,230 | (96,613,549) |
| Total Capital Assets Being Depreciated, Net | 66,209,936 | 77,945 | - | 66,287,881 |
| Total PUC Capital Assets, Net | $ 66,882,017 | $ 102,048 | $ (124,502) | $ 66,859,563 |

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

| | |
|---|---|
| Electric | $ 1,722,841 |
| District Energy | 104,293 |
| Natural Gas | 351,981 |
| Water | 837,918 |
| Wastewater | 1,052,912 |
| Capital Assets Held by the PUC's Internal Service Funds are Charged To the Various Functions Based on Their Usage of the Assets | 150,641 |
| Total Depreciation Expense - PUC | $ 4,220,586 |

## Note 3: Detailed Notes on All Funds (Continued)

The PUC has active construction projects as of December 31, 2018. 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, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets not Being Depreciated | | | | |
| Land | $ 1,067,672 | $ - | $ - | $ 1,067,672 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 9,166,919 | 146,002 | - | 9,312,921 |
| Improvements other than buildings | 404,113 | - | - | 404,113 |
| Furniture and equipment | 208,540 | 46,419 | - | 254,959 |
| Total Capital Assets Being Depreciated | 9,779,572 | 192,421 | - | 9,971,993 |
| Less Accumulated Depreciation for | | | | |
| Buildings | (6,649,946) | (327,404) | - | (6,977,350) |
| Improvements other than buildings | (345,825) | (8,083) | - | (353,908) |
| Furniture and equipment | (181,453) | (10,901) | - | (192,354) |
| Total Accumulated Depreciation | (7,177,224) | (346,388) | - | (7,523,612) |
| Total Capital Assets Being Depreciated, Net | 2,602,348 | (153,967) | - | 2,448,381 |
| Total EDA Capital Assets, Net | $ 3,670,020 | $ (153,967) | $ - | $ 3,516,053 |

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

| | |
|---|---|
| Housing Development | $ 346,388 |

### D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2018 is as follows:

Advances to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Economic Development Loan Program | TIF Districts | $ 156,631 |

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

## Note 3: Detailed Notes on All Funds (Continued)

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 | $ 116,191 |

The balance due from the component unit to the primary government results from interfund charges and the elimination of internal service fund operations.

***Interfund Transfers***

Interfund transfers for the year ended December 31, 2018 were as follows:

| | Transfer in | | | | | |
|---|---|---|---|---|---|---|
| Fund | General | Park and Recreation | Capital Improvement | 2018 Bonds | Nonmajor Governmental | Totals |
| Transfer Out | | | | | | |
| General | $ - | $ 12,949 | $ - | $ - | $ - | $ 12,949 |
| Sales Tax Revenue | - | - | - | - | 2,087,625 | 2,087,625 |
| Bond Sinking | - | - | - | - | 3,635,762 | 3,635,762 |
| Capital Improvement | 30,962 | 2,792 | - | - | - | 33,754 |
| Nonmajor governmental | - | - | 90,808 | 595,690 | - | 686,498 |
| Total Transfers Out | $ 30,962 | $ 15,741 | $ 90,808 | $ 595,690 | $ 5,723,387 | $ 6,456,588 |

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 2018 were made for the following purposes:

Capital improvements
Capital reserves
Debt service payments
Closing funds

## Note 3: Detailed Notes on All Funds (Continued)

### 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 |
|---|---|---|---|---|---|
| 2012 G.O. PIRF Bonds | $ 3,300,000 | 0.60 - 1.90 % | 08/21/12 | 12/01/22 | $ 955,000 |
| 2013A G.O. PIRF Bonds | 2,875,000 | 0.30 - 2.15 | 07/15/13 | 12/01/23 | 1,505,000 |
| 2014 G.O. PIRF Bonds | 3,470,000 | 0.30 - 2.16 | 09/09/14 | 12/01/24 | 1,430,000 |
| 2015 G.O. PIRF Bonds | 3,275,000 | 2.00 - 2.25 | 07/01/15 | 12/01/25 | 2,355,000 |
| 2016 G.O. PIRF Bonds | 3,195,000 | 1.50 - 2.00 | 07/19/16 | 12/01/26 | 1,510,000 |
| 2017 G.O. PIRF Bonds | 2,995,000 | 2.00 | 09/05/17 | 12/01/27 | 2,540,000 |
| 2018 G.O. PIRF Bonds | 2,560,000 | 3.00 - 4.00 | 09/06/18 | 12/01/28 | 2,560,000 |
| Total G.O. Special Assessment Bonds | | | | | $ 12,855,000 |

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 |
|---|---|---|---|
| 2019 | $ 2,545,000 | $ 322,116 | $ 2,867,116 |
| 2020 | 2,260,000 | 243,958 | 2,503,958 |
| 2021 | 1,955,000 | 188,695 | 2,143,695 |
| 2022 | 1,650,000 | 141,665 | 1,791,665 |
| 2023 | 1,390,000 | 106,510 | 1,496,510 |
| 2024 - 2028 | 3,055,000 | 169,812 | 3,224,812 |
| Total | $ 12,855,000 | $ 1,172,756 | $ 14,027,756 |

## Note 3: Detailed Notes on All Funds (Continued)

General obligation sales tax revenue bonds

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|---|---|---|---|---|---|
| 2018B Sales Tax Bonds | $ 7,055,000 | 3.00 - 4.00 % | 09/06/18 | 12/01/38 | $ 7,055,000 |

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 |
|---|---|---|---|
| 2019 | $ - | $ 300,877 | $ 300,877 |
| 2020 | - | 243,406 | 243,406 |
| 2021 | 300,000 | 243,406 | 543,406 |
| 2022 | 310,000 | 231,406 | 541,406 |
| 2023 | 315,000 | 219,006 | 534,006 |
| 2024 - 2028 | 1,725,000 | 901,582 | 2,626,582 |
| 2029 - 2033 | 2,010,000 | 606,482 | 2,616,482 |
| 2034 - 2038 | 2,395,000 | 255,894 | 2,650,894 |
| Total | $ 7,055,000 | $ 3,002,059 | $ 10,057,059 |

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 | $ 175,578 |

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 |
|---|---|---|---|
| 2019 | $ 43,894 | $ 10,535 | $ 54,429 |
| 2020 | 43,895 | 7,901 | 51,796 |
| 2021 | 43,895 | 5,267 | 49,162 |
| 2022 | 43,894 | 2,634 | 46,528 |
| Total | $ 175,578 | $ 26,337 | $ 201,915 |

## Note 3: Detailed Notes on All Funds (Continued)

Changes in long-term liabilities

Long-term liability activity for the primary government for the year ended December 31, 2018 was as follows:

| | Restated Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation special assessment bonds | $ 13,655,000 | $ 2,560,000 | $ (3,360,000) | $ 12,855,000 | $ 2,545,000 |
| General obligation sales tax revenue bonds | 2,030,000 | 7,055,000 | (2,030,000) | 7,055,000 | - |
| Less deferred amounts: | | | | | |
| Bond discounts | (41,036) | - | 41,036 | - | - |
| Bond premiums | 265,523 | 375,436 | (72,596) | 568,363 | - |
| Total Bonds Payable | 15,909,487 | 9,990,436 | (5,421,560) | 20,478,363 | 2,545,000 |
| Special Assessments Payable | 219,472 | - | (43,894) | 175,578 | 43,894 |
| Compensated Absences Payable | 555,076 | 534,484 | (557,608) | 531,952 | 372,308 |
| Other Postemployment Benefits Obligation | 461,598 | 99,651 | (3,587) | 557,662 | - |
| Pension Liability | | | | | |
| GERF | 3,725,903 | 87,113 | (376,260) | 3,436,756 | - |
| PEPFF | 2,281,701 | - | (443,029) | 1,838,672 | - |
| Total Pension Liability | 6,007,604 | 87,113 | (819,289) | 5,275,428 | - |
| Governmental Activity Long-term Liabilities | $ 23,153,237 | $ 10,711,684 | $ (6,845,938) | $ 27,018,983 | $ 2,961,202 |

## Note 3: Detailed Notes on All Funds (Continued)

***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 | $ 1,890,000 |
| Water Fund | | | | | |
| 2013B G.O. Revenue Bonds | 2,950,000 | 2.00 - 3.00 | 07/15/13 | 12/01/28 | 2,060,000 |
| Wastewater Treatment Fund | | | | | |
| 2007 G.O. Revenue Note (PFA) | 4,002,900 | 2.65 | 06/27/07 | 08/20/26 | 2,019,000 |
| 2017A G.O. Revenue Bonds | 5,560,000 | 2.00 - 3.00 | 09/05/17 | 12/01/36 | 5,375,000 |
| Total G.O. Revenue Bonds Payable | | | | | 11,344,000 |
| Unamortized Bond Discounts/Premiums | | | | | 206,200 |
| Net PUC Bonds Payable | | | | | $ 11,550,200 |

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 | $ 23,242,786 | $ 2,816,220 | $ 3,627,967 |
| Principal and Interest | 287,889 | 239,013 | 663,131 |
| Percentage of Revenues | 1.2% | 8.5% | 18.3% |

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

| Year Ending | G.O. Revenue Bonds Component Unit Activities | | |
|---|---|---|---|
| December 31 | Principal | Interest | Total |
| 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 | 955,000 | 210,475 | 1,165,475 |
| 2024 - 2028 | 4,032,000 | 681,690 | 4,713,690 |
| 2029 - 2033 | 1,645,000 | 313,350 | 1,958,350 |
| 2034 - 2036 | 1,140,000 | 69,300 | 1,209,300 |
| Total | $ 11,344,000 | $ 2,338,200 | $ 13,682,200 |

## Note 3: Detailed Notes on All Funds (Continued)

Changes in long-term liabilities

Long-term liability activity for the PUC for the year ended December 31, 2018 was as follows:

| | Restated Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Public Utilities Commission Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation revenue bonds | $ 12,148,000 | $ - | $ (804,000) | $ 11,344,000 | $ 865,000 |
| Bond discounts | (18,743) | - | 2,102 | (16,641) | - |
| Bond premiums | 240,781 | - | (17,940) | 222,841 | - |
| Total Bonds Payable | 12,370,038 | - | (819,838) | 11,550,200 | 865,000 |
| Compensated Absences Payable | 506,380 | 295,114 | (327,881) | 473,613 | 293,033 |
| Other Postemployment Benefit Obligation | 294,848 | 387,610 | (45,268) | 637,190 | - |
| Pension Liability | | | | | |
| GERF | 5,158,219 | 41,519 | (850,427) | 4,349,311 | - |
| Public Utilities Commission Long-term Liabilities | $ 18,329,485 | $ 724,243 | $ (2,043,414) | $ 17,010,314 | $ 1,158,033 |

***Economic Development Authority***

Changes in long-term liabilities

Long-term liability activity for the EDA for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Economic Development Authority Activities | | | | | |
| Compensated Absences Payable | $ 9,258 | $ 9,397 | $ (9,432) | $ 9,223 | $ - |
| Pension Liability | | | | | |
| GERF | 62,206 | 9,144 | (13,124) | 58,226 | 5,075 |
| Economic Development Authority Long-term Liabilities | $ 71,464 | $ 18,541 | $ (22,556) | $ 67,449 | $ 5,075 |

## Note 3: Detailed Notes on All Funds (Continued)

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 | at Year End |
|---|---|---|---|
| HADC Ridgeway on German (Refinanced) | 08/20/14 | $ 10,335,000 | $ 9,645,000 |
| Highland Regency House | 10/01/13 | 4,590,000 | 4,430,000 |
| Total Conduit Debt Obligations | | $ 14,925,000 | $ 14,075,000 |

## 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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.

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service~~,~~. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

### C. Contributions

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

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were $319,833, $306,965 and $273,563, respectively. The City's contributions were, equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were $295,210, $289,480 and $274,764, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

### 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, 2018, the City of New Ulm reported a liability of $3,494,982 for its proportionate share of the GERF's net pension liability of which the EDA's portion was calculated at $58,226. The EDA's pension liability was reported as $58,226 due to a timing difference which exists due to the EDA having a June 30 year-end. At December 31, 2018, the PUC reported a liability of $4,349,311 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 $16 million to the fund in 2018. 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 $114,701 of which the EDA's portion was $732 The State of Minnesota's proportionate share of the net pension liability associated with the PUC totaled $142,715. The net pension liability was measured as of June 30, 2018, 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, 2018, 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 proportionate share 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City of New Ulm's proportionate share was 0.0586 percent which was no change from its proportion measured as of June 30, 2017. The EDA's proportionate share was calculated at 0.0009 percent at June 30, 2018 a 0.0001 percent increase from June 30, 2017. The PUC's proportionate share was 0.0784 percent which was a 0.00240.0024 percent decrease from its proportion measured as of June 30, 2017.

| | |
|---|---|
| City's proportionate share of the net pension liability | $ 7,844,293 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 257,416 |
| Total | $ 8,101,709 |

For the year ended December 31, 2018, the City recognized pension expense of $107,914 for its proportionate share of GERF's pension expense of which the EDA's portion was calculated at $4,927. The PUC recognized negative pension expense of $359,749 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional $26,748 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the GERF of which the EDA's portion was calculated at $21. In addition, the PUC recognized an additional $33,281 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the GERF.

