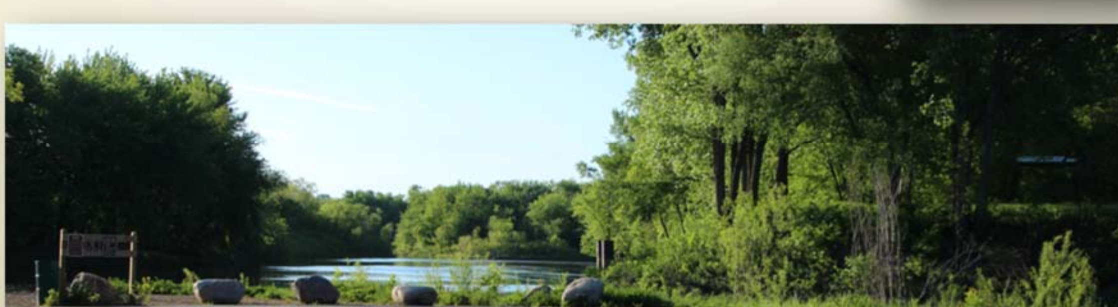
City of New Ulm, Minnesota

Annual Financial Report



For the Fiscal year ended December 31, 2015

City of New Ulm, Minnesota

ê

ê

Annual Financial Report
For the fiscal year ended December 31, 2015

Reginald Vorwerk
Finance Director

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

INTRODUCTORY SECTION

City of New Ulm, Minnesota

List of Principal Officials

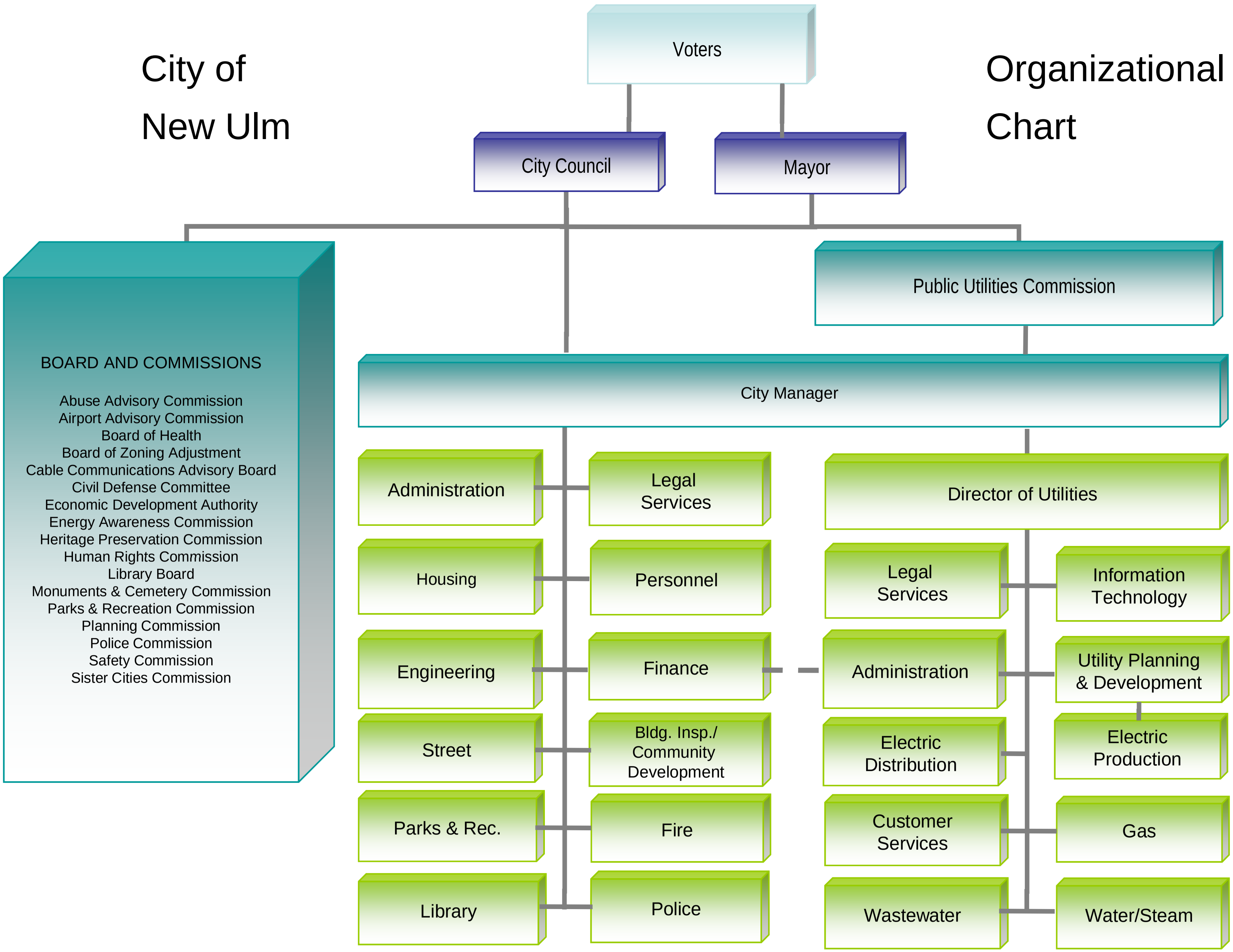
Elected Officials

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

Appointed Officials

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

City of New Ulm Organizational Chart



Financial Section

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Ulm, Minnesota (the City), as of and for the year ended December 31, 2015, 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, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison schedule for the General fund and Park and Recreation special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

Other Matters

Change in Accounting Standards

As described in Note VIII to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68,* for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page v and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Employer's Funding Progress for the Retiree Health Plan starting on page 46 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 31, 2016

People + Process® Going Beyond the Numbers

CITY OF NEW ULM

Management's Discussion and Analysis

As management of the City of New Ulm (the City), we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved annual budget), and (5) identify individual fund issues or concerns.

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

Financial Highlights

- Recognition of pension balances accounted for a $10,206,541 decrease in total net position of the City due to the implementation of GASB Statement No. 68.

- The City and its component units' total net position increased $7,823,687 (4.8 percent) in 2015. The City's total net position for governmental activities increased $4,427,556 (5.2 percent) in 2015. The PUC's total net position increased $3,143,654 (4.4 percent) in 2015. The EDA's total net position increased $252,477 (4.6 percent) in 2015.

- Total net position of the City (including component units) is $170,500,457, of which $31,613,424 is unrestricted.

- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of $25,342,467, an increase of $2,370,780 in comparison with the prior year. The increase is due to collection of previous forfeited assessments and prepaid assessments and very strong sales tax proceeds. Of the ending balance, $4,689,480 (18.5 percent) was unassigned (*available for spending* at the City's discretion).

Overview of the Financial Statements

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

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

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

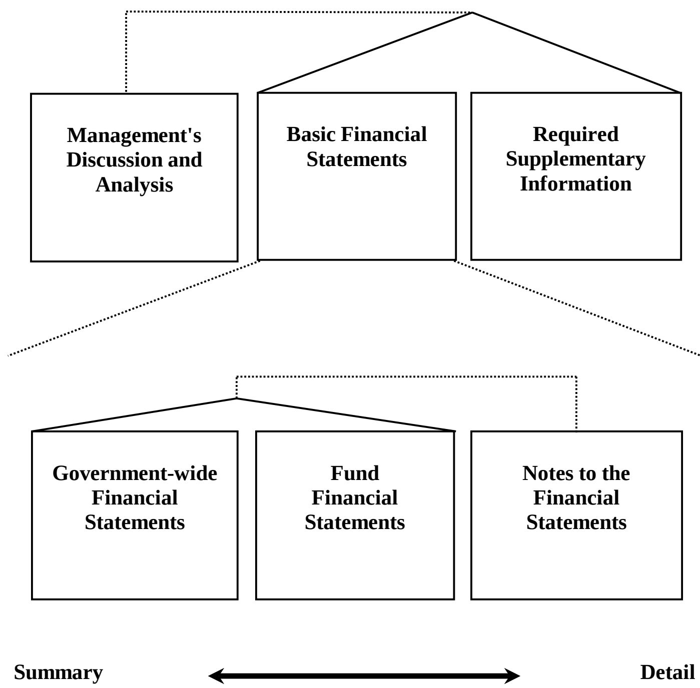


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

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

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

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

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

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Economic Development Loan Program fund, Park and Recreation fund, TIF Districts fund, Sales Tax Revenue fund, Bond Sinking fund, Capital Improvement fund, Airport Runway Extension fund, Airport Primary Runway fund, 2013 Bonds fund, 2014 Bonds fund and 2015 Bonds fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

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

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

Required Supplementary Information Other than MD&A

Governments have an option of including the budgetary comparison statements for the General fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees starting on page 46 of this report. The City has disclosed this information in Notes IV and VI to the financial statements and as separate required supplementary information.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 53 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, 2015.

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 exceeded liabilities by $90,039,154 at the close of the current year.

By far, the largest portion of the City's (not including component units) net position (70.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of New Ulm Summary of Net Position

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	$ 33,595,279	$ 31,874,422	$ 1,720,857	$ 29,595,227	$ 28,748,558	$ 846,669	$ 2,495,665	$ 2,366,558	$ 129,107
Capital assets	82,296,817	80,064,732	2,232,085	62,113,453	61,945,919	167,534	4,183,687	4,451,311	(267,624)
Total assets	115,892,096	111,939,154	3,952,942	91,708,680	90,694,477	1,014,203	6,679,352	6,817,869	(138,517)
Deferred outflows of resources	994,382	-	994,382	490,692	-	490,692	10,482	-	10,482
Long-term liabilities outstanding	24,441,895	19,295,338	5,146,557	13,217,093	10,945,177	2,271,916	480,364	833,781	(353,417)
Other liabilities	962,813	1,754,267	(791,454)	3,288,088	3,357,949	(69,861)	397,062	381,677	15,385
Total liabilities	25,404,708	21,049,605	4,355,103	16,505,181	14,303,126	2,202,055	877,426	1,215,458	(338,032)
Deferred inflows of resources	1,442,616	-	1,442,616	1,031,086	-	1,031,086	14,210	-	14,210
Net investment in capital assets	63,636,782	61,462,457	2,174,325	53,909,860	51,134,336	2,775,524	3,530,424	3,368,482	161,942
Restricted	14,246,738	13,289,176	957,562	3,563,229	3,500,997	62,232	-	2,093	(2,093)
Unrestricted	12,155,634	16,137,916	(3,982,282)	17,190,016	21,756,018	(4,566,002)	2,267,774	2,231,836	35,938
Total net position	$ 90,039,154	$ 90,889,549	$ (850,395)	$ 74,663,105	$ 76,391,351	$ (1,728,246)	$ 5,798,198	$ 5,602,411	$ 195,787

An additional portion of the City's net position (15.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (13.5 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 $4,427,556 during the current fiscal year, compared to $7,053,346 in the previous year. This increase in the current fiscal year does not include the prior period adjustment of $5,277,951 for the implementation of GASB Statement No. 68. Capital grants and contributions (mainly State street aids and special assessments) of $3,439,256 were major factors of this increase. Also, increases in revenues that were over budget, while keeping total expenditures under budget accounted for the majority of the increase from the previous year. A portion of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Governmental activities. Governmental activities increased the City's net position by $4,427,556, thereby accounting for 56.6 percent of the total growth in the net position of the City (including the component units). Capital grants and contributions of $3,439,256 were major factors of this increase. Also, this increase is due to management's planned increase of certain reserves and an increase in net capital assets.

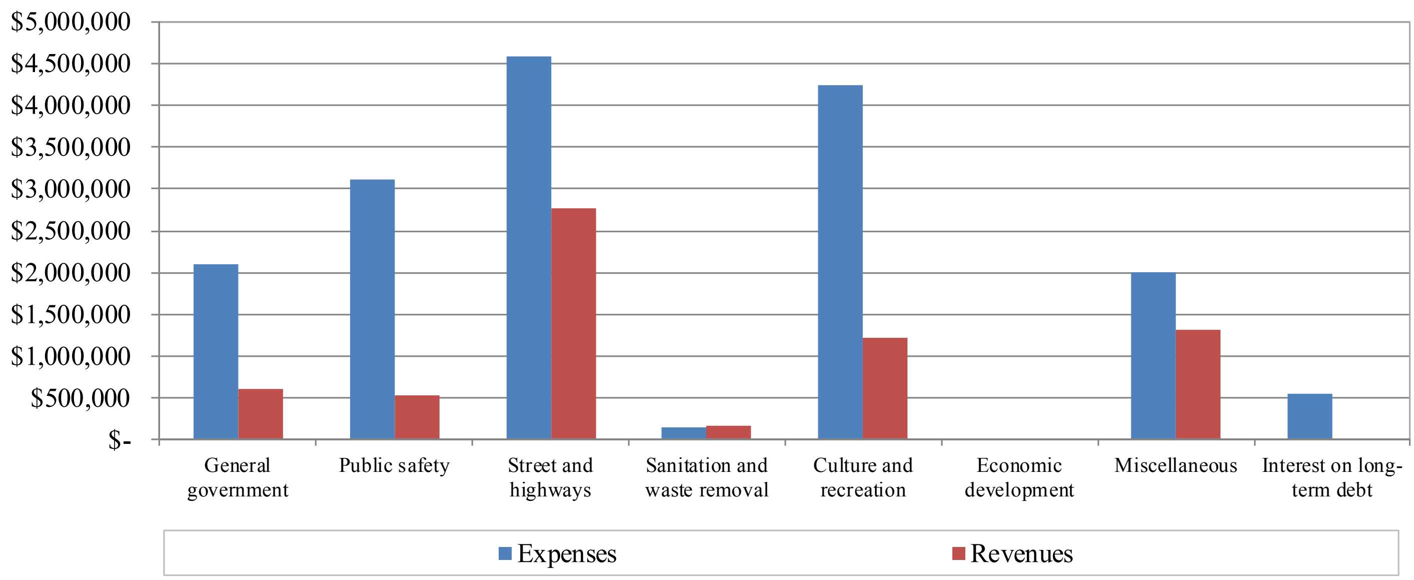
City of New Ulm Changes in Net Position

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues									
Program revenues									
Charges for services	$ 2,425,618	$ 2,319,448	$ 106,170	$ 37,616,174	$ 43,118,180	$ (5,502,006)	$ 1,037,287	$ 1,020,381	$ 16,906
Operating grants and contributions	785,575	733,785	51,790	12,228	12,243	(15)	418,433	419,578	(1,145)
Capital grants and contributions	3,439,256	5,561,120	(2,121,864)	600,399	102,003	498,396	29,551	12,043	17,508
General revenues									
Property taxes	6,511,861	5,850,194	661,667	-	-	-	116,538	117,424	(886)
Other taxes	3,510,303	3,871,216	(360,913)	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	4,238,879	4,222,987	15,892	-	-	-	5	5	-
Unrestricted investment earnings	275,990	584,534	(308,544)	297,492	770,924	(473,432)	8,253	8,689	(436)
Other	6,150	45,719	(39,569)	810	11,010	(10,200)	34,470	15,464	19,006
Total revenues	21,193,632	23,189,003	(1,995,371)	38,527,103	44,014,360	(5,487,257)	1,644,537	1,593,584	50,953