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2018, 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 | $ 90,642 | $ 125,613 | $ 115,256 | $ 109,161 | $ 1,903 | $ 3,599 |
| Changes in Actuarial Assumptions | 331,237 | 386,862 | 412,142 | 488,691 | 9,072 | 5,837 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 332,345 | - | 462,057 | - | 2,830 |
| Changes in Proportion | 179,731 | 12,485 | 51,828 | 164,354 | 4,574 | 6,886 |
| Contributions to GERF Subsequent to the Measurement Date | 154,949 | - | 198,158 | - | 4,861 | - |
| Total | $ 756,559 | $ 857,305 | $ 777,384 | $ 1,224,263 | $ 20,410 | $ 19,152 |

Deferred outflows of resources totaling $357,968 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, 2019. 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 |
|---|---|---|---|
| 2019 | $ 152,510 | $ 98,306 | $ (3,433) |
| 2020 | (126,014) | (250,228) | 2,080 |
| 2021 | (211,715) | (402,339) | 221 |
| 2022 | (70,476) | (90,776) | (2,471) |

<u>PEPFF Contributions</u>

At December 31, 2018, the City reported a liability of $1,838,672 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.1725 percent which was a 0.0035 percent increase from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of $65,985 for its proportionate share of PEPFF's pension expense. The City also recognized $15,525 for the year ended December 31, 2018 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.

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2018, 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 | $ 74,622 | $ 464,298 |
| Changes in Actuarial Assumptions | 2,382,538 | 2,706,764 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 374,625 |
| Changes in Proportion | 86,541 | 46,829 |
| Contributions to PEPFF Subsequent to the Measurement Date | 144,289 | - |
| Total | $ 2,687,990 | $ 3,592,516 |

Deferred outflows of resources totaling $144,289 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

| | |
|---|---|
| 2019 | $ 56,420 |
| 2020 | (120,119) |
| 2021 | (262,219) |
| 2022 | (727,545) |
| 2023 | 4,648 |

### E. Actuarial Assumptions

The total pension liability in the June 30, 2018 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 after retirement for retirees are assumed to be 1.25 percent per year for GERF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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 | 36.00 % | 5.10 % |
| International Stocks | 17.00 | 5.30 |
| Bonds | 20.00 | 0.75 |
| Alternative Assets | 25.00 | 5.90 |
| Cash | 2.00 | - |
| Total | 100.00 % | |

### F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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 were 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.

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

### 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 | $ 5,589,480 | $ 3,436,756 | $ 1,659,526 |
| Component unit - PUC | 7,068,186 | 4,349,311 | 2,104,956 |
| Component unit - EDA | 90,313 | 58,226 | 31,957 |
| PEPFF | 3,942,229 | 1,838,672 | 99,119 |

### 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. Total contributions made by the City during the fiscal year 2018 were:

| Contribution Amount | | Percentage of Covered Payroll | | |
|---|---|---|---|---|
| Employee | Employer | Employee | Employer | Required Rate |
| $ 925 | $ 925 | 5.00% | 5.00% | 5.00% |

The City's contributions to the PEDCP for the years ended December 31, 2018, 2017 and 2016 were $925, $1,325 and $1,325, respectively.

## 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, 2018, the plan covered 41 active firefighters and 7 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 $4,500 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 $4,500 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 $94,258 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2018, 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, 2018 were $94,258. The City made voluntary contributions of $54,845 to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

## Note 6: Defined Benefit Pension Plans - Fire Relief Benefit Association (Continued)

### D. Pension Costs

At December 31, 2018, the City reported a net pension asset of $624,705 for the plan. The net pension liability (asset) was measured as of December 31, 2018. 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, 2018. 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, 2018 | $ 2,010,732 | $ 2,876,138 | $ (865,406) |
| Changes For the Year | | | |
| Service cost | 63,733 | - | 63,733 |
| Interest on pension liability (asset) | 135,398 | - | 135,398 |
| Actuarial experience (gains)/losses | (27,341) | - | (27,341) |
| Changes in assumptions | 66,804 | - | 66,804 |
| Net investment return | - | (122,742) | 122,742 |
| Contributions (state and local) | - | 137,103 | (137,103) |
| Benefit payments | (280,410) | (280,410) | - |
| Administrative expenses | - | (16,468) | 16,468 |
| Total Net Changes | (41,816) | (282,517) | 240,701 |
| Ending Balance December 31, 2018 | $ 1,968,916 | $ 2,593,621 | $ (624,705) |

For the year ended December 31, 2018, the City recognized negative pension expense of $105,185.

## Note 6: Defined Benefit Pension Plans - Fire Relief Benefit Association (Continued)

At December 31, 2018, 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 | $ - | $ 126,971 |
| Changes in Actuarial Assumptions Net | 91,349 | 26,370 |
| Difference Between Projected and Actual Earnings on Plan Investments | 93,145 | - |
| Total | $ 184,494 | $ 153,341 |

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

| | |
|---|---|
| 2019 | $ 12,902 |
| 2020 | (14,209) |
| 2021 | (4,626) |
| 2022 | 52,130 |
| 2023 | (11,737) |
| Thereafter | (3,307) |

### E. Actuarial Assumptions

The total pension liability at December 31, 2018 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 | 2.50% |
| Investment Rate of Return | 6.50% |
| 20 Year Municipal Bond Yield | 3.71% |
| Discount Rate | 6.50% |

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

The 6.50 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.5%). The best-estimates of expected future asset class returns were published in the 2018 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.

## Note 6: Defined Benefit Pension Plans - Fire Relief Benefit Association (Continued)

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 Equity | 66.12 % | 7.45 % |
| International Equity | 14.94 | 7.74 |
| Fixed Income | 9.97 | 4.49 |
| Real estate and alternatives | 0.17 | 6.69 |
| Cash and Equivalents | 8.80 | 3.08 |
| Total | 100.00 % | |

### F. Funding Status

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### G. Pension Liability Sensitivity

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

| | 1 Percent Decrease (5.50%) | Current (6.50%) | 1 Percent Increase (7.50%) |
|---|---|---|---|
| Defined Benefit Plan | $ (531,298) | $ (624,705) | $ (712,091) |

### 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: 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.

At December 31,2018, the following employees were covered by the benefit terms:

| | |
|---|---|
| **City** | |
| Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments | 1 |
| Active Plan Members | 84 |
| Total Plan Members | 85 |
| **PUC** | |
| Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments | 5 |
| Active Plan Members | 79 |
| Total Plan Members | 84 |

*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. For the year ended 2018, the City and PUC directly contributed $45,806 and $12,010, respectively.

*Actuarial Methods and Assumptions.* The City’s and PUC’s total OPEB liability of $557,662 and $637,190, respectively, were measured as of December 31, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2017. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability for the City and PUC in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Discount Rate | 3.31% |
| 20-Year Municpal Bond Yeild | 3.31% |
| Inflation Rate | 2.75% |
| Medical Trend Rate | 6.90% in 2018 gradually decreasing to an ultimate rate of 4.40% in 2075 and later years |

The discount rate used to measure the total OPEB liability was 3.31 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2016, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

## Note 7: Postemployment Benefits Other Than Pensions (Continued)

*Changes in the Total OPEB Liability*

| | Primary Government Total OPEB Liability (a) | Component Unit - PUC Total OPEB Liability (a) |
|---|---|---|
| Balances at December 31, 2017 | $ 461,598 | $ 603,810 |
| Changes for the Year: | | |
| Service cost | 75,603 | 35,278 |
| Interest | 20,399 | 23,487 |
| Changes in assumptions or other inputs | 3,649 | 19,883 |
| Benefit payments | (3,587) | (45,268) |
| Net Changes | 96,064 | 33,380 |
| Balances at December 31, 2018 | $ 557,662 | $ 637,190 |

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.81% to 3.31% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal rates were updated from the age-based turnover data provided in the GASB 45 to the rates used in the 7/1/2017 PERA General Employees Retirement Plan valuation.
- The salary scale assumption was changed from a flat rate of 3.25 percent to the rates used in the 7/1/2017 PERA General Employees Retirement Plan valuation.

Since the prior measurement date, there were no changes in the benefit terms.

*Sensitivity of the Total OPEB Liability.* The following presents the total OPEB liability of the City and PUC, as well as what the City's and PUC's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

| | 1 Percent Decrease (2.31%) | Current (3.31%) | 1 Percent Decrease (4.31%) |
|---|---|---|---|
| City | $ 560,529 | $ 557,662 | $ 549,098 |
| PUC | $ 678,922 | $ 637,190 | $ 598,097 |

## Note 7: Postemployment Benefits Other Than Pensions (Continued)

The following presents the total OPEB liability of the City and PUC, as well as what the City's and PUC's total OPEB liability would be if it were calculated using a Healthcare Cost Trent Rates that is 1-percentage point lower (5.90 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.90 percent increasing to 5.40 percent) than the current discount rate:

| | 1 Percent Decrease (5.9% decreasing to 3.4%) | Healthcare Cost Trend Rates (6.9% decreasing to 4.4%) | 1 Percent Increase (7.9% decreasing to 5.4%) |
|---|---|---|---|
| City | $ 481,665 | $ 557,662 | $ 646,716 |
| PUC | $ 579,251 | $ 637,190 | $ 705,378 |

*OPEB Expense and Deferred Outflows of Resources Related to OPEB.* For the year ended 2018, the City and PUC recognized OPEB expense of $47,085 and $21,370, respectively. At December 31, 2018, the City and PUC reported deferred outflows of resources from the following sources:

| | Primary Government | | Component Unit - PUC | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in Actuarial Assumptions | $ 3,173 | $ - | $ - | $ - |
| Contributions to OPEB Subsequent to the Measurement Date | 45,806 | - | 12,010 | - |
| Total | $ 48,979 | $ - | $ 12,010 | $ - |

Deferred outflows of resources totaling $45,806 and $12,010, from the City and PUC respectively, are related contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

| | | |
|---|---|---|
| Year ended December 31: | | |
| 2019 | $ (476) | $ - |
| 2020 | (476) | - |
| 2021 | (476) | - |
| 2022 | (476) | - |
| 2023 | (476) | - |
| Thereafter | (793) | - |

## Note 8: 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.

## Note 8: Other Information (Continued)

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 2018 and 2017 were:

| Year | January 1 Claims Liability | Current Year Claims and Changes in Estimates | Current Year Claim Payments | December 31 Claims Liability |
|---|---|---|---|---|
| Insurance Trust Fund | | | | |
| 2018 | $ - | $ 5,161 | $ (5,161) | $ - |
| 2017 | - | 119,590 | (119,590) | - |
| Health Insurance Trust Fund | | | | |
| 2018 | 29,713 | 3,119,704 | (3,124,951) | 24,466 |
| 2017 | 18,921 | 2,853,419 | (2,842,627) | 29,713 |

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 $24,466 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 2018 was $80,668.