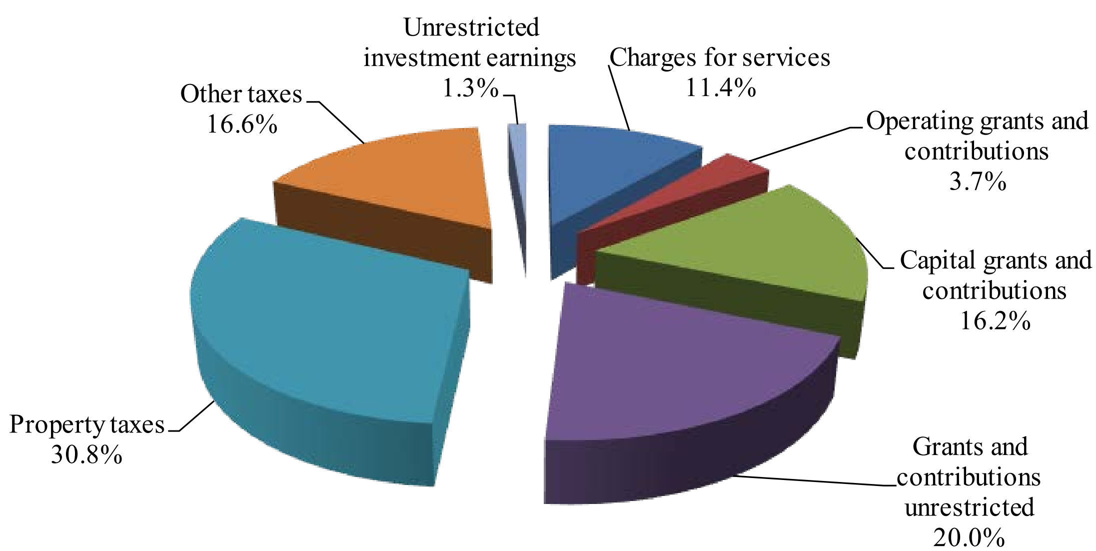
City of New Ulm Changes in Net Position - Continued

	Primary Government - Governmental Activities			Component Unit - Public Utilities Commission			Component Unit - Economic Development Authority		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Expenses									
General government	$ 2,095,632	$ 2,137,976	$ (42,344)	$ -	$ -	$ -	$ -	$ -	$ -
Public safety	3,109,705	3,159,975	(50,270)	-	-	-	-	-	-
Streets and highways	4,592,583	4,006,353	586,230	-	-	-	-	-	-
Sanitation and waste removal	154,890	141,667	13,223	-	-	-	-	-	-
Culture and recreation	4,246,938	4,038,065	208,873	-	-	-	-	-	-
Miscellaneous	2,004,222	2,024,658	(20,436)	-	-	-	-	-	-
Interest on long-term debt	562,106	626,963	(64,857)	-	-	-	-	-	-
Electric	-	-	-	21,527,326	22,615,076	(1,087,750)	-	-	-
District energy	-	-	-	898,579	1,312,577	(413,998)	-	-	-
Natural gas	-	-	-	7,208,044	11,728,397	(4,520,353)	-	-	-
Water	-	-	-	2,576,597	2,531,845	44,752	-	-	-
Wastewater	-	-	-	3,172,903	3,214,896	(41,993)	-	-	-
Housing development	-	-	-	-	-	-	1,392,060	1,409,017	(16,957)
Total expenses	16,766,076	16,135,657	630,419	35,383,449	41,402,791	(6,019,342)	1,392,060	1,409,017	(16,957)
Change in net position	4,427,556	7,053,346	(2,625,790)	3,143,654	2,611,569	532,085	252,477	184,567	67,910
Net position - January 1, as restated (Note VIII)	85,611,598	83,836,203	1,775,395	71,519,451	73,779,782	(2,260,331)	5,545,721	5,417,844	127,877
Net position - December 31	$ 90,039,154	$ 90,889,549	$ (850,395)	$ 74,663,105	$ 76,391,351	$ (1,728,246)	$ 5,798,198	$ 5,602,411	$ 195,787

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

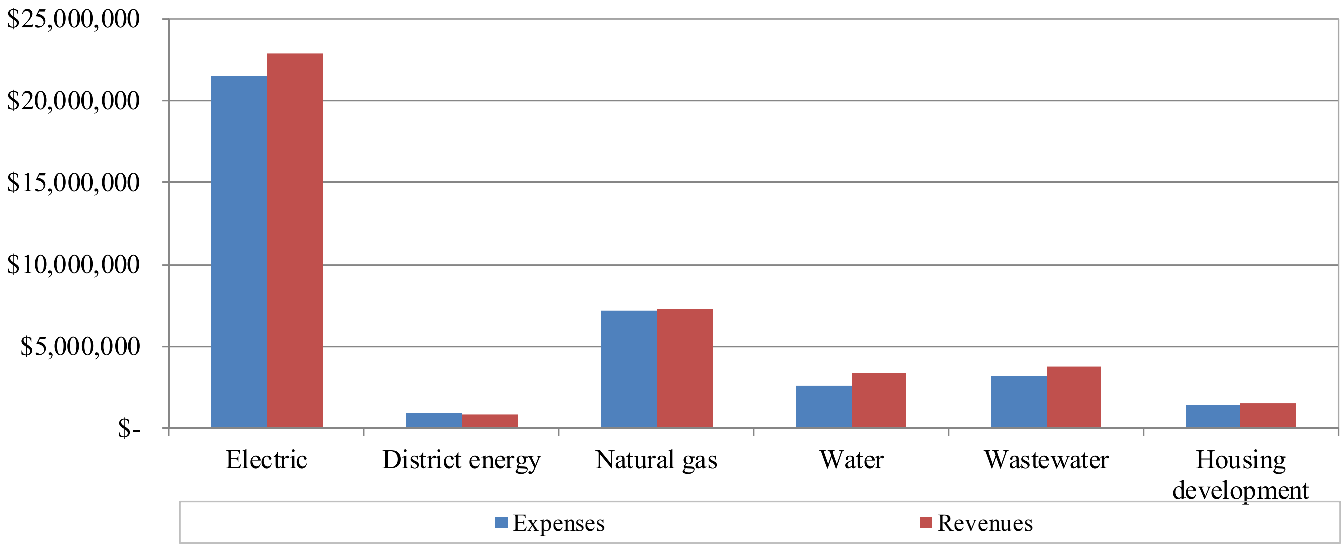


Component unit activities. Component unit (business-type) activities increased the City's net position by $3,396,131, accounting for 43.4 percent of the total growth in the City's net position. Key elements of this increase are as follows:

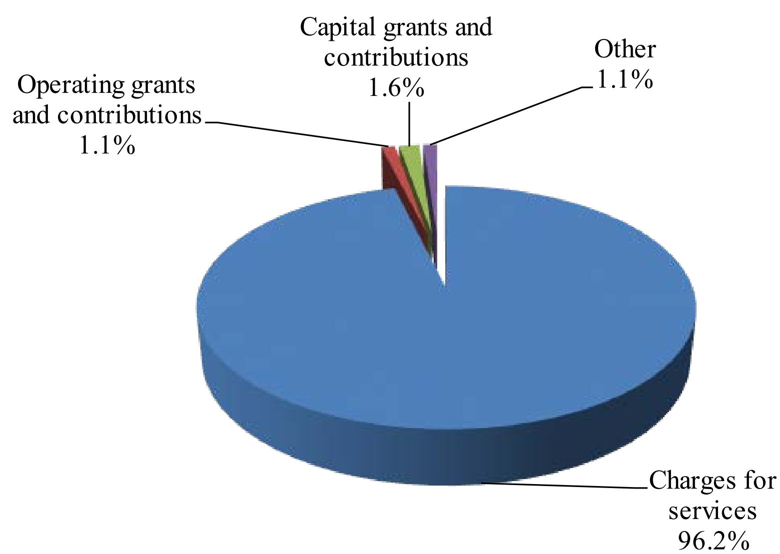
- The largest portion of the EDA's increase is due to good financial results in the market rate housing projects and keeping expenses in line as possible.

- Electric, Natural gas, Water and Wastewater usage increased significantly due to weather.

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 46.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $25,342,467, an increase of $2,370,780 in comparison with the prior year. Approximately 18.5 percent ($4,689,480) 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 ($546,892), 2) Restricted ($9,860,372), 3) Committed ($6,062,922), and Assigned ($4,182,801).

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 $5,502,814, while total fund balance reached $7,541,626. 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 61.2 percent of total General fund expenditures, while total fund balance represents 83.9 percent of that same amount.

The fund balance of the City's General fund increased by $397,075 during the current fiscal year. The key factors in this change were:

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

The *Economic Development Loan Program fund* has a total fund balance of $1,929,529, which is all restricted for economic development. The fund had an increase in fund balance of $10,479. This increase was due to the payment on a loan due to the State of Minnesota.

The *Park and Recreation fund* (P&R) is the fund that operates all of the parks and three recreational and community activity facilities. At the end of the current year, total fund balance reached $1,882,612. 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 59.1 percent of total fund expenditures. The fund balance of the fund increased by $185,200 during the current fiscal year. The key factors in this increase were not completing capital projects as planned, decreased expenditures where possible. Also charges for services, state aids, and donations were higher than projected.

The *TIF District funds* has an ending fund deficit of $419,459, which is an increase in the deficit of $91,855 from the prior year.

The *Sales Tax Revenue fund* has an ending fund balance of $3,560,645, which is an increase of $518,936 from the prior year.

The *Bond Sinking fund* has a total fund balance of $2,385,625, which is all restricted for debt service. The fund had an increase in fund balance of $683,425. This increase was due to collection of previously forfeited assessments and prepaid assessments.

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 $5,067,604, an increase of $857,690 during the current fiscal year. The key factor in this increase was the planned building of reserves in 2015.

The *Airport Runway Extension fund* had an ending fund balance deficit of $391,503 which decreased $22,203 during the current fiscal year. This decrease in the deficit is due to airport projects being completed. The deficit will be reduced with grant reimbursements and City contributions.

The *Airport Primary Runway fund* had an ending fund balance of $113,345 which was due to an increase in fund balance of $332,542 during the current fiscal year. This increase is due to airport projects being completed.

The *2013 Bonds fund* was closed during the year.

The *2014 Bonds fund* had an ending fund balance of $276,964, which was a decrease in fund balance of $312,063. This was a result of spending down bond proceeds from the previous year.

The *2015 Bonds fund* had an ending fund balance of $639,597, which is related to the bond proceeds and other revenues in excess of construction costs.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $219,590 in increases in appropriations for the General fund and can be briefly summarized as follows:

- $60,000 increase in Federal grants for airport expansion.
- There were many adjustments made in 2015 to all departments due to projects not completed in 2014.

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

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and component unit activities as of December 31, 2015, amounts to $148,593,957 (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 1.5 percent (a 2.8 percent increase for governmental activities and a 0.2 percent decrease for the component unit activities).

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

- Infrastructure capital improvement projects of over $5.0 million
- Miscellaneous Public Utility construction projects

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

	Governmental Activities			Component Unit Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	$ 8,845,450	$ 8,845,450	$ -	$ 1,615,251	$ 1,615,251	$ -
Non-exhaustible monuments	30,000	30,000	-	-	-	-
Buildings	14,290,033	14,919,994	(629,961)	4,507,684	4,735,651	(227,967)
Improvement other than buildings	1,322,342	1,034,785	287,557	142,360	169,116	(26,756)
Infrastructure/PUC plant	54,495,383	50,967,325	3,528,058	55,160,351	55,221,053	(60,702)
Machinery and equipment	2,260,194	2,278,143	(17,949)	4,406,445	4,555,269	(148,824)
Office furniture and equipment	34,559	43,062	(8,503)	23,445	23,108	337
Park equipment	259,022	293,498	(34,476)	-	-	-
Construction in progress	759,834	1,652,475	(892,641)	441,604	77,782	363,822
Total	$ 82,296,817	$ 80,064,732	$ 2,232,085	$ 66,297,140	$ 66,397,230	$ (100,090)

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

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $27,153,790. The following gives you a breakdown of the debt outstanding.

City of New Ulm Outstanding Debt

	Governmental Activities			Component Unit Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
G.O. improvement bonds	$ 15,011,500	$ 14,358,000	$ 653,500	$ -	$ -	$ -
General obligation revenue bonds	3,245,000	3,820,000	(575,000)	8,156,500	10,127,000	(1,970,500)
Equity loans and bonds	-	-	-	384,788	784,839	(400,051)
Notes	10,984	36,981	(25,997)	-	-	-
Special assessments	307,261	351,156	(43,895)	37,757	42,791	(5,034)
Total	$ 18,574,745	$ 18,566,137	$ 8,608	$ 8,579,045	$ 10,954,630	$ (2,375,585)

The City's total debt (including component units) decreased by $2,366,977 (8.0 percent) during the current fiscal year. The key factor in this decrease was normal defeasance of debt.

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 $23,715,987 which is significantly in excess of the City's outstanding general obligation debt that fits this category.

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

Economic Factors and Next Year's Budgets and Rates

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

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

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

- The unemployment rate for Brown County, where the City is located, is currently 4.1 percent, which is lower than the rate of 5.0 percent a year ago. This compares to the State's average unemployment rate of 3.7 percent and to the national average rate of 5.3 percent (rates are seasonally adjusted).

- 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 $38,291,690 which was 84 percent higher than the valuation of building permits issued in 2014.

The City's appointed officials considered many factors when setting the fiscal year 2016 budget, rates, and fees that will be charged, including many of the items above. The major factors considered when adopting the 2016 budget were the increases in capital expenditures and debt service requirements. Due to the changes mentioned above, the overall tax levy increased by $300,840 for calendar year 2016.

Requests for Information

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

CITY OF NEW ULM, MINNESOTA
Statement of Net Position
December 31, 2015

	Primary Government	Component Units	
	Governmental Activities	Public Utilities Commission	Economic Development Authority
Assets			
Cash and investments	$ 26,360,399	$ 19,525,672	$ 1,751,565
Restricted cash and investments	2,208	3,521,894	36,012
Receivables			
Interest	116,283	-	-
Delinquent taxes	112,629	-	1,893
Accounts	336,072	3,716,478	2,789
Notes	680,039	4,926	-
Special assessments	4,605,426	49,300	-
Intergovernmental	854,015	-	903
Due from component unit/primary government	38,211	-	415,228
Assets held for resale	-	-	244,965
Inventories	99,420	2,657,630	-
Prepaid items	35,962	119,327	42,310
Pension asset	354,615	-	-
Capital assets			
Nondepreciable assets	9,635,284	989,183	1,067,672
Depreciable assets, net of accumulated depreciation	72,661,533	61,124,270	3,116,015
Total assets	115,892,096	91,708,680	6,679,352
Deferred outflows of resources			
Deferred pension resources	994,382	490,692	10,482
Liabilities			
Accounts payable	331,278	2,505,143	44,758
Contracts payable	-	28,163	-
Retainage payable	234,600	-	-
Due to component unit/primary government	-	177,736	268,475
Due to other governments	80,144	79,125	41,603
Accrued interest payable	36,605	42,969	3,047
Accrued salaries payable	227,866	212,123	6,821
Accrued items	-	20,049	-
Deposits payable	31,625	23,702	32,313
Unearned revenue	20,695	199,078	45
Noncurrent liabilities			
Due within one year	3,608,747	1,268,783	142,854
Due in more than one year	20,833,148	11,948,310	337,510
Total liabilities	25,404,708	16,505,181	877,426
Deferred inflows of resources			
Deferred pension resources	1,442,616	1,031,086	14,210
Net position			
Net investment in capital assets	63,636,782	53,909,860	3,530,424
Restricted			
Capital improvements	113,345	3,246,890	-
Parkland dedication	159,219	-	-
Economic development	3,039,771	-	-
Maintain parking areas	475,900	-	-
Sales tax projects	3,560,645	-	-
Debt service	6,897,858	316,339	-
Unrestricted	12,155,634	17,190,016	2,267,774
Total net position	$ 90,039,154	$ 74,663,105	$ 5,798,198

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, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Units: Public Utilities Commission	Net (Expense) Revenue and Changes in Net Position: Component Units: Economic Development Authority
Primary government							
Governmental activities							
General government	$ 2,095,632	$ 440,245	$ 168,856	$ 3,421	$ (1,483,110)		
Public safety	3,109,705	238,402	305,002	-	(2,566,301)		
Streets and highways	4,592,583	17,990	37,879	2,715,898	(1,820,816)		
Sanitation and waste removal	154,890	162,451	195	-	7,756		
Culture and recreation	4,246,938	964,539	242,946	8,310	(3,031,143)		
Economic development	-	23,097	-	-	23,097		
Miscellaneous	2,004,222	578,894	30,697	711,627	(683,004)		
Interest on long-term debt	562,106	-	-	-	(562,106)		
Total primary government	$ 16,766,076	$ 2,425,618	$ 785,575	$ 3,439,256	(10,115,627)		
Component units							
Business-type activities							
Electric	$ 21,527,326	$ 22,840,600	$ 6,416	$ -		$ 1,319,690	$ -
District energy	898,579	894,152	80	-		(4,347)	-
Natural gas	7,208,044	7,330,855	2,204	-		125,015	-
Water	2,576,597	2,998,409	1,499	343,760		767,071	-
Wastewater	3,172,903	3,552,158	2,029	256,639		637,923	-
Housing development	1,392,060	1,037,287	418,433	29,551		-	93,211
Total component units	$ 36,775,509	$ 38,653,461	$ 430,661	$ 629,950		2,845,352	93,211
General revenues							
Property taxes, levied for general purposes					4,205,302	-	116,538
Property taxes, levied for debt service					2,306,559	-	-
Special service district tax					32,040	-	-
Tax increments					74,454	-	-
Sales tax					1,179,298	-	-
Hotel-motel taxes					125,150	-	-
Payment in lieu of taxes					1,859,079	-	-
Franchise taxes					240,282	-	-
Grants and contributions not restricted to specific programs					4,238,879	-	5
Unrestricted investment earnings					275,990	297,492	8,253
Other					620	-	34,470
Gain on sale of capital assets					5,530	810	-
Total general revenues					14,543,183	298,302	159,266
Change in net position					4,427,556	3,143,654	252,477
Net position, January 1, as restated (Note VIII)					85,611,598	71,519,451	5,545,721
Net position, December 31					$ 90,039,154	$ 74,663,105	$ 5,798,198

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

CITY OF NEW ULM, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2015

		Special Revenue				Debt Service	Capital Projects							
	General	Economic Development Loan Program	Park and Recreation	TIF Districts	Sales Tax Revenue	Bond Sinking	Capital Improvement	Airport Runway Extension	Airport Primary Runway	2013 Bonds	2014 Bonds	2015 Bonds	Other Governmental Funds	Total Governmental Funds
Assets														
Cash and investments	$ 7,156,255	$ 1,474,750	$ 1,956,901	$ 78,775	$ 3,332,046	$ 2,385,625	$ 4,799,129	$ (561,941)	$ (76,860)	$ -	$ 436,930	$ 846,673	$ 2,540,664	$ 24,368,947
Receivables														
Interest	116,283	-	-	-	-	-	-	-	-	-	-	-	-	116,283
Delinquent taxes	38,502	-	11,675	-	-	36,498	1,415	-	-	-	-	-	24,539	112,629
Accounts	267,436	-	62,268	-	4,353	-	-	-	-	-	-	-	2,015	336,072
Notes, net of allowance	-	430,779	-	-	-	-	-	-	-	-	-	-	249,260	680,039
Special assessments	232,958	-	-	-	-	4,029,968	-	-	-	-	-	-	342,500	4,605,426
Intergovernmental	269,126	-	-	-	224,246	-	-	170,438	190,205	-	-	-	-	854,015
Due from component unit	644	-	-	-	-	-	-	-	-	-	-	-	-	644
Advances to component unit (EDA)	-	-	-	-	-	-	268,475	-	-	-	-	-	-	268,475
Advances to other funds	-	24,000	-	-	-	-	-	-	-	-	-	-	-	24,000
Prepaid items	25,815	-	7,015	-	-	-	-	-	-	-	-	-	3,132	35,962
Total assets	$ 8,107,019	$ 1,929,529	$ 2,037,859	$ 78,775	$ 3,560,645	$ 6,452,091	$ 5,069,019	$ (391,503)	$ 113,345	$ -	$ 436,930	$ 846,673	$ 3,162,110	$ 31,402,492
Liabilities														
Accounts payable	$ 58,796	$ -	$ 91,752	$ 61,768	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 84,519	$ 20,573	$ 317,408
Contracts payable	-	-	-	-	-	-	-	-	-	-	154,123	-	-	154,123
Retainage payable	-	-	-	-	-	-	-	-	-	-	-	80,477	-	80,477
Due to other funds	1,312	-	-	4,466	-	-	-	-	-	-	-	-	-	5,778
Advances from other funds	-	-	-	24,000	-	-	-	-	-	-	-	-	-	24,000
Advances from component unit	-	-	-	408,000	-	-	-	-	-	-	-	-	-	408,000
Due to other governments	23,844	-	3,817	-	-	-	-	-	-	-	5,843	42,080	94	75,678
Accrued salaries payable	165,785	-	39,879	-	-	-	-	-	-	-	-	-	18,522	224,186
Deposits payable	31,625	-	-	-	-	-	-	-	-	-	-	-	-	31,625
Unearned revenue	12,571	-	8,124	-	-	-	-	-	-	-	-	-	-	20,695
Total liabilities	293,933	-	143,572	498,234	-	-	-	-	-	-	159,966	207,076	39,189	1,341,970
Deferred inflows of resources														
Unavailable revenue - taxes	38,502	-	11,675	-	-	36,498	1,415	-	-	-	-	-	24,539	112,629
Unavailable revenue - assessments	232,958	-	-	-	-	4,029,968	-	-	-	-	-	-	342,500	4,605,426
Total deferred inflows of resources	271,460	-	11,675	-	-	4,066,466	1,415	-	-	-	-	-	367,039	4,718,055
Fund balances														
Nonspendable														
Prepaid items	25,815	-	7,015	-	-	-	-	-	-	-	-	-	3,132	35,962
Perpetual care	-	-	-	-	-	-	-	-	-	-	-	-	510,930	510,930
Restricted														
Parkland dedication	-	-	159,219	-	-	-	-	-	-	-	-	-	-	159,219
Capital improvement	-	-	-	-	-	-	-	-	113,345	-	-	-	-	113,345
Economic development	-	1,929,529	-	-	-	-	-	-	-	-	-	-	1,110,242	3,039,771
Maintain parking areas	-	-	-	-	-	-	-	-	-	-	-	-	461,895	461,895
Sales tax projects	-	-	-	-	3,560,645	-	-	-	-	-	-	-	-	3,560,645
Debt service	-	-	-	2,372	-	2,385,625	-	-	-	-	-	-	137,500	2,525,497
Committed														
Capital improvement	-	-	-	-	-	-	5,067,604	-	-	-	276,964	639,597	-	5,984,165
Library programs	-	-	-	-	-	-	-	-	-	-	-	-	71,541	71,541
Fire fighting	-	-	-	-	-	-	-	-	-	-	-	-	7,216	7,216
Assigned														
Park and recreation services	-	-	1,716,378	-	-	-	-	-	-	-	-	-	-	1,716,378
Library services	-	-	-	-	-	-	-	-	-	-	-	-	379,639	379,639
Library programs	-	-	-	-	-	-	-	-	-	-	-	-	12,345	12,345
DARE program	-	-	-	-	-	-	-	-	-	-	-	-	58,631	58,631
Fire fighting	-	-	-	-	-	-	-	-	-	-	-	-	2,811	2,811
Subsequent year budgeted deficit	2,012,997	-	-	-	-	-	-	-	-	-	-	-	-	2,012,997
Unassigned	5,502,814	-	-	(421,831)	-	-	-	(391,503)	-	-	-	-	-	4,689,480
Total fund balances	7,541,626	1,929,529	1,882,612	(419,459)	3,560,645	2,385,625	5,067,604	(391,503)	113,345	-	276,964	639,597	2,755,882	25,342,467
Total liabilities, deferred inflows of resources and fund balances	$ 8,107,019	$ 1,929,529	$ 2,037,859	$ 78,775	$ 3,560,645	$ 6,452,091	$ 5,069,019	$ (391,503)	$ 113,345	$ -	$ 436,930	$ 846,673	$ 3,162,110	$ 31,402,492

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

CITY OF NEW ULM, MINNESOTA
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2015

Amounts reported for governmental activities in the statement of net position are different because	
Total fund balances - governmental funds	$ 25,342,467
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	79,805,911
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	(505,511)
Other post employment benefit obligation	(257,207)
Special assessments payable	(307,261)
Bond principal payable	(17,066,500)
Notes payable	(1,200,984)
Pension liability	(4,580,520)
Bond discounts, net of accumulated amortization	107,233
Bond premiums, net of accumulated amortization	(192,523)
Certain long-term receivables are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	112,629
Special assessments receivable	4,605,426
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	984,778
Deferred inflows of pension resources	(1,421,755)
Governmental funds do not report a liability for accrued interest until due and payable.	(36,605)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	4,649,576
Total net position - governmental activities	$ 90,039,154

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, 2015

		Special Revenue				Debt Service	Capital Projects							
	General	Economic Development Loan Program	Park and Recreation	TIF Districts	Sales Tax Revenue	Bond Sinking	Capital Improvement	Airport Runway Extension	Airport Primary Runway	2013 Bonds	2014 Bonds	2015 Bonds	Other Governmental Funds	Total Governmental Funds
Revenues														
Taxes	$ 4,348,795	$ -	$ 1,202,486	$ 74,454	$ 1,179,298	$ 2,248,136	$ 174,621	$ -	$ -	$ -	$ -	$ -	$ 789,230	$ 10,017,020
Licenses and permits	283,597	-	-	-	-	-	-	-	-	-	-	-	-	283,597
Intergovernmental	3,932,931	-	1,172,736	-	-	-	45,791	38,257	386,392	-	1,357,080	-	15,466	6,948,653
Contribution from component unit	-	-	-	-	-	-	-	-	-	-	-	411,926	-	411,926
Charges for services	897,797	-	920,206	-	-	-	10,553	-	-	-	-	-	41,578	1,870,134
Fines and forfeitures	70,092	-	-	-	-	-	-	-	-	-	-	-	26,152	96,244
Special assessments	29,371	-	-	-	-	1,310,644	-	-	-	-	-	-	91,340	1,431,355
Investment earnings (loss)	84,414	36,979	20,776	771	43,252	13,247	50,203	(4,015)	(1,413)	246	1,689	74	29,413	275,636
Miscellaneous	104,722	-	55,284	-	-	-	98,922	-	-	-	-	620	30,615	290,163
Total revenues	9,751,719	36,979	3,371,488	75,225	1,222,550	3,572,027	380,090	34,242	384,979	246	1,358,769	412,620	1,023,794	21,624,728
Expenditures														
Current														
General government	2,080,576	-	-	-	-	-	-	-	-	-	-	-	-	2,080,576
Public safety	3,083,130	-	-	-	-	-	-	-	-	-	-	-	6,522	3,089,652
Streets and highways	2,241,324	-	-	-	-	-	-	-	-	-	10,130	3,609,901	-	5,861,355
Sanitation and waste removal	162,645	-	-	-	-	-	-	-	-	-	-	-	-	162,645
Culture and recreation	-	-	2,953,832	-	-	-	-	-	-	-	-	-	692,706	3,646,538
Miscellaneous	1,196,470	-	-	86,441	9,244	-	-	-	-	-	-	-	66,601	1,358,756
Capital outlay														
Public safety	64,856	-	-	-	-	-	-	-	-	-	-	-	-	64,856
Streets and highways	-	-	-	-	-	-	-	-	-	5,144	1,660,702	295,752	54,067	2,015,665
Culture and recreation	-	-	232,456	-	-	-	-	-	-	-	-	-	10,750	243,206
Miscellaneous	164,203	-	-	-	-	-	-	8,924	51,983	-	-	-	-	225,110
Debt service														
Principal	-	25,998	-	43,894	-	-	-	-	-	-	-	-	3,196,500	3,266,392
Interest	-	502	-	36,745	-	-	-	3,115	454	-	-	6	462,728	503,550
Bond issuance costs and fees	-	-	-	-	-	2,758	-	-	-	-	-	34,785	-	37,543
Total expenditures	8,993,204	26,500	3,186,288	167,080	9,244	2,758	-	12,039	52,437	5,144	1,670,832	3,940,444	4,489,874	22,555,844
Excess (deficiency) of revenues over (under) expenditures	758,515	10,479	185,200	(91,855)	1,213,306	3,569,269	380,090	22,203	332,542	(4,898)	(312,063)	(3,527,824)	(3,466,080)	(931,116)
Other financing sources (uses)														
Transfers in	190,000	-	-	-	-	-	477,600	-	-	-	-	1,055,525	3,657,109	5,380,234
Bonds and notes issued	-	-	-	-	-	-	-	-	-	-	-	3,275,000	-	3,275,000
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-	-	26,896	-	26,896
Transfers out	(551,440)	-	-	-	(694,370)	(2,885,844)	-	-	-	(319,356)	-	(190,000)	(739,224)	(5,380,234)
Total other financing sources (uses)	(361,440)	-	-	-	(694,370)	(2,885,844)	477,600	-	-	(319,356)	-	4,167,421	2,917,885	3,301,896
Net change in fund balances	397,075	10,479	185,200	(91,855)	518,936	683,425	857,690	22,203	332,542	(324,254)	(312,063)	639,597	(548,195)	2,370,780
Fund balances, January 1	7,144,551	1,919,050	1,697,412	(327,604)	3,041,709	1,702,200	4,209,914	(413,706)	(219,197)	324,254	589,027	-	3,304,077	22,971,687
Fund balances, December 31	$ 7,541,626	$ 1,929,529	$ 1,882,612	$ (419,459)	$ 3,560,645	$ 2,385,625	$ 5,067,604	$ (391,503)	$ 113,345	$ -	$ 276,964	$ 639,597	$ 2,755,882	$ 25,342,467

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, 2015

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

Net change in fund balances - governmental funds	$	2,370,780
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		6,039,315
Depreciation expense		(3,839,374)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments		3,266,392
Debt issued or incurred		(3,275,000)
Premium on bonds issued, net of amortization		(27,294)
Discount on bonds issued, net of amortization		(21,858)
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.		1,243
Long-term pension activity is not reported in governmental funds.		
Pension expense		156,607
Direct aid contributions		15,300
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		5,144
Special assessments		(481,042)
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		(29,267)
Compensated absences		(40,388)
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.		286,998
Change in net position - governmental activities	$	4,427,556

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

CITY OF NEW ULM, MINNESOTA
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General and Park and Recreation Funds
For the year ended December 31, 2015