## Note 8: Other Information (Continued)

### 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 2018 was $3,202,491, which accounted for 32 percent of General fund revenues.

## Note 9: Major Customer

Two industrial customers of the PUC represent approximately 23.2 percent of the total utility revenue excluding municipal sales of the PUC and approximately 20.8 percent of outstanding utility receivables at December 31, 2018.

## Note 10: Tax Abatements

As of December 31, 2018, the City has four 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. The City agreed to relieve property taxes as the tax burden would not otherwise be economically feasible within the foreseeable future. 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.

## Note 10: Tax Abatements (Continued)

The City entered into a tax abatement agreement on June 21, 2016 with Laboratory Instrument Leasing/Minnesota Valley Testing Lab in which the developer incurs costs for the construction of a new agricultural laboratory and testing facility building. The City agreed to relieve property taxes as the tax burden would not otherwise be economically feasible within the foreseeable future. The agreement has a maximum return to the developer of $400,000 over the life of the agreement not to exceed $26,693 in any given year. 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, 2018 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 |
| LIL/MVTL | | | 4,303 |
| Tax Increment Districts (PAYGO) | | | |
| TIF District #2-2 | 34.605% | $ 30,378 | 10,512 |
| Total | | | $ 18,929 |

## Note 11: Change in Accounting Principle

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

| Fund | Net Position January 1, 2018 as Previosly Reported | Prior Period Restatement | Net Position January 1, 2018 as Restated |
|---|---|---|---|
| Governmental Activities | $ 96,274,297 | $ (88,890) | $ 96,185,407 |
| Component Unit - PUC | $ 80,196,054 | $ (308,962) | $ 79,887,092 |

Required Supplementary
Information

City of New Ulm
New Ulm, Minnesota

For the Year Ended
December 31, 2018

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

| 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 |
|---|---|---|---|---|---|---|---|
| 06/30/18 | 0.0586 % | $ 3,436,756 | $ 113,969 | $ 3,550,725 | $ 4,178,395 | 82.3 % | 79.5 % |
| 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.*

| 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 |
|---|---|---|---|---|---|---|---|
| 06/30/18 | 0.0784 % | $ 4,349,311 | $ 142,715 | $ 4,492,026 | $ 5,271,840 | 82.5 % | 79.5 % |
| 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.*

| 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+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 06/30/17 | 0.0009 % | $ 58,226 | $ 732 | $ 58,958 | $ 49,760 | 118.5 % | 75.9 % |
| 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) |
|---|---|---|---|---|---|
| 12/31/18 | $ 314,972 | $ 314,972 | $ - | $ 4,199,631 | 7.5 % |
| 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) |
|---|---|---|---|---|---|
| 12/31/18 | $ 390,905 | $ 390,905 | $ - | $ 5,212,064 | 7.5 % |
| 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) |
|---|---|---|---|---|---|
| 06/30/18 | $ 4,861 | $ 4,861 | $ - | $ 64,813 | 7.5 % |
| 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

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2017 - The State’s special funding contribution increased from $6 million to $16 million.

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 |
|---|---|---|---|---|---|---|---|
| 06/30/18 | 0.1725 % | $ 1,838,672 | $ - | $ 1,838,672 | $ 1,817,727 | 101.2 % | 88.8 % |
| 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) |
|---|---|---|---|---|---|
| 12/31/18 | $ 295,210 | $ 295,210 | $ - | $ 1,822,284 | 16.2 % |
| 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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Total Pension Liability | | | | |
| Service cost | $ 63,733 | $ 58,047 | $ 65,792 | $ 62,284 |
| Interest | 135,398 | 139,590 | 132,000 | 124,754 |
| Changes of benefit terms | - | - | 117,530 | - |
| Differences between expected and actual experience | (27,341) | - | (151,303) | - |
| Changes of assumptions | 66,804 | 41,094 | (19,793) | (21,961) |
| Benefit payments | (280,410) | (62,305) | (129,632) | (262,579) |
| Net Change in Total Pension Liability | (41,816) | 176,426 | 14,594 | (97,502) |
| Total Pension Liability - January 1 | 2,010,732 | 1,834,306 | 1,819,712 | 1,917,214 |
| Total Pension Liability - December 31 (A) | $ 1,968,916 | $ 2,010,732 | $ 1,834,306 | $ 1,819,712 |
| Plan Fiduciary Net Position | | | | |
| Municipal contributions | 137,103 | 133,557 | 125,286 | 142,880 |
| Projected investment return | (122,742) | 462,875 | 203,866 | 10,372 |
| Benefit payments, including refunds of employee contributions | (280,410) | (62,305) | (129,632) | (262,579) |
| Administrative expenses | (16,468) | (18,693) | (13,143) | (17,929) |
| Net Change in Plan Fiduciary Net Position | (282,517) | 515,434 | 186,377 | (127,256) |
| Plan Fiduciary Net Position - January 1 | 2,876,138 | 2,360,704 | 2,174,327 | 2,301,583 |
| Plan Fiduciary Net Position - December 31 (B) | $ 2,593,621 | $ 2,876,138 | $ 2,360,704 | $ 2,174,327 |
| Fire Relief's Net Pension Liability (Asset) - December 31 (A-B) | $ (624,705) | $ (865,406) | $ (526,398) | $ (354,615) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A) | 131.73% | 143.04% | 128.70% | 119.49% |
| Covered-Employee Payroll | N/A | 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 | 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

2018 - Mortality, termination, and disability rates were changed to those used in the most recent Minnesota PERA Police & Fire Plan actuarial valuation. The expected investment return and discount rate decreased from 7.00% to 6.50% to reflect updated capital market assumptions. The inflation assumption was updated from 2.75% to 2.50%.

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) |
| 12/31/18 | $ 137,103 | $ 149,103 | $ (12,000) |
| 12/31/17 | 133,557 | 134,557 | (1,000) |
| 12/31/16 | 125,286 | 126,286 | (1,000) |
| 12/31/15 | 142,880 | 140,895 | 1,985 |

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

**Schedule of Changes in the OPEB Liability and Related Ratios**

| **City** | 2018 |
|---|---|
| Total OPEB liability | |
| Service cost | $ 75,603 |
| Interest | 20,399 |
| Changes in assumptions | 3,649 |
| Benefit payments | (3,587) |
| Net change in total OPEB liability | 96,064 |
| Total OPEB liability - beginning | 461,598 |
| Total OPEB liability - ending | $ 557,662 |
| Covered - employee payroll | $ 5,289,106 |
| City's total OPEB liability as a percentage of covered employee payroll | 10.54 % |

*Benefit changes:*

In 2018, the following benefit changes occurred:

No changes.

*Changes in assumptions:*

In 2018, the following assumptions changes:

No changes.

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

| **PUC** | | 2018 |
|---|---|---|
| Total OPEB liability | | |
| Service cost | $ | 35,278 |
| Interest | | 23,487 |
| Changes in assumptions | | 19,883 |
| Benefit payments | | (45,268) |
| Net change in total OPEB liability | | 33,380 |
| Total OPEB liability - beginning | | 603,810 |
| Total OPEB liability - ending | $ | 637,190 |
| Covered - employee payroll | $ | 5,591,440 |
| PUC's total OPEB liability as a percentage of covered employee payroll | | 11.40 % |

*Benefit changes:*

In 2018, the following benefit changes occurred:

No changes.

*Changes in assumptions:*

In 2018, the following assumptions changes:

No changes.

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

## City of New Ulm, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

| | Nonmajor Special Revenue | Nonmajor Debt Service | Nonmajor Capital Projects | Nonmajor Permanent | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and investments | $ 2,585,691 | $ 154,661 | $ 825,123 | $ 562,985 | $ 4,128,460 |
| Receivables | | | | | |
| Delinquent taxes | 25,399 | - | - | - | 25,399 |
| Accounts | 5,259 | - | - | - | 5,259 |
| Notes, net of allowance | 601,447 | - | - | - | 601,447 |
| Special assessments | - | 175,578 | - | - | 175,578 |
| Intergovernmental | - | - | 15,986 | - | 15,986 |
| Advances to other funds | 156,631 | - | - | - | 156,631 |
| Prepaid items | 2,706 | - | - | - | 2,706 |
| Total Assets | $ 3,377,133 | $ 330,239 | $ 841,109 | $ 562,985 | $ 5,111,466 |
| **Liabilities** | | | | | |
| Accounts payable | $ 61,861 | $ - | $ - | $ - | $ 61,861 |
| Retainage payable | - | - | 31,522 | - | 31,522 |
| Due to other governments | 291 | - | - | - | 291 |
| Accrued salaries payable | 21,198 | - | - | - | 21,198 |
| Advances from other funds | 156,631 | - | - | - | 156,631 |
| Total Liabilities | 239,981 | - | 31,522 | - | 271,503 |
| **Deferred Inflows of Resources** | | | | | |
| Unavailable revenue | | | | | |
| Taxes | 25,399 | - | - | - | 25,399 |
| Special assessments | - | 175,578 | - | - | 175,578 |
| Total Deferred Inflows of Resources | 25,399 | 175,578 | - | - | 200,977 |
| **Fund Balances** | | | | | |
| Nonspendable | | | | | |
| Prepaid items | 2,706 | - | - | - | 2,706 |
| Perpetual care | - | - | - | 562,985 | 562,985 |
| Restricted | | | | | |
| Library programs | 6,238 | - | - | - | 6,238 |
| Economic development | 2,150,235 | - | - | - | 2,150,235 |
| Maintain parking areas | 492,843 | - | - | - | 492,843 |
| TIF activities | 67,064 | - | - | - | 67,064 |
| Debt service | - | 154,661 | - | - | 154,661 |
| Capital improvements | - | - | 192,099 | - | 192,099 |
| Committed | | | | | |
| Capital improvements | - | - | 901,148 | - | 901,148 |
| Library services | 20,821 | - | - | - | 20,821 |
| Library programs | 71,541 | - | - | - | 71,541 |
| Fire fighting | 9,314 | - | - | - | 9,314 |
| Assigned for | | | | | |
| DARE program | 60,444 | - | - | - | 60,444 |
| Library services | 379,188 | - | - | - | 379,188 |
| Library programs | 15,480 | - | - | - | 15,480 |
| Fire fighting | 292 | - | - | - | 292 |
| Unassigned | (164,413) | - | (283,660) | - | (448,073) |
| Total Fund Balances | 3,111,753 | 154,661 | 809,587 | 562,985 | 4,638,986 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 3,377,133 | $ 330,239 | $ 841,109 | $ 562,985 | $ 5,111,466 |