	General				Park and Recreation			
	Budgeted Amounts				Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget	Original	Final	Actual Amounts	Variance with Final Budget
Revenues								
Taxes	$ 4,308,092	$ 4,308,092	$ 4,348,795	$ 40,703	$ 1,208,471	$ 1,208,471	$ 1,202,486	$ (5,985)
Special assessments	26,200	26,200	29,371	3,171	-	-	-	-
Licenses and permits	212,800	212,800	283,597	70,797	-	-	-	-
Intergovernmental	3,718,736	3,778,736	3,932,931	154,195	1,083,208	1,083,208	1,172,736	89,528
Charges for services	736,686	736,686	897,797	161,111	882,220	882,220	920,206	37,986
Fines and forfeitures	64,300	64,300	70,092	5,792	-	-	-	-
Investment earnings (loss)	36,900	36,900	84,414	47,514	10,200	10,200	20,776	10,576
Miscellaneous	48,100	48,100	104,722	56,622	4,600	4,600	55,284	50,684
Total revenues	9,151,814	9,211,814	9,751,719	539,905	3,188,699	3,188,699	3,371,488	182,789
Expenditures								
Current								
General government	2,207,835	2,228,285	2,080,576	147,709	-	-	-	-
Public safety	3,141,650	3,166,650	3,083,130	83,520	-	-	-	-
Streets and highways	2,305,222	2,305,222	2,241,324	63,898	-	-	-	-
Sanitation and waste removal	148,312	148,312	162,645	(14,333)	-	-	-	-
Culture and recreation	-	-	-	-	2,847,199	2,888,103	2,953,832	(65,729)
Miscellaneous	1,240,295	1,298,215	1,196,470	101,745	-	-	-	-
Capital outlay	298,500	414,720	229,059	185,661	626,900	775,765	232,456	543,309
Total expenditures	9,341,814	9,561,404	8,993,204	568,200	3,474,099	3,663,868	3,186,288	477,580
Excess (deficiency) of revenues over (under) expenditures	(190,000)	(349,590)	758,515	1,108,105	(285,400)	(475,169)	185,200	660,369
Other financing sources (uses)								
Transfers in	190,000	190,000	190,000	-	-	-	-	-
Transfers out	(150,000)	(477,600)	(551,440)	(73,840)	-	-	-	-
Total other financing sources (uses)	40,000	(287,600)	(361,440)	(73,840)	-	-	-	-
Net change in fund balances	(150,000)	(637,190)	397,075	1,034,265	(285,400)	(475,169)	185,200	660,369
Fund balances, January 1	7,144,551	7,144,551	7,144,551	-	1,697,412	1,697,412	1,697,412	-
Fund balances, December 31	$ 6,994,551	$ 6,507,361	$ 7,541,626	$ 1,034,265	$ 1,412,012	$ 1,222,243	$ 1,882,612	$ 660,369

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, 2015

	Internal Service Funds
Assets	
Current assets	
Cash and investments	$ 2,795,502
Receivables	
Accounts	7,719
Due from other funds	1,312
Inventories	99,420
Total current assets	2,903,953
Noncurrent assets	
Capital assets	
Buildings and structures	1,806,903
Machinery and equipment	5,159,533
Accumulated depreciation	(4,475,530)
Total noncurrent assets	2,490,906
Total assets	5,394,859
Deferred outflows of resources	
Deferred pension resources	9,604
Liabilities	
Current liabilities	
Accounts payable	142,104
Accrued salaries payable	3,680
Claims incurred but not paid	20,049
Unearned revenue	199,078
Total current liabilities	364,911
Noncurrent liabilities	
Pension liability	84,007
Total liabilities	448,918
Deferred inflows of resources	
Deferred pension resources	20,861
Net position	
Investment in capital assets	2,490,906
Unrestricted	2,443,778
Total net position	$ 4,934,684

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, 2015

	Internal Service Funds
Operating revenues	
Charges for services	$ 946,869
Insurance premiums	2,313,068
Insurance refunds	7,567
Total operating revenues	3,267,504
Operating expenses	
Administrative and general	192,682
Insurance premiums	2,080,648
Self funded claims	187,210
Vehicle maintenance	262,117
Depreciation	384,903
Total operating expenses	3,107,560
Operating income (loss)	159,944
Non-operating revenues (expenses)	
State other aid	281
Gain on sale of assets	5,530
Investment income	30,361
Miscellaneous income	173,249
Total non-operating revenues (expenses)	209,421
Change in net position	369,365
Net position	
January 1 as restated (Note VIII)	4,565,319
December 31	$ 4,934,684

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, 2015

	Internal Service Funds
Cash flows from operating activities	
Receipts from interfund services provided	$ 3,458,646
Grant receipts	281
Payments to suppliers and interfund services provided	(142,394)
Payments to and on behalf of employees	(2,440,675)
Other receipts	180,816
Net cash provided (used) by operating activities	1,056,674
Cash flows from non-capital financing activities	
Increase (decrease) in due from other funds	1,831
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets	5,530
Acquisition of capital assets	(417,047)
Net cash provided (used) by capital and related financing activities	(411,517)
Cash flows from investing activities	
Interest income received	30,361
Net increase (decrease) in cash and cash equivalents	677,349
Cash and cash equivalents	
January 1	2,118,153
December 31	$ 2,795,502
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	$ 159,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Other income related to operations	173,530
Depreciation	384,903
(Increase) decrease in assets	
Accounts receivable	(369)
Inventory	8,114
(Increase) decrease in deferred outflows of resources	
Deferred pension resources	2,981
(Decrease) increase in liabilities	
Accounts payable	133,058
Accrued salaries payable	(1,948)
Claims incurred, but not paid	(6,353)
Unearned revenue	199,078
Pension liability	4,388
(Decrease) increase in deferred inflows of resources	
Deferred pension resources	(652)
Net cash provided (used) by operating activities	$ 1,056,674

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, 2015

		Agency
Assets		
Cash and investments	$	407,475
Due from other governments		46,917
Total assets	$	454,392
Liabilities		
Accounts payable	$	33,630
Due to other entities		420,762
Total liabilities	$	454,392

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Component Units:

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

The *2013 Bonds fund* accounts for costs associated with projects financed through the issuance of G.O. Improvement Bonds, Series 2013.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

1. Deposits and investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City has adopted GASB No. 31: Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This statement requires the City to report their investments at fair value on the balance sheet rather than historical cost. The cost of investments exceeded the fair value of the investments by $83,100 and $48,274 for the City and PUC at 2015, respectively.

2. Receivables and payables

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

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

Accounts receivable include amounts billed for services provided before year end. Unbilled PUC receivables are also included for services provided in 2015. Uncollectible amounts are not material and as such, no allowance for uncollectible accounts have been recorded.

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

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

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

3. Inventories and prepaid items

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

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

4. Restricted assets

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

5. Capital assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

6. *Deferred outflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

7. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At termination of employment, a percentage of an employee's unpaid accumulated sick leave is paid based upon the average hours of sick leave used by such employee. Compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2015 was $505,651 and $454,074 for the City and PUC, respectively. For the most part, the General, Park and Recreation and Library funds are typically used to liquidate governmental compensated absences payable.

8. *Postemployment benefits other than pensions*

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

9. *Pensions*

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

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

10. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. *The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.*

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

12. Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

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

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

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

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

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

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

13. Net position

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

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

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

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

14. Payment in lieu of taxes

Revenues include payments in lieu of property taxes paid from the PUC to the City as required in the City Charter Section 235. Five percent of the specified receipts from sources of the utilities shall be paid over to the City Treasurer monthly. Total PUC payments to the City were $1,859,079 and $2,126,030 for 2015 and 2014, respectively.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

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

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

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

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

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

B. 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 RD-9	$ 16,239
TIF H-5	402,200
TIF H-8	3,392
Capital projects	
Major	
Airport Runway Extension	391,503

The deficits in the TIF 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 capital projects fund was caused by excess capital expenditures over Federal and State aids and grants. These will be eliminated through transfers and grants.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was $17,765,893, including $407,475 reported in fiduciary funds. The bank balance of $17,520,315 was covered by $452,102 of federal depository insurance and $17,068,213 by collateral held by the City's agent in the City's name. The primary government and component unit's cash and investments are pooled.

Investments

As of December 31, 2015, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Cost and Carrying Amount Primary Government	PUC - Component Unit
Non-pooled investments				
Broker certificates of deposits	NR	6 to 12 months	$ 712,879	$ 414,121
Broker certificates of deposits	NR	1 to 3 years	4,620,745	2,684,255
Broker certificates of deposits	NR	more than 3 years	4,632,131	2,690,869
Total broker certificates of deposit			9,965,755	5,789,245
Government bonds	AAA/AA+	1 to 3 years	316,273	183,727
Government bonds	AAA/AA+	more than 3 years	11,113,825	6,456,175
			11,430,098	6,639,902
Federal agency notes	N/A	More than 3 years	7,972	4,631
Total investments			$ 21,403,825	$ 12,433,778

(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. NR indicates not rated.

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	$ 4,957,053	$ 10,613,788	$ 1,787,577	$ 407,475	$ 17,765,893
Investments	21,403,825	12,433,778	-	-	33,837,603
Cash on hand	1,729	-	-	-	1,729
Total	$ 26,362,607	$ 23,047,566	$ 1,787,577	$ 407,475	$ 51,605,225
Cash and investments	$ 26,360,399	$ 19,525,672	$ 1,751,565	$ 407,475	$ 48,045,111
Restricted cash and investments	2,208	3,521,894	36,012	-	3,560,114
Total	$ 26,362,607	$ 23,047,566	$ 1,787,577	$ 407,475	$ 51,605,225

B. Receivables

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

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

C. Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 8,845,450	$ -	$ -	$ 8,845,450
Non-exhaustible monuments	30,000	-	-	30,000
Construction in progress	1,652,475	152,663	(1,045,304)	759,834
Total capital assets not being depreciated	10,527,925	152,663	(1,045,304)	9,635,284
Capital assets being depreciated				
Buildings	28,241,871	52,038	-	28,293,909
Improvements other than buildings	1,875,833	349,247	-	2,225,080
Infrastructure	82,090,305	6,431,110	-	88,521,415
Machinery and equipment	8,050,535	516,608	(181,316)	8,385,827
Office furniture and equipment	170,661	-	-	170,661
Park equipment	541,856	-	-	541,856
Total capital assets being depreciated	120,971,061	7,349,003	(181,316)	128,138,748
Less accumulated depreciation for				
Buildings	(13,321,877)	(681,999)	-	(14,003,876)
Improvements other than buildings	(841,048)	(61,690)	-	(902,738)
Infrastructure	(31,122,980)	(2,903,052)	-	(34,026,032)
Machinery and equipment	(5,772,392)	(534,557)	181,316	(6,125,633)
Office furniture and equipment	(127,599)	(8,503)	-	(136,102)
Park equipment	(248,358)	(34,476)	-	(282,834)
Total accumulated depreciation	(51,434,254)	(4,224,277)	181,316	(55,477,215)
Total capital assets being depreciated, net	69,536,807	3,124,726	-	72,661,533
Governmental activities capital assets, net	$ 80,064,732	$ 3,277,389	$ (1,045,304)	$ 82,296,817

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

Governmental activities	
General government	$ 53,733
Public safety	155,242
Streets and highways, including depreciation of general infrastructure assets	2,328,367
Culture and recreation	638,114
Miscellaneous	653,007
Community access	10,911
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	384,903
Total depreciation expense - governmental activities	$ 4,224,277

Construction commitments

The City has active construction projects as of December 31, 2015. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2014 Utilities, Streets and Alleys	$ 2,536,692	$ 25,623
2015 Utilities, Streets and Alleys	3,943,356	80,477
2014 Municipal State Aid Street	2,441,491	128,500
Total	$ 8,921,539	$ 234,600

Discretely presented component units

Capital asset activity for the PUC for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 547,579	$ -	$ -	$ 547,579
Construction in progress	77,782	441,605	(77,783)	441,604
Total capital assets not being depreciated	625,361	441,605	(77,783)	989,183
Capital assets being depreciated				
Buildings and structures	5,246,575	160,747	-	5,407,322
Plant in service	122,560,080	3,000,213	-	125,560,293
Machinery and equipment	14,995,916	416,377	(29,716)	15,382,577
Total capital assets being depreciated	142,802,571	3,577,337	(29,716)	146,350,192
Less accumulated depreciation for				
Buildings and structures	(3,768,518)	(141,056)	-	(3,909,574)
Plant in service	(67,272,848)	(3,067,368)	-	(70,340,216)
Machinery and equipment	(10,440,647)	(565,201)	29,716	(10,976,132)
Total accumulated depreciation	(81,482,013)	(3,773,625)	29,716	(85,225,922)
Total capital assets being depreciated, net	61,320,558	(196,288)	-	61,124,270
Total PUC capital assets, net	$ 61,945,919	$ 245,317	$ (77,783)	$ 62,113,453

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

Electric	$ 1,658,267
District energy	99,937
Natural gas	335,118
Water	702,270
Wastewater	882,220
Capital assets held by the PUC's internal service funds are charged to the various functions based on their usage of the assets	95,813
Total depreciation expense - PUC	$ 3,773,625

Capital asset activity for the EDA for the year ended June 30, 2015 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	8,896,907	83,981	-	8,980,888
Improvements other than buildings	388,294	-	-	388,294
Furniture and equipment	184,595	7,720	-	192,315
Total capital assets being depreciated	9,469,796	91,701	-	9,561,497
Less accumulated depreciation for				
Buildings	(5,639,313)	(331,639)	-	(5,970,952)
Improvements other than buildings	(285,357)	(20,303)	-	(305,660)
Furniture and equipment	(161,487)	(7,383)	-	(168,870)
Total accumulated depreciation	(6,086,157)	(359,325)	-	(6,445,482)
Total capital assets being depreciated, net	3,383,639	(267,624)	-	3,116,015
Total EDA capital assets, net	$ 4,451,311	$ (267,624)	$ -	$ 4,183,687

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

Housing development	$ 359,325

D. Interfund receivables, payables and transfers

The composition of interfund balances as of December 31, 2015 is as follows:

Advances to/from other funds:

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

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

Due to/from primary government and component units:

Receivable Entity/Fund	Payable Entity/Fund	Amount
Capital Improvement fund - primary government	EDA - component unit	$ 268,475
EDA - component unit	TIF Districts	(408,000)
Fund total		(139,525)
General fund - primary government	Public Utilities Commission - component unit	644
Internal service funds - primary government		177,092
Fund total		177,736
Totals - statement of net position		$ 38,211

The balance due from the component unit to the primary government results from interfund charges and the elimination of internal service fund operations. The advances to the EDA result from funding of an affordable housing project by the EDA whereby the City is aiding the EDA to fund the project. These advances are being paid back when the EDA receives proceeds from affordable housing land sales. The advance of $408,000 from the EDA to the TIF Districts fund is to assist in cash flows until the tax increments have been received. A timing difference of $7,228 ($415,228) exists due to the EDA having a June 30 year-end.

Interfund transfers

Interfund transfers for the year ended December 31, 2015 were as follows:

	Transfer in				
Fund	General	Capital Improvement	2015 Bonds	Nonmajor Governmental	Totals
Transfer out					
General	$ -	$ 477,600	$ -	$ 73,840	$ 551,440
Sales Tax Revenue	-	-	-	694,370	694,370
Bond Sinking	-	-	-	2,885,844	2,885,844
2013 Bonds	-	-	319,356	-	319,356
2015 Bonds	190,000	-	-	-	190,000
Nonmajor governmental	-	-	736,169	3,055	739,224
Total transfers out	$ 190,000	$ 477,600	$ 1,055,525	$ 3,657,109	$ 5,380,234

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 2015 were made for the following purposes:

Capital improvements
Capital reserves
Debt service payments
Establishing funds
Closing funds

E. Long-term debt

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

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

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

Bonds and notes outstanding are as follows:

General obligation improvement (special assessment) bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2007 G.O. Improvement Bonds	$ 775,000	4.00 - 4.10 %	11/01/07	12/01/22	$ 575,000
2008 G.O. PIRF Bonds	2,320,000	3.50 - 4.00	07/17/08	12/01/20	560,000
2009A G.O. PIRF Bonds	2,620,000	3.25 - 3.75	07/02/09	12/01/19	945,000
2010A G.O. Refunding Bonds	241,000	2.00 - 2.25	06/28/10	08/01/16	41,500
2010B G.O. PIRF Bonds	2,900,000	2.00 - 3.125	07/15/10	12/01/20	1,090,000
2011A G.O. PIRF Bonds	3,225,000	2.00 - 3.25	08/19/11	12/01/21	1,560,000
2012 G.O. PIRF Bonds	3,300,000	0.60 - 1.90	08/21/12	12/01/22	1,975,000
2013A G.O. PIRF Bonds	2,875,000	0.30 - 2.15	07/15/13	12/01/23	2,345,000
2014 G.O. PIRF Bonds	3,470,000	0.30 - 2.16	09/09/14	12/01/24	2,645,000
2015 G.O. PIRF Bonds	3,275,000	2.00 - 2.25	07/01/15	12/01/25	3,275,000
Total G.O. Special Assessment Bonds					$ 15,011,500

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
2016	$ 2,611,500	$ 330,002	$ 2,941,502
2017	2,295,000	276,524	2,571,524
2018	2,040,000	227,239	2,267,239
2019	1,860,000	181,489	2,041,489
2020	1,655,000	138,036	1,793,036
2021 - 2025	4,550,000	239,862	4,789,862
Total	$ 15,011,500	$ 1,393,152	$ 16,404,652

General obligation sales tax revenue bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2009C Refunding Sales Tax	$ 6,400,000	1.00 - 3.60 %	09/03/09	12/01/20	$ 3,245,000

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
2016	$ 595,000	$ 104,707	$ 699,707
2017	620,000	87,750	707,750
2018	645,000	69,150	714,150
2019	675,000	48,510	723,510
2020	710,000	25,560	735,560
Total	$ 3,245,000	$ 335,677	$ 3,580,677

Notes payable

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
State of Minnesota (AMPI) Note	$ 240,000	8.00 %	05/01/06	05/01/16	$ 10,984

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

Year Ending December 31	Notes Governmental Activities Principal	Interest	Total
2016	$ 10,984	$ 46	$ 11,030

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	$ 307,261

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
2016	$ 43,895	$ 18,436	$ 62,331
2017	43,895	15,802	59,697
2018	43,894	13,168	57,062
2019	43,895	10,535	54,430
2020	43,894	7,901	51,795
2021 - 2022	87,788	7,901	95,689
Total	$ 307,261	$ 73,743	$ 381,004

Changes in long-term liabilities

Long-term liability activity for the primary government for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation special assessment bonds	$14,358,000	$ 3,275,000	$ (2,621,500)	$ 15,011,500	$ 2,611,500
General obligation sales tax revenue bonds	3,820,000	-	(575,000)	3,245,000	595,000
Bond discounts	(129,091)	-	21,858	(107,233)	-
Bond premiums	165,229	26,896	398	192,523	-
Total bonds payable	18,214,138	3,301,896	(3,174,244)	18,341,790	3,206,500
Notes payable	36,981	-	(25,997)	10,984	10,984
Special assessments payable	351,156	-	(43,895)	307,261	43,895
Compensated absences payable	465,123	451,413	(411,025)	505,511	347,368
Other postemployment benefits obligation	227,940	43,872	(14,605)	257,207	-
Pension liability					
GERF	-	3,346,117 *	(258,573)	3,087,544	-
PEPFF	-	2,192,236 *	(260,638)	1,931,598	-
Total pension liability	-	5,538,353	(519,211)	5,019,142	-
Governmental activity long-term liabilities	$19,295,338	$ 9,335,534	$ (4,188,977)	$ 24,441,895	$ 3,608,747

* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note VIII for further detail.

Public Utilities Commission

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

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

General obligation revenue bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Fund					
2011B G.O. Revenue Bonds	$ 3,000,000	2.00 - 2.625 %	12/29/11	12/01/26	$ 2,505,000
Water Fund					
2013B G.O. Revenue Bonds	2,950,000	2.00 - 3.00	07/15/13	12/01/28	2,605,000
Wastewater Treatment Fund					
2007 G.O. Revenue Note (PFA)	4,002,900	2.65	06/27/07	08/20/26	2,673,000
2010A G.O. Refunding Bonds	2,169,000	2.00 - 2.25	06/28/10	08/01/16	373,500
Total G.O. Revenue Bonds					8,156,500
Unamortized bond discounts/premiums					47,093
Net PUC bonds payable					$ 8,203,593

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

	Electric	Water	Wastewater
Revenues	$ 22,310,675	$ 2,870,772	$ 3,487,602
Principal and interest	900,506	640,113	670,573
Percentage of revenues	4.0%	22.3%	19.2%

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

Year Ending December 31	G.O. Revenue Bonds Component Unit Activities Principal	Interest	Total
2016	$ 965,500	$ 212,166	$ 1,177,666
2017	603,000	187,836	790,836
2018	619,000	169,158	788,158
2019	635,000	150,022	785,022
2020	646,000	135,927	781,927
2021 - 2025	3,492,000	452,872	3,944,872
2026 - 2028	1,196,000	79,614	1,275,614
Total	$ 8,156,500	$ 1,387,595	$ 9,544,095

Changes in long-term liabilities

Long-term liability activity for the PUC for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Public Utilities Commission activities					
Bonds payable					
General obligation revenue bonds	$ 10,127,000	$ -	$ (1,970,500)	$ 8,156,500	$ 965,500
Bond discounts	(32,649)	-	5,981	(26,668)	-
Bond premiums	92,982	-	(19,221)	73,761	-
Total bonds payable	10,187,333	-	(1,983,740)	8,203,593	965,500
Compensated absences payable	498,727	272,321	(316,974)	454,074	303,283
Other postemployment benefit obligation	259,117	53,486	(33,938)	278,665	-
Pension liability					
GERF	-	4,640,167 *	(359,406)	4,280,761	-
Public Utilities Commission long-term liabilities	$ 10,945,177	$ 4,965,974	$ (2,694,058)	$ 13,217,093	$ 1,268,783

* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note VIII for further detail.

Economic Development Authority

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Phase II Project bonds	$ 2,245,000	3.43 %	10/08/96	03/01/18	$ 384,788
Special assessments	50,342	6.00	06/17/08	10/15/22	37,757
Total notes					$ 422,545

Phase II Project Bonds from Frandsen Bank in the original amount of $2,245,000, payable in monthly installments of $11,734 including interest at 3.43 percent. Date of maturity for the bond is March 2018. The interest rate was adjusted to 1.82 percent on December 1, 2010, and will be adjusted again on December 1, 2017. The adjustment will equal 90 percent of the month-end average for the seven year treasury constant maturities for the previous month of November for each of the adjustment dates. These loans are secured by buildings.

Special assessments are payable through 2022 to the City of New Ulm and carry an interest rate of 6.00 percent.

Annual requirements to long term debt payable are as follows:

Year Ending June 30	Bonds Component Unit Activities Principal	Interest	Total
2016	$ 134,927	$ 5,881	$ 140,808
2017	137,403	3,405	140,808
2018	112,458	913	113,371
Total	$ 384,788	$ 10,199	$ 394,987

Year Ending June 30	Special Assessments Component Unit Activities Principal	Interest	Total
2016	$ 5,034	$ 2,265	$ 7,299
2017	5,034	1,963	6,997
2018	5,034	1,661	6,695
2019	5,034	1,359	6,393
2020	5,034	1,057	6,091
2021 - 2022	12,587	1,359	13,946
Total	$ 37,757	$ 9,664	$ 47,421

Changes in long-term liabilities

Long-term liability activity for the EDA for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Economic Development Authority activities					
Special assessments payable	$ 42,791	$ -	$ (5,034)	$ 37,757	$ 5,034
Bonds and loans payable	784,839	-	(400,051)	384,788	134,927
Compensated absences payable	6,151	6,164	(7,086)	5,229	2,893
Pension liability					
GERF	-	60,948 *	(8,358)	52,590	-
Economic Development Authority long-term liabilities	$ 833,781	$ 67,112	$ (420,529)	$ 480,364	$ 142,854

* Includes 6/1/2014 pension liability balance related to GASB Statement No. 68 implementation. See Note VIII for further detail.

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

Issued to	Issue Date	Amount Issued	Balance at Year End
HADC Ridgeway on German (refinanced)	08/20/14	$ 10,335,000	$ 10,195,000
Highland Regency House	10/01/13	4,590,000	4,590,000
Total G.O. Tax Increment Bonds		$ 14,925,000	$ 14,785,000

IV. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits provided

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

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

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

GERF benefits

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

PEPFF benefits

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

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

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were $267,657, $258,643 and $262,921 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were $260,583, $231,505 and $209,936 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

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

GERF pension costs

At December 31, 2015, the City of New Ulm reported a liability of $3,130,241 for its proportionate share of the GERF's net pension liability of which the EDA's portion was calculated at $42,697. The EDA's pension liability was reported as $52,590 due to a timing difference which exists due to the EDA having a June 30 year-end. At December 31, 2015, the PUC reported a liability of $4,280,761 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The EDA's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of New Ulm's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City of New Ulm's proportionate share was 0.0604 percent which was a decrease of 0.0084 percent from its proportion measured as of June 30, 2014. The EDA's proportionate share was calculated at 0.0008 percent at June 30, 2015 and at .0011 percent at June 30, 2014. The PUC's proportionate share was 0.0826 percent which was a decrease of 0.0107 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of $229,699 for its proportionate share of GERF's pension expense of which the EDA's portion was calculated at ($5,842). The PUC recognized pension expense of $317,746 for its proportionate share of GERF's pension expense.

At December 31, 2015, 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	$ 32,615	$ 155,664	$ 44,841	$ 215,823	$ 807	$ -
Changes in actuarial assumptions	188,300	-	261,448	-	5,420	-
Net difference between projected and actual earnings on plan investments	-	274,849	-	381,067	-	-
Changes in proportion	-	336,215	-	434,196	-	14,210
Contributions to GERF subsequent to the measurement date	132,041	-	184,403	-	4,255	-
Total	$ 352,956	$ 766,728	$ 490,692	$ 1,031,086	$ 10,482	$ 14,210

Deferred outflows of resources totaling $320,699 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, 2016. 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
2016	$ (169,476)	$ (224,319)	$ (1,477)
2017	(169,476)	(224,319)	(1,477)
2018	(279,932)	(377,469)	(1,477)
2019	73,071	101,310	(3,552)

PEPFF contributions

At December 31, 2015, the City reported a liability of $1,931,598 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1700 percent which was an increase of 0.0030 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of $204,708 for its proportionate share of PEPFF's pension expense. The City also recognized $15,300 for the year ended December 31, 2015 as pension grant revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, 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	$ 2,018	$ 313,242
Changes in actuarial assumptions	367,173	-
Net difference between projected and actual earnings on plan investments	-	342,935
Changes in proportion	33,537	-
Contributions to PEPFF subsequent to the measurement date	130,256	-
Total	$ 532,984	$ 656,177

Deferred outflows of resources totaling $130,256 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2016	$ (105,999)
2017	(105,999)
2018	(105,999)
2019	120,488
2020	(55,940)

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
GERF			
Primary government	$ 4,854,717	$ 3,087,544	$ 1,628,131
Component unit - PUC	6,730,877	4,280,761	2,257,341
Component unit - EDA	84,778	52,590	26,108
PEPFF	3,764,704	1,931,598	417,132

H. Pension plan fiduciary net position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

V. DEFINED CONTRIBUTION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

The City’s contributions to the PEDCP for the years ended December 31, 2015, 2014 and 2013 were $1,325, $1,325 and $1,325, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

VI. DEFINED BENEFIT PENSION PLANS - FIRE RELIEF BENEFIT ASSOCIATION

A. Plan description

All members of the New Ulm Fire Department (the Department) are covered by a defined benefit plan administered by the New Ulm Fire Department Relief Association (the Association). As of December 31, 2015, the plan covered 45 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.

The City's payroll for officers of the Association covered by the compensation plan for the year ended December 31, 2015 was $6,100.

B. Benefits provided

A fire fighter who completes at least 20 years as an active member of the New Ulm Fire Department (the Department) is entitled, after age 50, to a full service pension upon retirement. The service pension prescribed by the Association's bylaws is a monthly benefit of $24.50 for each year of service completed by the individual, or $3,975 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 $24.50 per month for the monthly plan, or $3,975 lump sum for each year of service as an active member of the New Ulm Fire Department in the event the member becomes totally disabled.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $93,963 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2015, 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, 2015 were $48,917. The City's contributions were equal to the required contributions as set by state statute. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension costs

At December 31, 2015, the City reported a net pension liability (asset) of ($354,615) for the plan. The net pension liability (asset) was measured as of December 31, 2015. 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, 2015.

For the year ended December 31, 2015, the City recognized pension expense of ($58,977).

At December 31, 2015, 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
Changes in actuarial assumptions	$ -	$ 19,711
Net difference between projected and actual earnings on plan investments	108,442	-
Total	$ 108,442	$ 19,711

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

2016	$ 24,861
2017	24,861
2018	24,861
2019	24,859
2020	(2,250)
Thereafter	(8,461)

E. Actuarial assumptions

The total pension liability at December 31, 2015 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at later of age 50 and 20 years of service	
Salary increases	N/A
Inflation rate	2.75%
Investment rate of return	7.25%
20 year municipal bond yield	3.57%

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

The 7.25 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	81.15 %	5.25 %
Cash	8.71	0.25
Fixed income	8.56	1.75
Other	1.58	3.75
Total	100.00 %	

F. Funding status

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

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

	1 Percent Decrease (6.25%)	Current (7.25%)	1 Percent Increase (8.25%)
Defined benefit plan	$ (271,674)	$ (354,615)	$ (431,361)

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.

VI. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in a public entity risk pool. There were no significant reductions in insurance coverage from the prior year. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. In addition, settlements have not exceeded insurance coverage in any of the past three years.

The City and the PUC maintain an Insurance Trust Fund to cover claims not covered by insurance and a Health Insurance Trust Fund to self-fund a percentage of employees' deductibles. Changes in the Funds' claims liability amount in fiscal years 2015 and 2014 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
Insurance Trust Fund				
2015	$ -	$ 2,304	$ (2,304)	$ -
2014	-	2,228	(2,228)	-
Health Insurance Trust Fund				
2015	26,402	2,286,575	(2,292,928)	20,049
2014	31,902	2,236,259	(2,241,759)	26,402

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 $20,049 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 2015 was $66,315.

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 2015 was $3,216,777 which accounted for 33 percent of General fund revenues.

F. Postemployment benefits other than pensions

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

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

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

	City	PUC
Annual required contribution	$ 47,936	$ 58,105
Interest on net OPEB obligation	9,118	10,365
Adjustment to annual required contribution	(13,182)	(14,984)
Annual OPEB cost (expense)	43,872	53,486
Contributions made	(14,605)	(33,938)
Increase in net OPEB obligation	29,267	19,548
Net OPEB obligation- beginning of year	227,940	259,117
NET OPEB obligation - end of year	$ 257,207	$ 278,665

The City's and PUC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years were as follows:

City

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	$ 43,872	33.3 %	$ 257,207
12/31/14	42,771	23.7	227,940
12/31/13	33,383	34.8	195,291

PUC

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	$ 53,486	63.5 %	$ 278,665
12/31/14	52,336	33.3	259,117
12/31/13	53,957	69.9	224,224

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

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

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

The following simplifying assumptions were made:

> *Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.
>
> *Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.
>
> *Mortality* - Life expectancies were based on the RP-2000 Combined Mortality Table
>
> *Turnover* - Group-specific age-based turnover data were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
>
> *Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5 percent initially, reduced to an ultimate rate of 5.0 percent after eight years, was used.
>
> *Health insurance premiums* - 2014 premiums represent a blended average cost of both active and retired individuals.
>
> *Inflation rate* - The expected long-term inflation assumption of 3.0 percent was used for an intermediate growth scenario.
>
> *Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a projected unit credit with a 30 year amortization of the unfunded liability was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

VII. MAJOR CUSTOMER

Two industrial customers of the PUC represent approximately 17 percent of the total utility revenue excluding municipal sales of the PUC and approximately 15 percent of outstanding utility receivables at December 31, 2015.