City of New Ulm, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2018

| | Nonmajor Special Revenue | Nonmajor Debt Service | Nonmajor Capital Projects | Nonmajor Permanent | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | | | | | |
| General | $ 746,554 | $ - | $ - | $ - | $ 746,554 |
| Delinquent | 8,007 | - | - | - | 8,007 |
| Captured TIF | 141,137 | - | - | - | 141,137 |
| Mobile home | 1,747 | - | - | - | 1,747 |
| Special service district | 33,599 | - | - | - | 33,599 |
| Penalties and interest | 1,251 | - | - | - | 1,251 |
| Intergovernmental | | | | | |
| State | | | | | |
| Other aid | 6,354 | - | 15,455 | - | 21,809 |
| County | | | | | |
| Library aid | 15,526 | - | - | - | 15,526 |
| Local: | | | | | |
| Other | 1,800 | - | - | - | 1,800 |
| Charges for services | | | | | |
| Public safety | 7,560 | - | - | - | 7,560 |
| Culture and recreation | 10,905 | - | - | - | 10,905 |
| Miscellaneous | 26,980 | - | - | - | 26,980 |
| Fines and forfeitures | 20,509 | - | - | - | 20,509 |
| Special assessments | - | 57,062 | - | - | 57,062 |
| Investment earnings (loss) | 65,540 | 2,090 | 36,395 | (2,168) | 101,857 |
| Miscellaneous | | | | | |
| Donations | 8,964 | - | - | - | 8,964 |
| Other | 4,521 | - | - | 22,188 | 26,709 |
| Total Revenues | 1,100,954 | 59,152 | 51,850 | 20,020 | 1,231,976 |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | | | | | |
| Fire | 12,220 | - | - | - | 12,220 |
| Culture and recreation | | | | | |
| Library | 766,394 | - | - | - | 766,394 |
| Economic development | 24,928 | - | - | - | 24,928 |
| Miscellaneous | | | | | |
| Other | 233,060 | - | - | 2,039 | 235,099 |
| Capital outlay | | | | | |
| Streets and highways | - | - | 141,636 | - | 141,636 |
| Economic development | 125,147 | - | - | - | 125,147 |
| Debt service | | | | | |
| Principal | 43,894 | 5,390,000 | - | - | 5,433,894 |
| Interest | 16,782 | 333,387 | - | - | 350,169 |
| Total Expenditures | 1,222,425 | 5,723,387 | 141,636 | 2,039 | 7,089,487 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (121,471) | (5,664,235) | (89,786) | 17,981 | (5,857,511) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | 5,723,387 | - | - | 5,723,387 |
| Transfers out | (90,808) | - | (595,690) | - | (686,498) |
| Total Other Financing Sources (Uses) | (90,808) | 5,723,387 | (595,690) | - | 5,036,889 |
| Net Change in Fund Balances | (212,279) | 59,152 | (685,476) | 17,981 | (820,622) |
| Fund Balances, January 1 | 3,324,032 | 95,509 | 1,495,063 | 545,004 | 5,459,608 |
| Fund Balances, December 31 | $ 3,111,753 | $ 154,661 | $ 809,587 | $ 562,985 | $ 4,638,986 |

# 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.

***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.

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

***The TIF District Funds*** are nonmajor 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*

***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.

## SPECIAL REVENUE FUNDS (CONTINUED)

***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.

***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.

City of New Ulm, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2018

| | Economic Development Loan Program | TIF Districts | Community Development Block Grant | Library | Library Board |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and investments | $ 716,081 | $ 111,052 | $ 421,286 | $ 429,002 | $ 93,259 |
| Receivables | | | | | |
| Delinquent taxes | - | - | - | 6,571 | - |
| Accounts | - | - | - | 344 | - |
| Notes, net of allowance | 230,756 | - | 18,705 | - | - |
| Advances to other funds | 156,631 | - | - | - | - |
| Prepaid items | - | - | - | 2,293 | 413 |
| Total Assets | $ 1,103,468 | $ 111,052 | $ 439,991 | $ 438,210 | $ 93,672 |
| Liabilities | | | | | |
| Accounts payable | $ - | $ 51,770 | $ - | $ 9,970 | $ - |
| Due to other governments | - | - | - | - | - |
| Accrued salaries payable | - | - | - | 19,367 | - |
| Advances from other funds | - | 156,631 | - | - | - |
| Total Liabilities | - | 208,401 | - | 29,337 | - |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue | | | | | |
| Taxes | - | - | - | 6,571 | - |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepaid items | - | - | - | 2,293 | 413 |
| Restricted | | | | | |
| Library programs | - | - | - | - | 6,238 |
| Economic development | 1,103,468 | - | 439,991 | - | - |
| Maintain parking areas | - | - | - | - | - |
| TIF activities | - | 67,064 | - | - | - |
| Committed | | | | | |
| Library services | - | - | - | 20,821 | - |
| Library programs | - | - | - | - | 71,541 |
| Fire fighting | - | - | - | - | - |
| Assigned | | | | | |
| DARE program | - | - | - | - | - |
| Library services | - | - | - | 379,188 | - |
| Library programs | - | - | - | - | 15,480 |
| Fire fighting | - | - | - | - | - |
| Unassigned | - | (164,413) | - | - | - |
| Total Fund Balances | 1,103,468 | (97,349) | 439,991 | 402,302 | 93,672 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 1,103,468 | $ 111,052 | $ 439,991 | $ 438,210 | $ 93,672 |

| Parking Meter | State MIF Grant | Rehabilitation Loan Program | Character Counts | Firefighters | Small Cities | Total Nonmajor |
|---|---|---|---|---|---|---|
| $ 491,212 | $ - | $ 204,762 | $ 60,444 | $ 8,565 | $ 50,028 | $ 2,585,691 |
| 18,828 | - | - | - | - | - | 25,399 |
| 3,790 | - | - | - | 1,125 | - | 5,259 |
| - | - | 351,986 | - | - | - | 601,447 |
| - | - | - | - | - | - | 156,631 |
| - | - | - | - | - | - | 2,706 |
| $ 513,830 | $ - | $ 556,748 | $ 60,444 | $ 9,690 | $ 50,028 | $ 3,377,133 |
| $ 37 | $ - | $ - | $ - | $ 84 | $ - | $ 61,861 |
| 291 | - | - | - | - | - | 291 |
| 1,831 | - | - | - | - | - | 21,198 |
| - | - | - | - | - | | 156,631 |
| 2,159 | - | - | - | 84 | - | 239,981 |
| 18,828 | - | - | - | - | - | 25,399 |
| - | - | - | - | - | - | 2,706 |
| - | - | - | - | - | - | 6,238 |
| - | - | 556,748 | - | - | 50,028 | 2,150,235 |
| 492,843 | - | - | - | - | - | 492,843 |
| - | - | - | - | - | - | 67,064 |
| - | | - | - | - | - | 20,821 |
| - | - | - | - | - | - | 71,541 |
| - | - | - | - | 9,314 | - | 9,314 |
| - | - | - | 60,444 | - | - | 60,444 |
| - | - | - | - | - | - | 379,188 |
| - | - | - | - | - | - | 15,480 |
| - | - | - | - | 292 | - | 292 |
| - | | - | - | - | - | (164,413) |
| 492,843 | - | 556,748 | 60,444 | 9,606 | 50,028 | 3,111,753 |
| $ 513,830 | $ - | $ 556,748 | $ 60,444 | $ 9,690 | $ 50,028 | $ 3,377,133 |

## 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, 2018

| | Economic Development Loan Program | TIF Districts | Community Development Block Grant | Library | Library Board |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | | | | | |
| General | $ - | $ - | $ - | $ 746,554 | $ - |
| Delinquent | - | - | - | 3,775 | - |
| Captured TIF | - | 141,137 | - | - | - |
| Mobile home | - | - | - | 1,747 | - |
| Special service district | - | - | - | - | - |
| Penalties and interest | - | - | - | - | - |
| Intergovernmental | | | | | |
| State | | | | | |
| Other aid | - | - | - | 6,243 | - |
| County | | | | | |
| Library aid | - | - | - | 15,526 | - |
| Local | | | | | |
| Other | - | - | - | 1,800 | - |
| Charges for services | | | | | |
| Public safety | - | - | - | - | - |
| Culture and recreation | - | - | - | 10,905 | - |
| Miscellaneous | - | - | - | - | - |
| Fines and forfeitures | - | - | - | 6,723 | - |
| Investment earnings | 32,663 | 1,606 | 6,415 | 3,310 | 1,335 |
| Miscellaneous | | | | | |
| Donations | - | - | - | 1 | 8,963 |
| Other | - | 3,435 | - | 1,086 | - |
| Total Revenues | 32,663 | 146,178 | 6,415 | 797,670 | 10,298 |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | | | | | |
| Fire | - | - | - | - | - |
| Culture and recreation | | | | | |
| Library | - | - | - | 759,286 | 7,108 |
| Economic development | 2,410 | - | - | - | - |
| Miscellaneous | | | | | |
| Other | - | 160,676 | - | - | - |
| Capital outlay | | | | | |
| Economic development | 125,147 | - | | | |
| Debt service | | | | | |
| Principal | - | 43,894 | - | - | - |
| Interest | - | 16,782 | - | - | - |
| Total Expenditures | 127,557 | 221,352 | - | 759,286 | 7,108 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (94,894) | (75,174) | 6,415 | 38,384 | 3,190 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | - | - | - | - |
| Net Change in Fund Balances | (94,894) | (75,174) | 6,415 | 38,384 | 3,190 |
| Fund Balances, January 1 | 1,198,362 | (22,175) | 433,576 | 363,918 | 90,482 |
| Fund Balances, December 31 | $ 1,103,468 | $ (97,349) | $ 439,991 | $ 402,302 | $ 93,672 |

| Parking Meter | State MIF Grant | Rehabilitation Loan Program | Character Counts | Firefighters | Small Cities | Total Nonmajor |
|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ 746,554 |
| 4,232 | - | - | - | - | - | 8,007 |
| - | - | - | - | - | - | 141,137 |
| - | - | - | - | - | - | 1,747 |
| 33,599 | - | - | - | - | - | 33,599 |
| 1,251 | - | - | - | - | - | 1,251 |
| 111 | - | - | - | - | - | 6,354 |
| - | - | - | - | - | - | 15,526 |
| - | - | - | - | - | - | 1,800 |
| - | - | - | - | 7,560 | - | 7,560 |
| - | - | - | - | - | - | 10,905 |
| 26,980 | - | - | - | - | - | 26,980 |
| 13,786 | - | - | - | - | - | 20,509 |
| 6,898 | 1,824 | 9,987 | 584 | 191 | 727 | 65,540 |
| - | - | - | - | - | - | 8,964 |
| - | - | - | - | - | - | 4,521 |
| 86,857 | 1,824 | 9,987 | 584 | 7,751 | 727 | 1,100,954 |
| - | - | - | - | 12,220 | - | 12,220 |
| - | - | - | - | - | - | 766,394 |
| - | 22,518 | - | - | - | - | 24,928 |
| 72,384 | - | - | - | - | - | 233,060 |
| | | | | | | 125,147 |
| - | | - | - | - | - | 43,894 |
| - | | - | - | - | - | 16,782 |
| 72,384 | 22,518 | - | - | 12,220 | - | 1,222,425 |
| 14,473 | (20,694) | 9,987 | 584 | (4,469) | 727 | (121,471) |
| - | (90,808) | - | - | - | - | (90,808) |
| 14,473 | (111,502) | 9,987 | 584 | (4,469) | 727 | (212,279) |
| 478,370 | 111,502 | 546,761 | 59,860 | 14,075 | 49,301 | 3,324,032 |
| $ 492,843 | $ - | $ 556,748 | $ 60,444 | $ 9,606 | $ 50,028 | $ 3,111,753 |

# City of New Ulm, Minnesota
## Library Special Revenue Fund
## Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
## For the Year Ended December 31, 2018
## (With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Revenues | | | | | |
| Taxes | | | | | |
| General | $ 749,711 | $ 749,711 | $ 746,554 | $ (3,157) | $ 750,447 |
| Delinquent | - | - | 3,775 | 3,775 | 5,339 |
| Mobile home | - | - | 1,747 | 1,747 | 1,677 |
| Intergovernmental | | | | | |
| State | | | | | |
| Other aid | 1,150 | 1,150 | 6,243 | 5,093 | 1,154 |
| County | 14,800 | 14,800 | 15,526 | 726 | 14,800 |
| Local | - | - | 1,800 | 1,800 | - |
| Charges for services | 11,150 | 11,150 | 10,905 | (245) | 12,328 |
| Fines and forfeitures | 10,000 | 10,000 | 6,723 | (3,277) | 9,306 |
| Investment earnings | 2,700 | 2,700 | 3,310 | 610 | 2,271 |
| Miscellaneous | | | | | |
| Donations | - | - | 1 | 1 | - |
| Other | 1,000 | 1,000 | 1,086 | 86 | 957 |
| Total Revenues | 790,511 | 790,511 | 797,670 | 7,159 | 798,279 |
| Expenditures | | | | | |
| Current | | | | | |
| Culture and recreation | | | | | |
| Personal services | 619,574 | 619,574 | 560,774 | 58,800 | 589,056 |
| Supplies | 65,750 | 65,750 | 68,943 | (3,193) | 73,064 |
| Contractual services | 53,787 | 55,435 | 75,515 | (20,080) | 50,102 |
| Other services and charges | 51,400 | 51,400 | 54,054 | (2,654) | 48,114 |
| Total Current | 790,511 | 792,159 | 759,286 | 32,873 | 760,336 |
| Capital outlay | | | | | |
| Culture and recreation | 10,000 | 10,000 | - | 10,000 | - |
| Total Expenditures | 800,511 | 802,159 | 759,286 | 42,873 | 760,336 |
| Net Change in Fund Balances | (10,000) | (11,648) | 38,384 | 50,032 | 37,943 |
| Fund Balances, January 1 | 363,918 | 363,918 | 363,918 | - | 325,975 |
| Fund Balance, December 31 | $ 353,918 | $ 352,270 | $ 402,302 | $ 50,032 | $ 363,918 |