VIII. CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68,* for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Notes IV and VI.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

	December 31, 2015		
Fund	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	$ 90,889,549	$ (5,277,951)	$ 85,611,598
Component unit activities - PUC	$ 76,391,351	$ (4,871,900)	$ 71,519,451
Component unit activities - EDA	$ 5,602,411	$ (56,690)	$ 5,545,721

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

IX. SUBSEQUENT EVENT

On May 3, 2016, the City approved a construction contract for 2016 utility, street and alley improvements for $2,975,486. The project will be funded by a bond issue ($2,875,000), intergovernmental aid, assessments and various reserves.

On May 17, 2016, the City authorized the early retirement of debt on the 2007 G.O. Improvement Bonds ($575,000), the 2008 G.O. PIRF Bonds ($560,000) and the 2010B G.O. PIRF Bonds ($1,090,000) using existing reserves and a refunding bond issue ($325,000).

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

City

Required Supplementary Information

Fiscal Year Ending	Primary Government's Proportion of the Net Pension Liability *	Primary Government's Proportionate Share of the Net Pension Liability (a) *	State's Proportionate Share of the Net Pension Liability Associated with the Primary Government (b)	Total (a+b)	Primary Government's Covered Payroll (c) *	Primary Government's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0596 %	$ 3,087,544	$ -	$ 3,087,544	$ 3,502,371	88.2 %	78.2 %

* Excludes EDA activity reported at 6/30/2015

PUC

Required Supplementary Information

Fiscal Year Ending	Component Unit - PUC's Proportion of the Net Pension Liability	Component Unit - PUC's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Component Unit - PUC (b)	Total (a+b)	Component Unit - PUC's Covered Payroll (c)	Component Unit - PUC's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0826 %	$ 4,280,761	$ -	$ 4,280,761	$ 4,852,536	88.2 %	78.2 %

EDA

Required Supplementary Information

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

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)
	Required Supplementary Information				
12/31/15	$ 263,996	$ 263,996	$ -	$ 3,519,946	7.5 %

* Excludes EDA activity reported at 6/30/2015

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)
	Required Supplementary Information				
12/31/15	$ 366,133	$ 366,133	$ -	$ 4,881,779	7.5 %

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)
	Required Supplementary Information				
06/30/15	$ 4,255	$ 4,255	$ -	$ 58,690	7.2 %

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

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

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

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

CITY OF NEW ULM, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

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

	2015
Total pension liability	
Service cost	$ 62,284
Interest	124,754
Changes of assumptions	(21,961)
Benefit payments	(262,579)
Net change in total pension liability	(97,502)
Total pension liability - January 1, 2015	1,917,214
Total pension liability - December 31, 2015 (a)	$ 1,819,712
Plan fiduciary net position	
Municipal contributions	142,880
Projected investment return	10,372
Benefit payments, including refunds of employee contributions	(262,579)
Administrative expenses	(17,929)
Net change in plan fiduciary net position	(127,256)
Plan fiduciary net position - January 1, 2015	2,301,583
Plan fiduciary net position - December 31, 2015 (b)	$ 2,174,327
Fire Relief's net pension liability (asset) - December 31, 2015 (a-b)	$ (354,615)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	119.49%
Covered-employee payroll	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A

Notes to Schedule:

Benefit changes. None in 2015.

Changes of assumptions. Retirement rates were updated to reflect plan experience and expectations.

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)
12/31/15	$ 142,880	$ 142,880	$ -

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

City

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

PUC

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

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

SPECIAL REVENUE FUNDS

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

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

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

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

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

- **TIF RD-6** *Schell's Brewery*
- **TIF RD-9** *Eagle Dvlp*
- **TIF H-2** *Ridgeway on German #1*
- **TIF H-5** *Milford Heights #1*
- **TIF H-7** *Winkleman #3*
- **TIF H-8** *Doneff*

CITY OF NEW ULM, MINNESOTA
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 1,892,234	$ 137,500	$ -	$ 510,930	$ 2,540,664
Receivables					
Delinquent taxes	24,539	-	-	-	24,539
Accounts	2,015	-	-	-	2,015
Notes, net of allowance	249,260	-	-	-	249,260
Special assessments	-	342,500	-	-	342,500
Prepaid items	3,132	-	-	-	3,132
Total assets	$ 2,171,180	$ 480,000	$ -	$ 510,930	$ 3,162,110
Liabilities					
Accounts payable	$ 20,573	$ -	$ -	$ -	$ 20,573
Due to other governments	94	-	-	-	94
Accrued salaries payable	18,522	-	-	-	18,522
Total liabilities	39,189	-	-	-	39,189
Deferred inflows of resources					
Unavailable revenue - taxes	24,539	-	-	-	24,539
Unavailable revenue - special assessments	-	342,500	-	-	342,500
Total deferred inflows of resources	24,539	342,500	-	-	367,039
Fund balances					
Nonspendable					
Prepaid items	3,132	-	-	-	3,132
Perpetual care	-	-	-	510,930	510,930
Restricted					
Economic development	1,110,242	-	-	-	1,110,242
Maintain parking areas	461,895	-	-	-	461,895
Debt service	-	137,500	-	-	137,500
Committed for					
Library programs	71,541	-	-	-	71,541
Fire fighting	7,216	-	-	-	7,216
Assigned for					
DARE program	58,631	-	-	-	58,631
Library services	379,639	-	-	-	379,639
Library programs	12,345	-	-	-	12,345
Fire fighting	2,811	-	-	-	2,811
Total fund balances	2,107,452	137,500	-	510,930	2,755,882
Total liabilities, deferred inflows of resources and fund balances	$ 2,171,180	$ 480,000	$ -	$ 510,930	$ 3,162,110

CITY OF NEW ULM, MINNESOTA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2015

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Permanent	Total Nonmajor Governmental Funds
Revenues					
Taxes					
General	$ 691,737	$ 53,838	$ -	$ -	$ 745,575
Delinquent	8,331	-	-	-	8,331
Mobile home	1,814	-	-	-	1,814
Special service district	33,505	-	-	-	33,505
Penalties and interest	5	-	-	-	5
Intergovernmental					
State					
Other aid	1,384	-	-	-	1,384
County					
Library aid	14,082	-	-	-	14,082
Charges for services					
Public safety	8,910	-	-	-	8,910
Culture and recreation	11,879	-	-	-	11,879
Miscellaneous	20,789	-	-	-	20,789
Fines and forfeitures	26,152	-	-	-	26,152
Special assessments	-	91,340	-	-	91,340
Investment earnings	27,034	397	1,887	95	29,413
Miscellaneous					
Donations	6,441	-	-	-	6,441
Other	1,336	-	-	22,838	24,174
Total revenues	853,399	145,575	1,887	22,933	1,023,794
Expenditures					
Current					
Public safety					
Fire	6,522	-	-	-	6,522
Culture and recreation					
Library	692,706	-	-	-	692,706
Miscellaneous					
Other	66,601	-	-	-	66,601
Capital outlay					
Streets and highways	-	-	54,067	-	54,067
Culture and recreation	10,750	-	-	-	10,750
Debt service					
Principal	-	3,196,500	-	-	3,196,500
Interest	-	462,728	-	-	462,728
Total expenditures	776,579	3,659,228	54,067	-	4,489,874
Excess (deficiency) of revenues over (under) expenditures	76,820	(3,513,653)	(52,180)	22,933	(3,466,080)
Other financing sources (uses)					
Transfers in	-	3,580,215	76,894	-	3,657,109
Transfers out	-	-	(739,224)	-	(739,224)
Total other financing sources (uses)	-	3,580,215	(662,330)	-	2,917,885
Net change in fund balances	76,820	66,562	(714,510)	22,933	(548,195)
Fund balances, January 1	2,030,632	70,938	714,510	487,997	3,304,077
Fund balances, December 31	$ 2,107,452	$ 137,500	$ -	$ 510,930	$ 2,755,882

CITY OF NEW ULM, MINNESOTA
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2015

	Community Development Block Grant	Library	Library Board	Parking Meter	State MIF Grant	Rehabilitation Loan Program	Character Counts	Firefighters	Small Cities	Total Nonmajor
Assets										
Cash and investments	$ 374,036	$ 414,674	$ 83,886	$ 464,897	$ 98,305	$ 347,271	$ 58,631	$ 9,164	$ 41,370	$ 1,892,234
Receivables										
Delinquent taxes	-	10,534	-	14,005	-	-	-	-	-	24,539
Accounts	-	240	-	560	-	-	-	1,215	-	2,015
Notes, net of allowance	50,128	-	-	-	10,991	183,879	-	-	4,262	249,260
Prepaid items	-	3,132	-	-	-	-	-	-	-	3,132
Total assets	$ 424,164	$ 428,580	$ 83,886	$ 479,462	$ 109,296	$ 531,150	$ 58,631	$ 10,379	$ 45,632	$ 2,171,180
Liabilities										
Accounts payable	$ -	$ 20,181	$ -	$ 40	$ -	$ -	$ -	$ 352	$ -	$ 20,573
Due to other governments	-	-	-	94	-	-	-	-	-	94
Accrued salaries payable	-	15,094	-	3,428	-	-	-	-	-	18,522
Total liabilities	-	35,275	-	3,562	-	-	-	352	-	39,189
Deferred inflows of resources										
Unavailable revenue - taxes	-	10,534	-	14,005	-	-	-	-	-	24,539
Fund balances										
Nonspendable										
Prepaid items	-	3,132	-	-	-	-	-	-	-	3,132
Restricted										
Economic development	424,164	-	-	-	109,296	531,150	-	-	45,632	1,110,242
Maintain parking areas	-	-	-	461,895	-	-	-	-	-	461,895
Committed										
Library programs	-	-	71,541	-	-	-	-	-	-	71,541
Fire fighting	-	-	-	-	-	-	-	7,216	-	7,216
Assigned										
DARE program	-	-	-	-	-	-	58,631	-	-	58,631
Library services	-	379,639	-	-	-	-	-	-	-	379,639
Library programs	-	-	12,345	-	-	-	-	-	-	12,345
Fire fighting	-	-	-	-	-	-	-	2,811	-	2,811
Total fund balances	424,164	382,771	83,886	461,895	109,296	531,150	58,631	10,027	45,632	2,107,452
Total liabilities, deferred inflows of resources and fund balances	$ 424,164	$ 428,580	$ 83,886	$ 479,462	$ 109,296	$ 531,150	$ 58,631	$ 10,379	$ 45,632	$ 2,171,180

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, 2015

	Community Development Block Grant	Library	Library Board	Parking Meter	State MIF Grant	Rehabilitation Loan Program	Character Counts	Firefighters	Small Cities	Total Nonmajor
Revenues										
Taxes										
General	$ -	$ 691,737	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 691,737
Delinquent	-	7,971	-	360	-	-	-	-	-	8,331
Mobile home	-	1,814	-	-	-	-	-	-	-	1,814
Special service district	-	-	-	33,505	-	-	-	-	-	33,505
Penalties and interest	-	-	-	5	-	-	-	-	-	5
Intergovernmental										
State										
Other aid	-	1,233	-	151	-	-	-	-	-	1,384
County										
Library aid	-	14,082	-	-	-	-	-	-	-	14,082
Charges for services										
Public safety	-	-	-	-	-	-	-	8,910	-	8,910
Culture and recreation	-	11,879	-	-	-	-	-	-	-	11,879
Miscellaneous	-	-	-	20,789	-	-	-	-	-	20,789
Fines and forfeitures	-	8,155	-	17,997	-	-	-	-	-	26,152
Investment earnings (loss)	5,862	2,906	1,093	5,952	1,493	8,359	788	108	473	27,034
Miscellaneous										
Donations	-	-	6,441	-	-	-	-	-	-	6,441
Other	-	1,336	-	-	-	-	-	-	-	1,336
Total revenues	5,862	741,113	7,534	78,759	1,493	8,359	788	9,018	473	853,399
Expenditures										
Current										
Public safety										
Fire	-	-	-	-	-	-	-	6,522	-	6,522
Culture and recreation										
Library	-	687,539	5,167	-	-	-	-	-	-	692,706
Miscellaneous										
Other	-	-	-	66,601	-	-	-	-	-	66,601
Capital outlay										
Culture and recreation	-	10,750	-	-	-	-	-	-	-	10,750
Total expenditures	-	698,289	5,167	66,601	-	-	-	6,522	-	776,579
Net change in fund balances	5,862	42,824	2,367	12,158	1,493	8,359	788	2,496	473	76,820
Fund balances, January 1	418,302	339,947	81,519	449,737	107,803	522,791	57,843	7,531	45,159	2,030,632
Fund balances, December 31	$ 424,164	$ 382,771	$ 83,886	$ 461,895	$ 109,296	$ 531,150	$ 58,631	$ 10,027	$ 45,632	$ 2,107,452

This Page Left Blank Intentionally

CITY OF NEW ULM, MINNESOTA
Community Development Block Grant Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 374,036	$ 359,634
Receivables		
Notes	50,128	58,668
Total assets	$ 424,164	$ 418,302
Fund balances		
Restricted		
Economic development	$ 424,164	$ 418,302

CITY OF NEW ULM, MINNESOTA
Community Development Block Grant Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 5,862	$ 13,369
Fund balances, January 1	418,302	404,933
Fund balances, December 31	$ 424,164	$ 418,302

CITY OF NEW ULM, MINNESOTA
Economic Development Loan Program Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 1,474,750	$ 1,468,800
Receivables		
Notes	430,779	434,250
Advances to other funds	24,000	16,000
Total assets	$ 1,929,529	$ 1,919,050
Fund balances		
Restricted		
Economic development	$ 1,929,529	$ 1,919,050

CITY OF NEW ULM, MINNESOTA
Economic Development Loan Program Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 36,979	$ 68,316
Expenditures		
Debt service		
Principal	25,998	25,484
Interest	502	1,016
Total expenditures	26,500	26,500
Excess (deficiency) of revenues over (under) expenditures	10,479	41,816
Other financing sources (uses)		
Transfers out	-	(107,765)
Net change in fund balances	10,479	(65,949)
Fund balances, January 1	1,919,050	1,984,999
Fund balances, December 31	$ 1,929,529	$ 1,919,050

CITY OF NEW ULM, MINNESOTA
Library Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 414,674	$ 350,473
Receivables		
Delinquent taxes	10,534	10,444
Accounts receivable	240	9,946
Prepaid items	3,132	2,537
Total assets	$ 428,580	$ 373,400
Liabilities		
Accounts payable	$ 20,181	$ 5,925
Accrued salaries	15,094	17,084
Total liabilities	35,275	23,009
Deferred inflows of resources		
Unavailable revenue - taxes	10,534	10,444
Fund balances		
Nonspendable		
Prepaids	3,132	2,537
Assigned		
Library services	379,639	337,410
Total fund balances	382,771	339,947
Total liabilities, deferred inflows of resources and fund balances	$ 428,580	$ 373,400