# 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 Year Ended December 31, 2018
## (With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Revenues | | | | | |
| Taxes | | | | | |
| Delinquent | $ - | $ - | $ 4,232 | $ 4,232 | $ 45 |
| Special service district | 40,000 | 40,000 | 33,599 | (6,401) | 33,705 |
| Penalties and interest | - | - | 1,251 | 1,251 | 100 |
| Intergovernmental | | | | | |
| State | | | | | |
| Other aid | 135 | 135 | 111 | (24) | 133 |
| Charges for services | 21,000 | 21,000 | 26,980 | 5,980 | 24,785 |
| Fines and forfeitures | 15,500 | 15,500 | 13,786 | (1,714) | 19,051 |
| Investment earnings | 6,400 | 6,400 | 6,898 | 498 | 5,092 |
| Total Revenues | 83,035 | 83,035 | 86,857 | 3,822 | 82,911 |
| Expenditures | | | | | |
| Current | | | | | |
| Miscellaneous | | | | | |
| Personal services | 58,755 | 58,755 | 50,238 | 8,517 | 52,180 |
| Supplies | 29,375 | 47,321 | 2,130 | 45,191 | 4,275 |
| Contractual services | 10,000 | 10,000 | 19,225 | (9,225) | 3,787 |
| Other services and charges | 3,850 | 3,850 | 791 | 3,059 | 673 |
| Total Expenditures | 101,980 | 119,926 | 72,384 | 47,542 | 60,915 |
| Net Change in Fund Balances | (18,945) | (36,891) | 14,473 | 51,364 | 21,996 |
| Fund Balances, January 1 | 478,370 | 478,370 | 478,370 | - | 456,374 |
| Fund Balances, December 31 | $ 459,425 | $ 441,479 | $ 492,843 | $ 51,364 | $ 478,370 |

# 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 Year Ended December 31, 2018
## (With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Revenues | | | | | |
| Taxes | | | | | |
| General | $ 1,096,106 | $ 1,096,106 | $ 1,091,467 | $ (4,639) | $ 888,639 |
| Delinquent | - | - | 4,327 | 4,327 | 5,791 |
| Mobile home | - | - | 2,438 | 2,438 | 1,971 |
| Payment in lieu of taxes | 498,534 | 498,534 | 504,085 | 5,551 | 460,469 |
| Intergovernmental | | | | | |
| State | | | | | |
| Local governmental aid | 1,107,223 | 1,107,223 | 1,107,223 | - | 972,561 |
| Other aid | 2,725 | 2,725 | 2,910 | 185 | 2,728 |
| Charges for services | 1,031,400 | 1,031,400 | 1,032,420 | 1,020 | 1,031,738 |
| Investment earnings | 11,900 | 11,900 | 8,184 | (3,716) | 12,272 |
| Miscellaneous | | | | | |
| Donations | 10,000 | 10,000 | 55,485 | 45,485 | 17,738 |
| Other | 10,800 | 10,800 | 66,853 | 56,053 | 39,928 |
| Total Revenues | 3,768,688 | 3,768,688 | 3,875,392 | 106,704 | 3,433,835 |
| Expenditures | | | | | |
| Current | | | | | |
| Culture and recreation | | | | | |
| Administration | | | | | |
| Personal services | 376,842 | 376,842 | 404,813 | (27,971) | 358,203 |
| Supplies | 6,800 | 6,800 | 3,024 | 3,776 | 3,914 |
| Contractual services | 37,630 | 37,630 | 27,431 | 10,199 | 26,948 |
| Other services and charges | 40,131 | 40,131 | 49,359 | (9,228) | 39,197 |
| Total | 461,403 | 461,403 | 484,627 | (23,224) | 428,262 |
| Park | | | | | |
| Personal services | 524,116 | 524,116 | 554,763 | (30,647) | 510,854 |
| Supplies | 126,500 | 126,500 | 118,703 | 7,797 | 157,081 |
| Contractual services | 206,311 | 226,531 | 377,062 | (150,531) | 291,401 |
| Other services and charges | 88,200 | 88,200 | 72,539 | 15,661 | 83,080 |
| Total | 945,127 | 965,347 | 1,123,067 | (157,720) | 1,042,416 |
| Outdoor pool | | | | | |
| Personal services | 26,255 | 26,255 | 21,465 | 4,790 | 25,924 |
| Supplies | 8,500 | 8,500 | 7,807 | 693 | 7,287 |
| Contractual services | 10,550 | 10,550 | 1,265 | 9,285 | 10,471 |
| Other services and charges | 5,900 | 5,900 | 8,589 | (2,689) | 7,405 |
| Total | 51,205 | 51,205 | 39,126 | 12,079 | 51,087 |

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 Year Ended December 31, 2018
(With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | | |
| | Original | Final | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Culture and recreation (continued) | | | | | |
| Recreation center | | | | | |
| Personal services | $ 613,192 | $ 613,192 | $ 559,920 | $ 53,272 | $ 585,578 |
| Supplies | 123,800 | 123,800 | 107,754 | 16,046 | 113,798 |
| Contractual services | 99,789 | 99,789 | 50,070 | 49,719 | 175,215 |
| Other services and charges | 215,300 | 215,300 | 201,990 | 13,310 | 202,230 |
| Total | 1,052,081 | 1,052,081 | 919,734 | 132,347 | 1,076,821 |
| Civic center | | | | | |
| Personal services | 164,411 | 164,411 | 165,057 | (646) | 167,253 |
| Supplies | 57,500 | 57,500 | 40,806 | 16,694 | 65,256 |
| Contractual services | 68,402 | 68,402 | 72,417 | (4,015) | 115,664 |
| Other services and charges | 260,400 | 260,400 | 277,202 | (16,802) | 283,903 |
| Total | 550,713 | 550,713 | 555,482 | (4,769) | 632,076 |
| Community center | | | | | |
| Personal services | 92,926 | 92,926 | 93,614 | (688) | 95,997 |
| Supplies | 20,000 | 20,000 | 16,085 | 3,915 | 17,806 |
| Contractual services | 24,302 | 24,302 | 27,353 | (3,051) | 38,285 |
| Other services and charges | 36,150 | 36,150 | 33,081 | 3,069 | 33,665 |
| Total | 173,378 | 173,378 | 170,133 | 3,245 | 185,753 |
| Total Current | 3,233,907 | 3,254,127 | 3,292,169 | (38,042) | 3,416,415 |
| Capital outlay | | | | | |
| Culture and recreation | | | | | |
| Park | 570,863 | 817,254 | 368,023 | 449,231 | 740,643 |
| Recreation center | 31,000 | 31,000 | 25,349 | 5,651 | 10,651 |
| Civic center | 6,000 | 24,748 | 47,159 | (22,411) | 17,368 |
| Community center | - | - | - | - | 14,763 |
| Total Capital Outlay | 607,863 | 873,002 | 440,531 | 432,471 | 783,425 |
| Total Expenditures | 3,841,770 | 4,127,129 | 3,732,700 | 394,429 | 4,199,840 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (73,082) | (358,441) | 142,692 | 501,133 | (766,005) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | 15,741 | 15,741 | - |
| Net Change in Fund Balances | (73,082) | (358,441) | 158,433 | 516,874 | (766,005) |
| Fund Balances, January 1 | 591,491 | 591,491 | 591,491 | - | 1,357,496 |
| Fund Balances, December 31 | $ 518,409 | $ 233,050 | $ 749,924 | $ 516,874 | $ 591,491 |

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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 2009 through 2017.

## City of New Ulm, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2018

| | 2009C G.O. Sales Tax Refunding Bonds | 2013 G.O. PIRF Fund | 2011 G.O. PIRF Bonds | 2012 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 | $ - | $ - | $ - | $ - |

| 2014 G.O. PIRF Bonds | 2015 G.O. PIRF Bonds | 2016 G.O. PIRF Bonds | 2017 G.O. PIRF Bonds | Total Nonmajor |
|---|---|---|---|---|
| $ - | $ - | $ 154,661 | $ - | $ 154,661 |
| - | - | 175,578 | - | $ 175,578 |
| $ - | $ - | $ 330,239 | $ - | $ 330,239 |
| $ - | $ - | $ 175,578 | $ - | $ 175,578 |
| - | - | 154,661 | - | 154,661 |
| $ - | $ - | $ 330,239 | $ - | $ 330,239 |

# 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, 2018

| | 2009C G.O. Sales Tax Refunding Bonds | 2013 G.O. PIRF Fund | 2011 G.O. PIRF Bonds | 2012 G.O. PIRF Bonds |
|---|---|---|---|---|
| Revenues | | | | |
| Special assessments | $ - | $ - | $ - | $ - |
| Investment earnings | - | - | - | - |
| Total Revenues | - | - | - | - |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 2,030,000 | 285,000 | 1,000,000 | 330,000 |
| Interest | 57,625 | 29,470 | 25,042 | 18,028 |
| Total Expenditures | 2,087,625 | 314,470 | 1,025,042 | 348,028 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,087,625) | (314,470) | (1,025,042) | (348,028) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 2,087,625 | 314,470 | 1,025,042 | 348,028 |
| 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 | 2017 G.O. PIRF Bonds | Total Nonmajor |
|---|---|---|---|---|
| $ - | $ - | $ 57,062 | $ - | $ 57,062 |
| - | - | 2,090 | - | 2,090 |
| - | - | 59,152 | - | 59,152 |
| | | | | |
| 215,000 | 310,000 | 765,000 | 455,000 | 5,390,000 |
| 33,850 | 55,938 | 39,225 | 74,209 | 333,387 |
| 248,850 | 365,938 | 804,225 | 529,209 | 5,723,387 |
| | | | | |
| (248,850) | (365,938) | (745,073) | (529,209) | (5,664,235) |
| | | | | |
| 248,850 | 365,938 | 804,225 | 529,209 | 5,723,387 |
| - | - | 59,152 | - | 59,152 |
| - | - | 95,509 | - | 95,509 |
| $ - | $ - | $ 154,661 | $ - | $ 154,661 |

# 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, 2018

| | Bond Sinking | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
| Revenues | | | | |
| Taxes | | | | |
| General | $ 2,050,513 | $ 2,050,513 | $ 2,041,851 | $ (8,662) |
| Delinquent | - | - | 11,678 | 11,678 |
| Mobile home | - | - | 4,920 | 4,920 |
| Special assessments | 930,000 | 930,000 | 1,170,672 | 240,672 |
| Investment earnings | 15,400 | 15,400 | 60,208 | 44,808 |
| Total Revenues | 2,995,913 | 2,995,913 | 3,289,329 | 293,416 |
| Expenditures | | | | |
| Debt service | | | | |
| Bond issuance costs and fees | 2,500 | 2,500 | 3,064 | (564) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,993,413 | 2,993,413 | 3,286,265 | 292,852 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (2,850,870) | (2,850,870) | (3,635,762) | (784,892) |
| Net Change in Fund Balances | 142,543 | 142,543 | (349,497) | (492,040) |
| Fund Balances, January 1 | 2,178,688 | 2,178,688 | 2,178,688 | - |
| Fund Balances, December 31 | $ 2,321,231 | $ 2,321,231 | $ 1,829,191 | $ (492,040) |

# CAPITAL PROJECTS FUNDS

The Capital Projects funds are funds which account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

***Sales Tax Referendum Fund*** - a major fund which accounts for funds to be used for various capital improvements to be repaid with pledged revenues generated by the sales tax imposed by the City.

***Capital Improvement Fund*** - a major fund which accounts for funds to be used to acquire or replace buildings, equipment or other improvements for City operations.

***2018 Bonds Fund*** - a major fund which accounts for costs associated with projects that will be financed through the issuance of G.O. improvement Bonds, Series 2018.

***Airport Runway Extension Fund*** - a nonmajor fund which accounts for costs to be used for the construction of the runway extension at the airport.

***Airport Primary Runway Fund*** - a nonmajor fund which accounts for costs to be used for the construction of the primary runway at the airport.

***2014 Bonds Fund*** - a nonmajor fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2014.

***2016 Bonds Fund*** - a nonmajor fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2016.

***2017 Bonds Fund*** - a nonmajor fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2017.

City of New Ulm, Minnesota
Nonmajor Capital Project Funds
Combining Balance Sheets
December 31, 2018

| | Airport Runway Extension | Airport Primary Runway | 2014 Bonds | 2016 Bonds | 2017 Bonds | Total Nonmajor Capital Projects |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and investments | $ (283,660) | $ 192,099 | $ - | $ - | $ 916,684 | $ 825,123 |
| Receivables | | | | | | |
| Intergovernmental | - | - | - | - | 15,986 | 15,986 |
| Total Assets | $ (283,660) | $ 192,099 | $ - | $ - | $ 932,670 | $ 841,109 |
| Liabilities | | | | | | |
| Retainage payable | $ - | $ - | $ - | $ - | $ 31,522 | $ 31,522 |
| Fund balances | | | | | | |
| Restricted | | | | | | |
| Capital improvements | - | 192,099 | - | - | - | 192,099 |
| Committed | | | | | | |
| Capital improvements | - | - | - | - | 901,148 | 901,148 |
| Unassigned | (283,660) | - | - | - | - | (283,660) |
| Total Fund Balances | (283,660) | 192,099 | - | - | 901,148 | 809,587 |
| Total Liabilities and Fund Balances | $ (283,660) | $ 192,099 | $ - | $ - | $ 932,670 | $ 841,109 |

City of New Ulm, Minnesota
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2018

| | Airport Runway Extension | Airport Primary Runway | 2014 Bonds | 2016 Bonds | 2017 Bonds | Total Nonmajor Capital Projects |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| Intergovernmental | | | | | | |
| Other State aids | $ - | $ - | $ 12,143 | $ 3,312 | $ - | $ 15,455 |
| Investment earnings (loss) | (5,245) | 7,148 | 8,015 | 6,779 | 19,698 | 36,395 |
| Total Revenues | (5,245) | 7,148 | 20,158 | 10,091 | 19,698 | 51,850 |
| Expenditures | | | | | | |
| Capital outlay | | | | | | |
| Streets and highways | - | - | - | 23,194 | 118,442 | 141,636 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (5,245) | 7,148 | 20,158 | (13,103) | (98,744) | (89,786) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers out | | - | (341,284) | (254,406) | - | (595,690) |
| Net Change in Fund Balances | (5,245) | 7,148 | (321,126) | (267,509) | (98,744) | (685,476) |
| Fund Balances, January 1 | (278,415) | 184,951 | 321,126 | 267,509 | 999,892 | 1,495,063 |
| Fund Balances, December 31 | $ (283,660) | $ 192,099 | $ - | $ - | $ 901,148 | $ 809,587 |

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# PERMANENT FUNDS

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

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

# City of New Ulm, Minnesota
## Cemetery Trust Permanent Fund
## Comparative Balance Sheets
## December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 562,985 | $ 545,004 |
| **Fund Balances** | | |
| Nonspendable | | |
| Perpetual care | $ 562,985 | $ 545,004 |

# 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, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| Revenues | | |
| Investment earnings (loss) | $ (2,168) | $ (2,044) |
| Miscellaneous | | |
| Other | 22,188 | 14,025 |
| Total Revenues | 20,020 | 11,981 |
| Expenditures | | |
| Miscellaneous | 2,039 | - |
| Net Change in Fund Balances | 17,981 | 11,981 |
| Fund Balances, January 1 | 545,004 | 533,023 |
| Fund Balances, December 31 | $ 562,985 | $ 545,004 |

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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, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 6,314,576 | $ 5,744,897 |
| Receivables | | |
| Interest | 275,640 | 187,528 |
| Delinquent taxes | 24,886 | 44,312 |
| Accounts | 91,873 | 313,682 |
| Special assessments | 153,975 | 169,960 |
| Intergovernmental | 273,576 | 1,027,827 |
| Prepaid items | 30,120 | 31,394 |
| Total Assets | $ 7,164,646 | $ 7,519,600 |
| **Liabilities** | | |
| Accounts payable | $ 146,458 | $ 213,996 |
| Due to other funds | 410 | 1,926 |
| Accrued salaries payable | 229,863 | 199,664 |
| Deposits payable | 27,625 | 23,125 |
| Unearned revenue | 13,956 | 15,725 |
| Total Liabilities | 418,312 | 454,436 |
| **Deferred Inflows of Resources** | | |
| Unavailable revenue | | |
| Taxes | 24,886 | 44,312 |
| Special assessments | 153,975 | 169,960 |
| Total Deferred Inflows of Resources | 178,861 | 214,272 |
| **Fund Balances** | | |
| Nonspendable | | |
| Prepaid items | 30,120 | 31,394 |
| Assigned | | |
| Subsequent year budgeted deficit | 192,500 | 18,057 |
| Unassigned | 6,344,853 | 6,801,441 |
| Total Fund Balances | 6,567,473 | 6,850,892 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 7,164,646 | $ 7,519,600 |

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City of New Ulm, Minnesota
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Revenues | | | | | |
| Taxes | | | | | |
| General | $ 3,193,263 | $ 3,193,263 | $ 3,184,664 | $ (8,599) | $ 2,805,170 |
| Delinquent | - | - | 13,887 | 13,887 | 21,247 |
| Mobile home | - | - | 7,248 | 7,248 | 6,291 |
| Franchise | 250,000 | 250,000 | 218,520 | (31,480) | 278,807 |
| Hotel/motel | 130,000 | 130,000 | 128,840 | (1,160) | 142,122 |
| Payment in lieu of taxes | 1,452,366 | 1,452,366 | 1,468,851 | 16,485 | 1,449,004 |
| Penalties and interest on delinquent taxes | - | - | 2,319 | 2,319 | 2,318 |
| Total Taxes | 5,025,629 | 5,025,629 | 5,024,329 | (1,300) | 4,704,959 |
| Special assessments | 29,300 | 29,300 | 21,137 | (8,163) | 36,062 |
| Licenses and permits | | | | | |
| Business | 67,000 | 67,000 | 72,786 | 5,786 | 69,616 |
| Nonbusiness | 182,000 | 182,000 | 185,116 | 3,116 | 189,410 |
| Total Licenses and Permits | 249,000 | 249,000 | 257,902 | 8,902 | 259,026 |
| Intergovernmental | | | | | |
| Federal | | | | | |
| Airport improvement grant | 288,000 | 288,000 | 53,762 | (234,238) | 67,013 |
| State | | | | | |
| Local government aid | 3,225,645 | 3,225,645 | 3,202,491 | (23,154) | 3,060,509 |
| Property tax credits and aids | - | - | 423 | 423 | 221 |
| Police amortization aid | 162,000 | 162,000 | 191,402 | 29,402 | 184,741 |
| Fire aid | 93,200 | 93,200 | 94,258 | 1,058 | 94,035 |
| Street maintenance aid | 25,000 | 25,000 | 27,015 | 2,015 | 27,015 |
| Other aid | 228,785 | 228,785 | 45,422 | (183,363) | 164,054 |
| County | | | | | |
| Highways | 10,000 | 10,000 | 13,251 | 3,251 | 10,889 |
| Local | | | | | |
| Other local | - | - | 36,000 | 36,000 | 2,864 |
| Total Intergovernmental | 4,032,630 | 4,032,630 | 3,664,024 | (368,606) | 3,611,341 |
| Charges for services | | | | | |
| General government | 102,600 | 102,600 | 104,684 | 2,084 | 79,139 |
| Public safety | 122,349 | 122,349 | 137,330 | 14,981 | 130,474 |
| Public works | 316,122 | 316,122 | 2,707 | (313,415) | 16,487 |
| Miscellaneous | 127,408 | 127,408 | 189,100 | 61,692 | 164,145 |
| Charges to other funds | 487,702 | 487,702 | 528,616 | 40,914 | 486,017 |
| Total Charges For Services | 1,156,181 | 1,156,181 | 962,437 | (193,744) | 876,262 |
| Fines and forfeitures | | | | | |
| Court fines and forfeitures | 70,700 | 70,700 | 65,086 | (5,614) | 96,305 |
| Investment earnings | 69,330 | 69,330 | 87,822 | 18,492 | 80,424 |
| Miscellaneous | | | | | |
| Donations | 500 | 500 | - | (500) | 4,300 |
| Other | 66,180 | 66,180 | 21,367 | (44,813) | 48,190 |
| Total Miscellaneous | 66,680 | 66,680 | 21,367 | (45,313) | 52,490 |
| Total Revenues | 10,699,450 | 10,699,450 | 10,104,104 | (595,346) | 9,716,869 |

City of New Ulm, Minnesota
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | | |
| | Original | Final | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Personal services | $ 1,111,463 | $ 1,114,663 | $ 1,190,619 | $ (75,956) | $ 1,046,269 |
| Supplies | 33,550 | 33,550 | 51,344 | (17,794) | 49,089 |
| Contractual services | 516,033 | 516,033 | 545,049 | (29,016) | 349,003 |
| Insurance | 219,600 | 219,600 | 221,492 | (1,892) | 211,295 |
| Other services and charges | 431,367 | 439,165 | 446,299 | (7,134) | 462,655 |
| Total general government | 2,312,013 | 2,323,011 | 2,454,803 | (131,792) | 2,118,311 |
| Public safety | | | | | |
| Fire | | | | | |
| Personal services | 396,835 | 396,835 | 402,123 | (5,288) | 360,867 |
| Supplies | 36,000 | 39,334 | 58,526 | (19,192) | 29,845 |
| Contractual services | 41,424 | 41,424 | 37,147 | 4,277 | 39,529 |
| Other services and charges | 49,550 | 49,550 | 58,922 | (9,372) | 65,781 |
| Total fire | 523,809 | 527,143 | 556,718 | (29,575) | 496,022 |
| Police | | | | | |
| Personal services | 2,693,341 | 2,693,341 | 2,644,016 | 49,325 | 2,572,922 |
| Supplies | 160,500 | 160,500 | 92,989 | 67,511 | 98,580 |
| Contractual services | 37,302 | 37,302 | 32,179 | 5,123 | 52,696 |
| Other services and charges | 152,204 | 152,204 | 155,670 | (3,466) | 187,688 |
| Total police | 3,043,347 | 3,043,347 | 2,924,854 | 118,493 | 2,911,886 |
| Total public safety | 3,567,156 | 3,570,490 | 3,481,572 | 88,918 | 3,407,908 |
| Streets and highways | | | | | |
| Personal services | 1,178,913 | 1,178,913 | 1,166,068 | 12,845 | 1,107,344 |
| Supplies | 586,500 | 586,500 | 558,247 | 28,253 | 547,242 |
| Contractual services | 748,463 | 748,463 | 741,057 | 7,406 | 690,962 |
| Other services and charges | 317,262 | 317,262 | 16,607 | 300,655 | 13,677 |
| Total streets and highways | 2,831,138 | 2,831,138 | 2,481,979 | 349,159 | 2,359,225 |
| Sanitation and waste removal | | | | | |
| Personal services | 105,148 | 105,148 | 95,104 | 10,044 | 110,125 |
| Supplies | 15,950 | 15,950 | 2,114 | 13,836 | 741 |
| Contractual services | 63,029 | 63,029 | 59,089 | 3,940 | 62,721 |
| Other services and charges | 3,800 | 3,800 | 3,610 | 190 | 3,420 |
| Total sanitation and waste removal | 187,927 | 187,927 | 159,917 | 28,010 | 177,007 |
| Miscellaneous | | | | | |
| Airport | | | | | |
| Personal services | 5,655 | 5,655 | 4,635 | 1,020 | 5,026 |
| Supplies | 1,500 | 1,500 | 104 | 1,396 | 123 |
| Contractual services | 105,613 | 105,613 | 95,248 | 10,365 | 105,688 |
| Insurance | 8,200 | 8,200 | 7,989 | 211 | 7,748 |
| Other services and charges | 15,880 | 15,880 | 14,286 | 1,594 | 14,797 |
| Total airport | 136,848 | 136,848 | 122,262 | 14,586 | 133,382 |
| Cemetery | | | | | |
| Personal services | 187,118 | 187,118 | 176,085 | 11,033 | 175,172 |
| Supplies | 12,670 | 12,670 | 8,174 | 4,496 | 8,205 |
| Contractual services | 37,498 | 37,498 | 38,098 | (600) | 42,600 |
| Other services and charges | 4,500 | 4,500 | 3,670 | 830 | 3,588 |
| Total cemetery | 241,786 | 241,786 | 226,027 | 15,759 | 229,565 |