CITY OF NEW ULM, MINNESOTA
Library Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 694,865	$ 694,865	$ 691,737	$ (3,128)	$ 670,812	$ 661,410	$ (9,402)
Delinquent	-	-	7,971	7,971	-	-	-
Mobile home	-	-	1,814	1,814	-	1,865	1,865
Intergovernmental							
State							
Other aid	1,300	1,300	1,233	(67)	1,300	1,298	(2)
County	14,082	14,082	14,082	-	14,082	24,770	10,688
Charges for services	10,100	10,100	11,879	1,779	10,000	11,207	1,207
Fines and forfeitures	11,200	11,200	8,155	(3,045)	11,200	10,570	(630)
Investment earnings	1,200	1,200	2,906	1,706	1,100	5,244	4,144
Miscellaneous							
Other	1,000	1,000	1,336	336	1,000	1,373	373
Total revenues	733,747	733,747	741,113	7,366	709,494	717,737	8,243
Expenditures							
Current							
Culture and recreation							
Personal services	565,934	565,934	519,229	46,705	543,695	501,297	42,398
Supplies	67,650	67,650	83,972	(16,322)	68,850	71,030	(2,180)
Contractual services	44,663	44,663	39,929	4,734	43,449	53,730	(10,281)
Other services and charges	55,500	55,500	44,409	11,091	53,500	49,987	3,513
Total current	733,747	733,747	687,539	46,208	709,494	676,044	33,450
Capital outlay							
Culture and recreation	-	-	10,750	(10,750)	-	5,042	(5,042)
Total expenditures	733,747	733,747	698,289	35,458	709,494	681,086	28,408
Net change in fund balances	-	-	42,824	42,824	-	36,651	36,651
Fund balances, January 1	339,947	339,947	339,947	-	303,296	303,296	-
Fund balance, December 31	$ 339,947	$ 339,947	$ 382,771	$ 42,824	$ 303,296	$ 339,947	$ 36,651

CITY OF NEW ULM, MINNESOTA
Library Board Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 83,886	$ 81,808
Liabilities		
Accounts payable	$ -	$ 289
Fund balances		
Committed		
Library programs	71,541	70,267
Assigned		
Library programs	12,345	11,252
Total fund balances	83,886	81,519
Total liabilities and fund balances	$ 83,886	$ 81,808

CITY OF NEW ULM, MINNESOTA
Library Board Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 1,093	$ 2,901
Miscellaneous		
Donations	6,441	6,199
Total revenues	7,534	9,100
Expenditures		
Current		
Culture and recreation		
Library		
Supplies	5,167	4,691
Other services and charges	-	752
Total expenditures	5,167	5,443
Net change in fund balances	2,367	3,657
Fund balances, January 1	81,519	77,862
Fund balances, December 31	$ 83,886	$ 81,519

CITY OF NEW ULM, MINNESOTA
Park and Recreation Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 1,956,901	$ 1,761,833
Receivables		
Delinquent taxes	11,675	10,834
Accounts	62,268	70,230
Prepaid items	7,015	2,026
Total assets	$ 2,037,859	$ 1,844,923
Liabilities		
Accounts payable	$ 91,752	$ 73,745
Due to other governments	3,817	4,318
Accrued salaries payable	39,879	52,651
Unearned revenue	8,124	5,963
Total liabilities	143,572	136,677
Deferred inflows of resources		
Unavailable revenue - taxes	11,675	10,834
Fund balances		
Nonspendable		
Prepaid items	7,015	2,026
Restricted		
Parkland dedication	159,219	148,819
Assigned		
Park and recreation services	1,716,378	1,546,567
Total fund balances	1,882,612	1,697,412
Total liabilities, deferred inflows of resources and fund balances	$ 2,037,859	$ 1,844,923

CITY OF NEW ULM, MINNESOTA
Park and Recreation Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 782,376	$ 782,376	$ 778,926	$ (3,450)	$ 619,727	$ 611,343	$ (8,384)
Delinquent	-	-	7,783	7,783	-	461	461
Mobile home	-	-	1,998	1,998	-	1,817	1,817
Payment in lieu of taxes	426,095	426,095	413,779	(12,316)	446,095	505,516	59,421
Intergovernmental							
State							
Local governmental aid	943,118	943,118	976,078	32,960	1,005,245	1,005,245	-
Other aid	140,090	140,090	196,658	56,568	115,960	59,325	(56,635)
Charges for services	882,220	882,220	920,206	37,986	866,900	919,193	52,293
Investment earnings	10,200	10,200	20,776	10,576	8,180	46,717	38,537
Miscellaneous							
Donations	-	-	24,532	24,532	-	30,083	30,083
Other	4,600	4,600	30,752	26,152	4,200	39,638	35,438
Total revenues	3,188,699	3,188,699	3,371,488	182,789	3,066,307	3,219,338	153,031
Expenditures							
Current							
Culture and recreation							
Administration							
Personal services	284,587	284,587	252,357	32,230	258,175	252,630	5,545
Supplies	7,200	7,200	7,363	(163)	7,000	6,455	545
Contractual services	34,286	34,286	23,253	11,033	31,625	36,407	(4,782)
Other services and charges	30,931	30,931	32,748	(1,817)	32,731	25,810	6,921
Total	357,004	357,004	315,721	41,283	329,531	321,302	8,229
Park							
Personal services	423,870	423,870	458,290	(34,420)	415,433	449,036	(33,603)
Supplies	97,700	97,700	124,729	(27,029)	108,866	132,644	(23,778)
Contractual services	173,889	189,917	295,993	(106,076)	168,016	152,769	15,247
Other services and charges	99,150	109,150	82,906	26,244	100,250	76,196	24,054
Total	794,609	820,637	961,918	(141,281)	792,565	810,645	(18,080)
Outdoor pool							
Personal services	16,838	16,838	18,017	(1,179)	23,285	19,920	3,365
Supplies	9,000	9,000	14,208	(5,208)	9,500	8,168	1,332
Contractual services	4,700	4,700	4,177	523	500	7,256	(6,756)
Other services and charges	7,900	7,900	5,496	2,404	8,400	3,431	4,969
Total	38,438	38,438	41,898	(3,460)	41,685	38,775	2,910

CITY OF NEW ULM, MINNESOTA
Park and Recreation Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures (continued)							
Recreation center							
Personal services	$ 541,341	$ 541,341	$ 528,390	$ 12,951	$ 594,960	$ 498,911	$ 96,049
Supplies	97,800	97,800	114,506	(16,706)	94,169	104,260	(10,091)
Contractual services	68,891	82,022	111,795	(29,773)	81,157	80,479	678
Other services and charges	202,700	202,700	203,318	(618)	199,500	209,662	(10,162)
Total	910,732	923,863	958,009	(34,146)	969,786	893,312	76,474
Civic center							
Personal services	234,446	234,446	170,709	63,737	172,683	167,447	5,236
Supplies	49,900	49,900	94,024	(44,124)	52,000	47,897	4,103
Contractual services	42,690	42,690	45,719	(3,029)	39,688	52,561	(12,873)
Other services and charges	242,100	242,100	212,831	29,269	242,700	233,262	9,438
Total	569,136	569,136	523,283	45,853	507,071	501,167	5,904
Community center							
Personal services	100,529	100,529	66,893	33,636	85,911	56,248	29,663
Supplies	17,500	17,500	13,594	3,906	14,500	12,865	1,635
Contractual services	17,401	19,146	38,100	(18,954)	16,302	36,036	(19,734)
Other services and charges	41,850	41,850	34,416	7,434	40,950	38,296	2,654
Total	177,280	179,025	153,003	26,022	157,663	143,445	14,218
Total current	2,847,199	2,888,103	2,953,832	(65,729)	2,798,301	2,708,646	89,655
Capital outlay							
Culture and recreation							
Park	610,900	752,940	210,681	542,259	432,587	292,840	139,747
Outdoor pool	16,000	16,000	14,950	1,050	44,700	-	44,700
Recreation center	-	-	-	-	50,000	52,306	(2,306)
Civic center	-	-	-	-	12,500	12,629	(129)
Community center	-	6,825	6,825	-	-	-	-
Total capital outlay	626,900	775,765	232,456	543,309	539,787	357,775	182,012
Total expenditures	3,474,099	3,663,868	3,186,288	477,580	3,338,088	3,066,421	271,667
Net change in fund balances	(285,400)	(475,169)	185,200	660,369	(271,781)	152,917	424,698
Fund balances, January 1	1,697,412	1,697,412	1,697,412	-	1,544,495	1,544,495	-
Fund balances, December 31	$ 1,412,012	$ 1,222,243	$ 1,882,612	$ 660,369	$ 1,272,714	$ 1,697,412	$ 424,698

This Page Left Blank Intentionally

CITY OF NEW ULM, MINNESOTA
Parking Meter Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 464,897	$ 451,237
Receivables		
Delinquent taxes	14,005	9,420
Accounts	560	515
Total assets	$ 479,462	$ 461,172
Liabilities		
Accounts payable	$ 40	$ 114
Due to other governments	94	56
Accrued salaries payable	3,428	1,845
Total liabilities	3,562	2,015
Deferred inflows of resources		
Unavailable revenue - taxes	14,005	9,420
Fund balances		
Restricted		
Maintain parking areas	461,895	449,737
Total liabilities, deferred inflows of resources and fund balances	$ 479,462	$ 461,172

CITY OF NEW ULM, MINNESOTA
Parking Meter Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
Delinquent	$ -	$ -	$ 360	$ 360	$ -	$ 2,513	$ 2,513
Special service district	40,000	40,000	33,505	(6,495)	40,000	33,693	(6,307)
Penalties and interest	-	-	5	5	-	2,311	2,311
Intergovernmental							
State							
Other aid	150	150	151	1	130	149	19
Charges for services	19,000	19,000	20,789	1,789	19,000	18,647	(353)
Fines and forfeitures	13,500	13,500	17,997	4,497	13,500	21,004	7,504
Investment earnings	3,200	3,200	5,952	2,752	3,100	15,501	12,401
Total revenues	75,850	75,850	78,759	2,909	75,730	93,818	18,088
Expenditures							
Current							
Miscellaneous							
Personal services	56,561	56,561	53,126	3,435	62,689	54,800	7,889
Supplies	6,000	6,000	2,507	3,493	2,800	2,141	659
Contractual services	8,000	8,000	10,551	(2,551)	6,000	11,189	(5,189)
Other services and charges	500	500	417	83	500	1,563	(1,063)
Total expenditures	71,061	71,061	66,601	4,460	71,989	69,693	2,296
Net change in fund balances	4,789	4,789	12,158	7,369	3,741	24,125	20,384
Fund balances, January 1	449,737	449,737	449,737	-	425,612	425,612	-
Fund balances, December 31	$ 454,526	$ 454,526	$ 461,895	$ 7,369	$ 429,353	$ 449,737	$ 20,384

CITY OF NEW ULM, MINNESOTA
Sales Tax Revenue Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 3,332,046	$ 2,836,651
Receivables		
Accounts	4,353	4,508
Intergovernmental	224,246	203,815
Total assets	$ 3,560,645	$ 3,044,974
Liabilities		
Accounts payable	$ -	$ 3,265
Fund balances		
Restricted		
Sales tax projects	3,560,645	3,041,709
Total liabilities and fund balances	$ 3,560,645	$ 3,044,974

CITY OF NEW ULM, MINNESOTA
Sales Tax Revenue Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Taxes		
Sales and excise tax	$ 1,179,298	$ 1,299,063
Investment earnings	43,252	80,655
Total revenues	1,222,550	1,379,718
Expenditures		
Current		
Miscellaneous		
Supplies	9,244	-
Capital outlay		
Culture and recreation		
Recreation	-	83,449
Total expenditures	9,244	83,449
Excess (deficiency) of revenues over (under) expenditures	1,213,306	1,296,269
Other financing sources (uses)		
Transfers out	(694,370)	(682,020)
Net change in fund balances	518,936	614,249
Fund balances, January 1	3,041,709	2,427,460
Fund balances, December 31	$ 3,560,645	$ 3,041,709

CITY OF NEW ULM, MINNESOTA
Character Counts Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 58,631	$ 57,843
Fund balances		
Assigned		
DARE program	$ 58,631	$ 57,843

CITY OF NEW ULM, MINNESOTA
Character Counts Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Intergovernmental							
Fines and forfeitures	$ 1,000	$ 1,000	$ -	$ (1,000)	$ 1,000	$ 721	$ (279)
Investment earnings	450	450	788	338	400	2,136	1,736
Miscellaneous							
Donations	200	200	-	(200)	200	-	(200)
Total revenues	1,650	1,650	788	(862)	1,600	2,857	1,257
Expenditures							
Current							
Public safety							
Supplies	-	-	-	-	1,000	4,492	(3,492)
Other services and charges	6,250	6,250	-	6,250	5,350	-	5,350
Total expenditures	6,250	6,250	-	6,250	6,350	4,492	1,858
Net change in fund balances	(4,600)	(4,600)	788	5,388	(4,750)	(1,635)	3,115
Fund balances, January 1	57,843	57,843	57,843	-	59,478	59,478	-
Fund balance, December 31	$ 53,243	$ 53,243	$ 58,631	$ 5,388	$ 54,728	$ 57,843	$ 3,115

CITY OF NEW ULM, MINNESOTA
State MIF Grant Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 98,305	$ 61,576
Notes receivable	10,991	46,227
Total assets	$ 109,296	$ 107,803
Fund balances		
Restricted		
Economic development	$ 109,296	$ 107,803

CITY OF NEW ULM, MINNESOTA
State MIF Grant Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Change in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 1,493	$ 38
Other financing sources (uses)		
Transfers in	-	107,765
Net change in fund balances	1,493	107,803
Fund balances, January 1	107,803	-
Fund balances, December 31	$ 109,296	$ 107,803

CITY OF NEW ULM, MINNESOTA
Rehabilitation Loan Program Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 347,271	$ 324,460
Notes receivable	183,879	198,331
Total assets	$ 531,150	$ 522,791
Fund balances		
Restricted		
Economic development	$ 531,150	$ 522,791

CITY OF NEW ULM, MINNESOTA
Rehabilitation Loan Program Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 8,359	$ 13,803
Fund balances, January 1	522,791	508,988
Fund balances, December 31	$ 531,150	$ 522,791

CITY OF NEW ULM, MINNESOTA
Firefighters Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 9,164	$ 6,406
Receivables		
Accounts	1,215	1,125
Total assets	$ 10,379	$ 7,531
Liabilities		
Accounts payable	$ 352	$ -
Fund balances		
Committed		
Fire fighting	7,216	4,828
Assigned		
Fire fighting	2,811	2,703
Total fund balances	10,027	7,531
Total liabilities and fund balances	$ 10,379	$ 7,531

CITY OF NEW ULM, MINNESOTA
Firefighters Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Charges for services		
Public safety	$ 8,910	$ 8,505
Investment earnings	108	53
Total revenues	9,018	8,558
Expenditures		
Current		
Public safety		
Other services and charges	6,522	6,181
Net change in fund balances	2,496	2,377
Fund balances, January 1	7,531	5,154
Fund balances, December 31	$ 10,027	$ 7,531

CITY OF NEW ULM, MINNESOTA
Small Cities Development Special Revenue Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 41,370	$ 33,193
Receivables		
Notes, net of allowance	4,262	11,966
Total assets	$ 45,632	$ 45,159
Fund balances		
Restricted		
Economic development	$ 45,632	$ 45,159

CITY OF NEW ULM, MINNESOTA
Small Cities Development Special Revenue Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances
For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 473	$ 827
Fund balances, January 1	45,159	44,332
Fund balances, December 31	$ 45,632	$ 45,159

CITY OF NEW ULM, MINNESOTA
Special Revenue Tax Increment Financing Funds
Combining TIF Balance Sheet
December 31, 2015
(with comparative totals for December 31, 2014)