City of New Ulm, Minnesota
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for Year Ended December 31, 2017)

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | | |
| | Original | Final | Actual Amounts | Variance with Final Budget | Actual Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Miscellaneous (continued) | | | | | |
| Engineering | | | | | |
| Personal services | $ 710,918 | $ 710,918 | $ 707,197 | $ 3,721 | $ 686,409 |
| Supplies | 12,680 | 12,680 | 14,348 | (1,668) | 16,525 |
| Contractual services | 180,797 | 200,611 | 247,700 | (47,089) | 107,418 |
| Other services and charges | 20,200 | 20,200 | 19,526 | 674 | 19,046 |
| Total engineering | 924,595 | 944,409 | 988,771 | (44,362) | 829,398 |
| Community access | | | | | |
| Personal services | 172,934 | 172,934 | 178,448 | (5,514) | 123,430 |
| Supplies | 68,700 | 68,700 | 65,724 | 2,976 | 27,950 |
| Other services and charges | 21,380 | 21,380 | 13,930 | 7,450 | 18,821 |
| Total community access | 263,014 | 263,014 | 258,102 | 4,912 | 170,201 |
| Total miscellaneous | 1,566,243 | 1,586,057 | 1,595,162 | (9,105) | 1,362,546 |
| Total current | 10,464,477 | 10,498,623 | 10,173,433 | 325,190 | 9,424,997 |
| Capital outlay | | | | | |
| General government | - | 50,000 | 29,003 | 20,997 | 1,327,368 |
| Public safety | 72,000 | 72,000 | 110,871 | (38,871) | 274,208 |
| Miscellaneous | 181,000 | 497,848 | 94,734 | 403,114 | 30,373 |
| Total capital outlay | 253,000 | 619,848 | 234,608 | 385,240 | 1,631,949 |
| Total Expenditures | 10,717,477 | 11,118,471 | 10,408,041 | 710,430 | 11,056,946 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (18,027) | (419,021) | (303,937) | 115,084 | (1,340,077) |
| Other Financing Sources (Uses) | | | | | |
| Sales of capital assets | - | - | 2,505 | 2,505 | 8,434 |
| Transfers in | - | - | 30,962 | 30,962 | 98,080 |
| Transfers out | - | - | (12,949) | (12,949) | (156,718) |
| Total Other Financing Sources (Uses) | - | - | 20,518 | 20,518 | (50,204) |
| Net Change in Fund Balances | (18,027) | (419,021) | (283,419) | 135,602 | (1,390,281) |
| Fund Balances, January 1 | 6,850,892 | 6,850,892 | 6,850,892 | - | 8,241,173 |
| Fund Balances, December 31 | $ 6,832,865 | $ 6,431,871 | $ 6,567,473 | $ 135,602 | $ 6,850,892 |

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# 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, 2018
## (With Comparative Totals for December 31, 2017)

| | Equipment Revolving | Health Insurance Trust | Insurance Trust | Totals 2018 | Totals 2017 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash and investments | $ 1,685,361 | $ 884,009 | $ 1,302,590 | $ 3,871,960 | $ 3,089,057 |
| Receivables | | | | | |
| Accounts | - | - | - | - | 645 |
| Due from other funds | 410 | - | - | 410 | 1,926 |
| Inventories | 110,411 | - | - | 110,411 | 105,263 |
| Prepaid items | - | - | - | - | 233,985 |
| Total Current Assets | 1,796,182 | 884,009 | 1,302,590 | 3,982,781 | 3,430,876 |
| **Noncurrent Assets** | | | | | |
| Capital assets | | | | | |
| Buildings and structures | 1,816,748 | - | - | 1,816,748 | 1,816,748 |
| Machinery and equipment | 5,727,856 | - | - | 5,727,856 | 5,500,872 |
| Accumulated depreciation | (4,996,649) | - | - | (4,996,649) | (4,743,642) |
| Total Noncurrent Assets | 2,547,955 | - | - | 2,547,955 | 2,573,978 |
| Total Assets | 4,344,137 | 884,009 | 1,302,590 | 6,530,736 | 6,004,854 |
| **Deferred Outflows of Resources** | | | | | |
| Deferred pension resources | 22,108 | - | - | 22,108 | 26,536 |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts payable | 9,249 | 971 | 405 | 10,625 | 6,909 |
| Accrued salaries payable | 5,882 | - | - | 5,882 | 4,451 |
| Claims incurred but not paid | - | 24,466 | - | 24,466 | 29,713 |
| Unearned revenue | - | 239,721 | - | 239,721 | 242,158 |
| Total Current Liabilities | 15,131 | 265,158 | 405 | 280,694 | 283,231 |
| **Noncurrent liabilities** | | | | | |
| Pension liability | 99,448 | - | - | 99,448 | 107,838 |
| Total Liabilities | 114,579 | 265,158 | 405 | 380,142 | 391,069 |
| **Deferred Inflows of Resources** | | | | | |
| Deferred pension resources | 24,939 | - | - | 24,939 | 26,743 |
| **Net Position** | | | | | |
| Investment in capital assets | 2,547,955 | - | - | 2,547,955 | 2,573,978 |
| Unrestricted | 1,678,772 | 618,851 | 1,302,185 | 3,599,808 | 3,039,600 |
| Total Net Position | $ 4,226,727 | $ 618,851 | $ 1,302,185 | $ 6,147,763 | $ 5,613,578 |

## City of New Ulm, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | Equipment Revolving | Health Insurance Trust | Insurance Trust | Totals 2018 | Totals 2017 |
|---|---|---|---|---|---|
| Operating Revenues | | | | | |
| Charges for services | $ 1,064,644 | $ - | $ - | $ 1,064,644 | $ 1,012,899 |
| Pension revenue | 761 | - | - | 761 | 39 |
| Insurance premiums | - | 3,098,215 | - | 3,098,215 | 2,956,187 |
| Insurance refunds | - | 12,188 | - | 12,188 | 11,035 |
| Total Operating Revenues | 1,065,405 | 3,110,403 | - | 4,175,808 | 3,980,160 |
| Operating Expenses | | | | | |
| Administrative and general | 201,163 | 18,573 | 3,071 | 222,807 | 222,530 |
| Insurance premiums | - | 2,916,662 | - | 2,916,662 | 2,597,244 |
| Self funded claims | - | 184,469 | 2,090 | 186,559 | 353,981 |
| Vehicle maintenance | 278,194 | - | - | 278,194 | 213,578 |
| Depreciation | 390,643 | - | - | 390,643 | 380,341 |
| Total Operating Expenses | 870,000 | 3,119,704 | 5,161 | 3,994,865 | 3,767,674 |
| Operating Income (Loss) | 195,405 | (9,301) | (5,161) | 180,943 | 212,486 |
| Non-Operating Revenues (Expenses) | | | | | |
| State other aid | 333 | - | - | 333 | 63,836 |
| Gain on sale of assets | 26,519 | - | - | 26,519 | 52,239 |
| Investment income | 20,387 | 11,349 | 16,549 | 48,285 | 32,390 |
| Miscellaneous income | 2,402 | - | 275,703 | 278,105 | 7,959 |
| Total Non-Operating Revenues (Expenses) | 49,641 | 11,349 | 292,252 | 353,242 | 156,424 |
| Change in Net Position | 245,046 | 2,048 | 287,091 | 534,185 | 368,910 |
| Net Position, January 1 | 3,981,681 | 616,803 | 1,015,094 | 5,613,578 | 5,244,668 |
| Net Position, December 31 | $ 4,226,727 | $ 618,851 | $ 1,302,185 | $ 6,147,763 | $ 5,613,578 |

## City of New Ulm, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

| | Equipment Revolving | Health Insurance Trust | Insurance Trust | Totals 2018 | Totals 2017 |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities | | | | | |
| Receipts from interfund services provided | $ 1,064,644 | $ 3,096,423 | $ - | $ 4,161,067 | $ 3,986,937 |
| Grant receipts | 333 | - | - | 333 | 63,836 |
| Payments to suppliers and interfund services used | (314,390) | - | (5,146) | (319,536) | (496,018) |
| Payments to and on behalf of employees | (170,959) | (2,889,995) | - | (3,060,954) | (3,248,865) |
| Other receipts | 2,402 | 12,188 | 275,703 | 290,293 | 18,994 |
| Net Cash Provided (Used) by Operating Activities | 582,030 | 218,616 | 270,557 | 1,071,203 | 324,884 |
| Cash Flows from Non-Capital Financing Activities | | | | | |
| Increase (decrease) in due from other funds | 1,516 | - | - | 1,516 | 1,883 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds from sale of capital assets | 26,519 | - | - | 26,519 | 56,719 |
| Acquisition of capital assets | (364,620) | - | - | (364,620) | (448,033) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (338,101) | - | - | (338,101) | (391,314) |
| Cash Flows from Investing Activities | | | | | |
| Interest income received | 20,387 | 11,349 | 16,549 | 48,285 | 32,390 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 265,832 | 229,965 | 287,106 | 782,903 | (32,157) |
| Cash and Cash Equivalents, January 1 | 1,419,529 | 654,044 | 1,015,484 | 3,089,057 | 3,121,214 |
| Cash and Cash Equivalents, December 31 | $ 1,685,361 | $ 884,009 | $ 1,302,590 | $ 3,871,960 | $ 3,089,057 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | | |
| Operating income (loss) | $ 195,405 | $ (9,301) | $ (5,161) | $ 180,943 | $ 212,486 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Other income related to operations | 2,735 | - | 275,703 | 278,438 | 71,795 |
| Depreciation | 390,643 | - | - | 390,643 | 380,341 |
| Changes in assets and liabilities | | | | | |
| (Increase) decrease in assets | | | | | |
| Accounts receivable | - | 645 | - | 645 | 2,312 |
| Inventories | (5,148) | - | - | (5,148) | (5,105) |
| Prepaid items | - | 233,985 | - | 233,985 | (233,985) |
| (Increase) decrease in deferred outflows of resources | | | | | |
| Deferred pension resources | 4,428 | - | - | 4,428 | 19,665 |
| (Decrease) increase in liabilities | | | | | |
| Accounts payable | 2,730 | 971 | 15 | 3,716 | (136,191) |
| Accrued salaries payable | 1,431 | - | - | 1,431 | (16) |
| Claims incurred, but not paid | - | (5,247) | - | (5,247) | 10,792 |
| Unearned revenue | - | (2,437) | - | (2,437) | 15,539 |
| Pension liability | (8,390) | - | - | (8,390) | (21,461) |
| (Decrease) increase in deferred inflows of resources | | | | | |
| Deferred pension resources | (1,804) | - | - | (1,804) | 8,712 |
| Net Cash Provided (Used) by Operating Activities | $ 582,030 | $ 218,616 | $ 270,557 | $ 1,071,203 | $ 324,884 |
| Schedule of Noncash Investing, Capital and Financing Activities | | | | | |
| Book Value of Disposed/Traded of Capital Assets | $ - | $ - | $ - | $ - | $ 4,480 |

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, 2018 and 2017

| | 2018 | 2017 | (Decrease) and Increase Amount | Percent |
|---|---|---|---|---|
| Operating Revenues | | | | |
| Charges for services | $ 1,064,644 | $ 1,012,899 | $ 51,745 | 5.11% |
| Pension revenue | 761 | 39 | 722 | 1851.28% |
| Total Operating Revenues | 1,065,405 | 1,012,938 | 52,467 | 5.18% |
| Operating Expenses | | | | |
| Administrative and general | | | | |
| Employer paid benefits | 51,996 | 57,311 | (5,315) | -9.27% |
| Miscellaneous | 7,844 | 8,791 | (947) | -10.77% |
| Salaries | 120,394 | 114,926 | 5,468 | 4.76% |
| Utilities | 20,929 | 19,718 | 1,211 | 6.14% |
| Total Administrative and General | 201,163 | 200,746 | 417 | 0.21% |
| Vehicle maintenance | | | | |
| Gas, oil and grease | 113,533 | 78,989 | 34,544 | 43.73% |
| Miscellaneous | 9,760 | 7,999 | 1,761 | 22.02% |
| Repairs | 141,929 | 118,637 | 23,292 | 19.63% |
| Supplies | 12,972 | 7,953 | 5,019 | 63.11% |
| Total Vehicle Maintenance | 278,194 | 213,578 | 64,616 | 30.25% |
| Depreciation | 390,643 | 380,341 | 10,302 | 2.71% |
| Total Operating Expenses | 870,000 | 794,665 | 75,335 | 9.48% |
| Operating Income (Loss) | 195,405 | 218,273 | (22,868) | 10.48% |
| Non-Operating Revenues (Expenses) | | | | |
| State other aid | 333 | 63,836 | (63,503) | -99.48% |
| Gain on sale of assets | 26,519 | 52,239 | (25,720) | -49.24% |
| Investment income | 20,387 | 12,984 | 7,403 | 57.02% |
| Miscellaneous revenue | 2,402 | 209 | 2,193 | 1049.28% |
| Total Non-Operating Revenues (Expenses) | 49,641 | 129,268 | (79,627) | -61.60% |
| Change in Net Position | 245,046 | 347,541 | $ (102,495) | 29.49% |
| Net Position, January 1 | 3,981,681 | 3,634,140 | | |
| Net Position, December 31 | $ 4,226,727 | $ 3,981,681 | | |

# 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, 2018 and 2017

| | 2018 | 2017 | (Decrease) and Increase Amount | Percent |
|---|---|---|---|---|
| Operating Revenues | | | | |
| Insurance premiums | $ 3,098,215 | $ 2,956,187 | $ 142,028 | 4.80% |
| Insurance refunds | 12,188 | 11,035 | 1,153 | 10.45% |
| Total Operating Revenues | 3,110,403 | 2,967,222 | 143,181 | 4.83% |
| Operating Expenses | | | | |
| Administration | 18,573 | 21,784 | (3,211) | -14.74% |
| Insurance premiums | 2,916,662 | 2,597,244 | 319,418 | 12.30% |
| Self funded claims | 184,469 | 234,391 | (49,922) | -21.30% |
| Total Operating Expenses | 3,119,704 | 2,853,419 | 266,285 | 9.33% |
| Operating Income (Loss) | (9,301) | 113,803 | (123,104) | 108.17% |
| Non-Operating Revenues (Expenses) | | | | |
| Investment income | 11,349 | 7,441 | 3,908 | 52.52% |
| Change in Net Position | 2,048 | 121,244 | $ (119,196) | 98.31% |
| Net Position, January 1 | 616,803 | 495,559 | | |
| Net Position, December 31 | $ 618,851 | $ 616,803 | | |

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, 2018 and 2017

| | | | (Decrease) and Increase | |
|---|---|---|---|---|
| | 2018 | 2017 | Amount | Percent |
| Operating Expenses | | | | |
| Self funded claims | $ 2,090 | $ 119,590 | $ (117,500) | -98.25% |
| Administration | 3,071 | - | 3,071 | 100.00% |
| Total Operating Expenses | 5,161 | 119,590 | (114,429) | -95.68% |
| Operating Income (Loss) | (5,161) | (119,590) | 114,429 | 95.68% |
| Non-Operating Revenues (Expenses) | | | | |
| Investment income | 16,549 | 11,965 | 4,584 | 38.31% |
| Miscellaneous | 275,703 | 7,750 | 267,953 | 3457.46% |
| Total Non-Operating Revenues (Expenses) | 292,252 | 19,715 | 272,537 | 1382.38% |
| Change in Net Position | 287,091 | (99,875) | $ 386,966 | 387.45% |
| Net Position, January 1 | 1,015,094 | 1,114,969 | | |
| Net Position, December 31 | $ 1,302,185 | $ 1,015,094 | | |

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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, 2018

| | Balance January 1, 2018 | Additions | Deductions | Balance December 31, 2018 |
|---|---|---|---|---|
| **BLR Drug Task Force Fund (803)** | | | | |
| Assets | | | | |
| Cash and investments | $ 380,316 | $ 511,262 | $ 578,074 | $ 313,504 |
| Liabilities | | | | |
| Accounts payable | $ 39,639 | $ 39,809 | $ 44,281 | $ 35,167 |
| Due to other entities | 340,677 | 471,453 | 533,793 | 278,337 |
| Total Liabilities | $ 380,316 | $ 511,262 | $ 578,074 | $ 313,504 |
| **City Employee Lunchroom Fund (820)** | | | | |
| Assets | | | | |
| Cash and investments | $ (1,289) | $ 1,420 | $ - | $ 131 |
| Liabilities | | | | |
| Accounts payable | $ 66 | $ 1,171 | $ 1,232 | $ 5 |
| Due to other entities | (1,355) | 249 | (1,232) | 126 |
| Total Liabilities | $ (1,289) | $ 1,420 | $ - | $ 131 |
| **Library Employee Lunchroom Fund (823)** | | | | |
| Assets | | | | |
| Cash and investments | $ 1,064 | $ 371 | $ 209 | $ 1,226 |
| Liabilities | | | | |
| Accounts payable | $ 6 | $ 202 | $ 206 | $ 2 |
| Due to other entities | 1,058 | 169 | 3 | 1,224 |
| Total Liabilities | $ 1,064 | $ 371 | $ 209 | $ 1,226 |
| **PUC Employee Lunchroom Fund (825)** | | | | |
| Assets | | | | |
| Cash and investments | $ 7,685 | $ 1,376 | $ 1,464 | $ 7,597 |
| Liabilities | | | | |
| Accounts payable | $ 9 | $ 1,442 | $ 1,451 | $ - |
| Due to other entities | 7,676 | - | 79 | 7,597 |
| Total Liabilities | $ 7,685 | $ 1,442 | $ 1,530 | $ 7,597 |
| **Miscellaneous Affiliated Groups Fund (830)** | | | | |
| Assets | | | | |
| Cash and investments | $ 46,596 | $ 60,294 | $ 51,144 | $ 55,746 |
| Liabilities | | | | |
| Accounts payable | $ - | $ 9,988 | $ 9,988 | $ - |
| Due to other entities | 46,596 | 50,306 | 41,156 | 55,746 |
| Total Liabilities | $ 46,596 | $ 60,294 | $ 51,144 | $ 55,746 |
| **Totals All Funds** | | | | |
| Assets | | | | |
| Cash and investments | $ 434,372 | $ 574,723 | $ 630,891 | $ 378,204 |
| Liabilities | | | | |
| Accounts payable | $ 39,720 | $ 52,612 | $ 57,158 | $ 35,174 |
| Due to other entities | 394,652 | 522,177 | 573,799 | 343,030 |
| Total Liabilities | $ 434,372 | $ 574,789 | $ 630,957 | $ 378,204 |

City of New Ulm, Minnesota
Summary Financial Report
Revenues and Expenditures for General Operations
Governmental Funds
For the Years Ended December 31, 2018 and 2017

| | Total 2018 | Total 2017 | Percent Increase (Decrease) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 10,812,056 | $ 10,922,187 | (1.01) % |
| Special assessments | 1,248,871 | 1,867,477 | (33.13) |
| Licenses and permits | 257,902 | 259,026 | (0.43) |
| Intergovernmental | 5,668,225 | 5,473,130 | 3.56 |
| Contribution from component unit | 513,443 | 994,826 | (48.39) |
| Charges for services | 2,046,467 | 1,959,378 | 4.44 |
| Fines and forfeits | 85,595 | 124,662 | (31.34) |
| Investment earnings | 420,219 | 294,054 | 42.91 |
| Miscellaneous | 180,428 | 147,164 | 22.60 |
| Total Revenues | $ 21,233,206 | $ 22,041,904 | (3.67) % |
| Per Capita | $ 1,568 | $ 1,628 | (3.68) % |
| **Expenditures** | | | |
| Current | | | |
| General government | $ 2,454,803 | $ 2,118,311 | 15.88 % |
| Public safety | 3,493,792 | 3,415,614 | 2.29 |
| Streets and highways | 2,624,457 | 2,319,803 | 13.13 |
| Sanitation and waste removal | 159,917 | 177,007 | (9.65) |
| Culture and recreation | 4,058,563 | 4,184,805 | (3.02) |
| Economic development | 24,928 | 20,000 | 24.64 |
| Miscellaneous | 1,926,204 | 1,987,851 | (3.10) |
| Capital outlay | | | |
| General government | 48,840 | 1,388,001 | (96.48) |
| Public safety | 116,289 | 503,267 | (76.89) |
| Streets and highways | 3,276,031 | 3,917,831 | (16.38) |
| Culture and recreation | 448,123 | 2,298,304 | (80.50) |
| Economic development | 125,147 | - | 100.00 |
| Miscellaneous | 94,734 | 114,008 | (16.91) |
| Debt service | | | |
| Principal | 5,433,894 | 3,863,894 | 40.63 |
| Interest and other charges | 425,599 | 435,920 | (2.37) |
| Total Expenditures | $ 24,711,321 | $ 26,744,616 | (7.60) % |
| Per Capita | $ 1,825 | $ 1,975 | (7.61) % |
| Total Long-term Indebtedness | $ 20,085,578 | $ 15,904,472 | 26.29 % |
| Per Capita | 1,483 | 1,175 | 26.28 |
| General Fund Balance - December 31 | $ 6,567,473 | $ 6,850,892 | (4.14) % |
| Per Capita | 485 | 506 | (4.14) |

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, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2018, and related notes to the financial statements, and have issued our report thereon dated June 11, 2019.

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
June 11, 2019

100 Warren Street, Suite 600
Mankato, MN 56001
Office 507.625.2727 | Fax 507.388.9139

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 11, 2019.

**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.

100 Warren Street, Suite 600
Mankato, MN 56001
Office 507.625.2727 | Fax 507.388.9139

**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
June 11, 2019

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NEW ULM Minnesota

100 North Broadway
New Ulm, Minnesota 56073
507-233-2121
507-359-8219

E-mail: comments@newulmmn.gov
Web Site:  www.newulmmn.gov