	TIF RD-6	TIF RD-9	TIF H - 2	TIF H - 5	TIF H - 7	TIF H - 8	Totals 2015	Totals 2014
Assets								
Cash and investments	$ 21,128	$ 4,501	$ 40,214	$ 5,800	$ 2,058	$ 5,074	$ 78,775	$ 62,896
Liabilities								
Accounts payable	$ 21,128	$ 740	$ 39,900	$ -	$ -	$ -	$ 61,768	$ 34,500
Due to other funds	-	-	-	-	-	4,466	4,466	-
Advances from other funds	-	20,000	-	-	-	4,000	24,000	16,000
Advances from component unit	-	-	-	408,000	-	-	408,000	340,000
Total liabilities	21,128	20,740	39,900	408,000	-	8,466	498,234	390,500
Fund balances								
Restricted								
TIF activities	-	-	314	-	2,058	-	2,372	20,407
Unassigned	-	(16,239)	-	(402,200)	-	(3,392)	(421,831)	(348,011)
Total fund balances	-	(16,239)	314	(402,200)	2,058	(3,392)	(419,459)	(327,604)
Total liabilities and fund balances	$ 21,128	$ 4,501	$ 40,214	$ 5,800	$ 2,058	$ 5,074	$ 78,775	$ 62,896

CITY OF NEW ULM, MINNESOTA
Special Revenue Tax Incrementing Financing Funds
Combining TIF Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the year ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	TIF RD-6	TIF RD-9	TIF H - 2	TIF H - 5	TIF H - 7	TIF H - 8	Totals 2015	Totals 2014
Revenues								
Taxes								
Captured TIF	$ 20,815	$ -	$ 39,880	$ 13,759	$ -	$ -	$ 74,454	$ 64,443
Investment earnings	208	33	193	284	27	26	771	634
Total revenues	21,023	33	40,073	14,043	27	26	75,225	65,077
Expenditures								
Current								
Miscellaneous	39,108	7,133	40,050	150	-	-	86,441	64,887
Debt service								
Principal	-	-	-	43,894	-	-	43,894	43,894
Interest	-	420	-	36,205	-	120	36,745	37,108
Total expenditures	39,108	7,553	40,050	80,249	-	120	167,080	145,889
Net change in fund balances	(18,085)	(7,520)	23	(66,206)	27	(94)	(91,855)	(80,812)
Fund balances, January 1	18,085	(8,719)	291	(335,994)	2,031	(3,298)	(327,604)	(246,792)
Fund balances, December 31	$ -	$ (16,239)	$ 314	$ (402,200)	$ 2,058	$ (3,392)	$ (419,459)	$ (327,604)

This Page Left Blank Intentionally

DEBT SERVICE FUNDS

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

The Bond Sinking Fund is a major fund which was established to account for special assessments and tax levies used to retire G.O. Bonds issued in accordance with Minnesota statutes section 429.

The G.O. Improvement Bonds Debt Service Funds are nonmajor funds which were established to record transfers from the Bond Sinking Fund for debt service associated with General Obligation Improvement Bonds, Series 2007 through 2015.

This Page Left Blank Intentionally

CITY OF NEW ULM, MINNESOTA
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2015

	2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009C G.O. Sales Tax Refunding Bonds	2013 G.O. PIRF Fund	2009A G.O. PIRF Bonds	2010A G.O. Refunding Bonds	2007 G.O. TIF Improvement Bonds	2010B G.O. PIRF Bonds	2011 G.O. PIRF Bonds	2012 G.O. PIRF Bonds	2014 G.O. PIRF Bonds	2015 G.O. PIRF Bonds	Total Nonmajor
Assets													
Cash and investments	$ 24,180	$ 60,000	$ -	$ -	$ -	$ 17,117	$ 36,203	$ -	$ -	$ -	$ -	$ -	$ 137,500
Receivables													
Noncurrent	35,239	-	-	-	-	-	307,261	-	-	-	-	-	342,500
Total assets	$ 59,419	$ 60,000	$ -	$ -	$ -	$ 17,117	$ 343,464	$ -	$ -	$ -	$ -	$ -	$ 480,000
Deferred inflows of resources													
Unavailable revenue - special assessments	$ 35,239	$ -	$ -	$ -	$ -	$ -	$ 307,261	$ -	$ -	$ -	$ -	$ -	$ 342,500
Fund balances													
Restricted													
Debt service	24,180	60,000	-	-	-	17,117	36,203	-	-	-	-	-	137,500
Total deferred inflows of resources and fund balances	$ 59,419	$ 60,000	$ -	$ -	$ -	$ 17,117	$ 343,464	$ -	$ -	$ -	$ -	$ -	$ 480,000

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, 2015

	2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009C G.O. Sales Tax Refunding Bonds	2013 G.O. PIRF Fund	2009A G.O. PIRF Bonds	2010A G.O. Refunding Bonds	2007 G.O. TIF Improvement Bonds	2010B G.O. PIRF Bonds	2011 G.O. PIRF Bonds	2012 G.O. PIRF Bonds	2014 G.O. PIRF Bonds	2015 G.O. PIRF Bonds	Total Nonmajor
Revenues													
Property taxes	$ 26,691	$ -	$ -	$ -	$ -	$ 25,692	$ 1,455	$ -	$ -	$ -	$ -	$ -	$ 53,838
Special assessments	7,450	-	-	-	-	18,927	64,963	-	-	-	-	-	91,340
Investment earnings	138	-	-	-	-	10	249	-	-	-	-	-	397
Total revenues	34,279	-	-	-	-	44,629	66,667	-	-	-	-	-	145,575
Expenditures													
Debt service													
Principal	23,800	255,000	575,000	270,000	215,000	41,500	46,200	295,000	385,000	265,000	825,000	-	3,196,500
Interest	8,835	32,600	119,370	34,440	37,435	1,528	17,150	35,876	51,750	25,003	70,350	28,391	462,728
Total expenditures	32,635	287,600	694,370	304,440	252,435	43,028	63,350	330,876	436,750	290,003	895,350	28,391	3,659,228
Excess (deficiency) of revenues over (under) expenditures	1,644	(287,600)	(694,370)	(304,440)	(252,435)	1,601	3,317	(330,876)	(436,750)	(290,003)	(895,350)	(28,391)	(3,513,653)
Other financing sources (uses)													
Transfers in	-	347,600	694,370	304,440	252,435	-	-	330,876	436,750	290,003	895,350	28,391	3,580,215
Net change in fund balances	1,644	60,000	-	-	-	1,601	3,317	-	-	-	-	-	66,562
Fund balances, January 1	22,536	-	-	-	-	15,516	32,886	-	-	-	-	-	70,938
Fund balances, December 31	$ 24,180	$ 60,000	$ -	$ -	$ -	$ 17,117	$ 36,203	$ -	$ -	$ -	$ -	$ -	$ 137,500

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, 2015

	Bond Sinking			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes				
General	$ 2,224,022	$ 2,224,022	$ 2,213,765	$ (10,257)
Delinquent	-	-	28,355	28,355
Mobile home	-	-	6,016	6,016
Total taxes	2,224,022	2,224,022	2,248,136	24,114
Special assessments	748,930	748,930	1,310,644	561,714
Investment earnings	9,000	9,000	13,247	4,247
Total revenues	2,981,952	2,981,952	3,572,027	590,075
Expenditures				
Debt service				
Bond issuance costs and fees	2,500	2,500	2,758	(258)
Excess (deficiency) of revenues over (under) expenditures	2,979,452	2,979,452	3,569,269	589,817
Other financing sources (uses)				
Transfers out	(2,837,454)	(2,837,454)	(2,885,844)	(48,390)
Net change in fund balances	141,998	141,998	683,425	541,427
Fund balances, January 1	1,702,200	1,702,200	1,702,200	-
Fund balances, December 31	$ 1,844,198	$ 1,844,198	$ 2,385,625	$ 541,427

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.

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.

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

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

2013 Bonds Fund - a major fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2013.

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

2015 Bonds Fund - a major fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2015.

Levee Project Fund - a nonmajor fund which accounts for funds to be used to design and construct the permanent levee.

2011 Bonds Fund - a nonmajor fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2011.

2012 Bonds Fund - a nonmajor fund which accounts for costs associated with projects financed through the issuance of G.O. improvement Bonds, Series 2012.

CITY OF NEW ULM, MINNESOTA
Nonmajor Capital Project Funds
Combining Balance Sheets
December 31, 2015

	Levee Project	2011 Bonds	2012 Bonds	Total Nonmajor Capital Projects
Assets				
Total assets	$ -	$ -	$ -	$ -
Fund balances				
Total fund balances	$ -	$ -	$ -	$ -

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, 2015

	Levee Project	2011 Bonds	2012 Bonds	Total Nonmajor Capital Projects
Revenues				
Investment earnings (loss)	$ -	$ 3,054	$ (1,167)	$ 1,887
Expenditures				
Capital outlay				
Streets and highways	87	-	53,980	54,067
Excess (deficiency) of revenues over (under) expenditures	(87)	3,054	(55,147)	(52,180)
Other financing sources (uses)				
Transfers in	73,840	-	3,054	76,894
Transfers out	-	(3,054)	(736,170)	(739,224)
Total other financing sources (uses)	73,840	(3,054)	(733,116)	(662,330)
Net change in fund balances	73,753	-	(788,263)	(714,510)
Fund balances, January 1	(73,753)	-	788,263	714,510
Fund balances, December 31	$ -	$ -	$ -	$ -

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.

This Page Left Blank Intentionally

CITY OF NEW ULM, MINNESOTA
Cemetery Trust Permanent Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 510,930	$ 487,997
Fund balances		
Nonspendable		
Perpetual care	$ 510,930	$ 487,997

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, 2015 and 2014

	2015	2014
Revenues		
Investment earnings	$ 95	$ 11,486
Miscellaneous		
Other	22,838	18,820
Total revenues	22,933	30,306
Fund balances, January 1	487,997	457,691
Fund balances, December 31	$ 510,930	$ 487,997

This Page Left Blank Intentionally

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.

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Balance Sheets
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and investments	$ 7,156,255	$ 7,288,137
Receivables		
Interest	116,283	77,836
Delinquent taxes	38,502	38,168
Special assessments	232,958	254,107
Accounts	267,436	251,708
Intergovernmental	269,126	112,895
Due from component unit	644	1,800
Prepaid items	25,815	18,791
Total assets	$ 8,107,019	$ 8,043,442
Liabilities		
Accounts payable	$ 58,796	$ 136,607
Due to other funds	1,312	3,143
Due to component unit	-	163,103
Due to other governments	23,844	47,078
Accrued salaries payable	165,785	211,448
Deposits payable	31,625	34,125
Unearned revenue	12,571	11,112
Total liabilities	293,933	606,616
Deferred inflows of resources		
Unavailable revenue - taxes	38,502	38,168
Unavailable revenue - special assessments	232,958	254,107
Total deferred inflows of resources	271,460	292,275
Fund balances		
Nonspendable		
Prepaid items	25,815	18,791
Assigned		
Subsequent year budgeted deficit	2,012,997	150,000
Unassigned	5,502,814	6,975,760
Total fund balances	7,541,626	7,144,551
Total liabilities, deferred inflows of resources and fund balances	$ 8,107,019	$ 8,043,442

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues							
Taxes							
General	$ 2,549,663	$ 2,549,663	$ 2,540,943	$ (8,720)	$ 2,326,624	$ 2,296,169	$ (30,455)
Delinquent	-	-	28,374	28,374	-	1,988	1,988
Mobile home	-	-	6,603	6,603	-	6,616	6,616
Franchise	210,000	210,000	240,282	30,282	190,000	226,271	36,271
Hotel-Motel	100,000	100,000	125,150	25,150	97,000	112,405	15,405
Payment in lieu of taxes	1,447,529	1,447,529	1,405,145	(42,384)	1,427,805	1,620,514	192,709
Penalties and interest on delinquent taxes	900	900	2,298	1,398	1,000	9,904	8,904
Total taxes	4,308,092	4,308,092	4,348,795	40,703	4,042,429	4,273,867	231,438
Special assessments	26,200	26,200	29,371	3,171	32,002	27,579	(4,423)
Licenses and permits							
Business	58,500	58,500	65,366	6,866	56,500	64,617	8,117
Nonbusiness	154,300	154,300	218,231	63,931	154,050	172,943	18,893
Total licenses and permits	212,800	212,800	283,597	70,797	210,550	237,560	27,010
Intergovernmental							
Federal							
Airport improvement grant	67,500	127,500	228,491	100,991	399,680	453,850	54,170
Other federal grants	10,000	10,000	-	(10,000)	23,100	178,648	155,548
State							
Local government aid	3,203,946	3,203,946	3,216,777	12,831	3,217,466	3,217,466	-
Property tax credits and aids	200	200	233	33	276	276	-
Police amortization aid	150,000	150,000	169,482	19,482	139,000	159,936	20,936
Fire aid	65,950	65,950	93,963	28,013	55,468	88,302	32,834
Street maintenance aid	25,650	25,650	25,650	-	25,650	25,650	-
Other aid	186,090	186,090	188,312	2,222	79,125	137,552	58,427
County							
Highways	9,400	9,400	10,023	623	9,400	9,582	182
Total intergovernmental	3,718,736	3,778,736	3,932,931	154,195	3,949,165	4,271,262	322,097
Charges for services							
General government	43,400	43,400	82,258	38,858	41,526	79,571	38,045
Public safety	122,209	122,209	138,533	16,324	150,388	123,606	(26,782)
Public works	8,760	8,760	12,631	3,871	7,260	45,789	38,529
Miscellaneous	114,205	114,205	107,670	(6,535)	112,155	141,837	29,682
Charges to other funds	448,112	448,112	556,705	108,593	449,651	514,589	64,938
Total charges for services	736,686	736,686	897,797	161,111	760,980	905,392	144,412
Fines and forfeitures							
Court fines and forfeitures	64,300	64,300	70,092	5,792	65,665	65,601	(64)
Investment earnings	36,900	36,900	84,414	47,514	36,670	121,129	84,459
Miscellaneous							
Donations	200	200	155	(45)	200	32	(168)
Sales of assets	-	-	-	-	-	38,413	38,413
Other	47,900	47,900	104,567	56,667	30,900	62,921	32,021
Total miscellaneous	48,100	48,100	104,722	56,622	31,100	101,366	70,266
Total revenues	9,151,814	9,211,814	9,751,719	539,905	9,128,561	10,003,756	875,195

(Continued)

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures							
Current							
General government							
Personal services	$ 1,013,894	$ 1,013,894	$ 933,947	$ 79,947	$ 998,587	$ 919,529	$ 79,058
Supplies	38,350	52,750	44,973	7,777	40,750	26,011	14,739
Contractual services	474,679	474,679	435,133	39,546	473,553	502,375	(28,822)
Insurance	241,850	241,850	225,889	15,961	236,850	230,032	6,818
Other services and charges	439,062	445,112	440,634	4,478	484,271	412,681	71,590
Total general government	2,207,835	2,228,285	2,080,576	147,709	2,234,011	2,090,628	143,383
Public safety							
Fire							
Personal services	324,105	324,105	335,046	(10,941)	251,617	286,031	(34,414)
Supplies	38,200	38,200	29,636	8,564	36,000	32,807	3,193
Contractual services	31,703	31,703	32,730	(1,027)	31,406	32,873	(1,467)
Other services and charges	61,736	61,736	54,916	6,820	53,408	50,655	2,753
Total fire	455,744	455,744	452,328	3,416	372,431	402,366	(29,935)
Police							
Personal services	2,371,005	2,371,005	2,324,715	46,290	2,332,387	2,261,605	70,782
Supplies	127,500	152,500	126,008	26,492	129,830	128,245	1,585
Contractual services	47,401	47,401	51,205	(3,804)	74,002	48,316	25,686
Other services and charges	140,000	140,000	128,874	11,126	144,720	149,485	(4,765)
Total police	2,685,906	2,710,906	2,630,802	80,104	2,680,939	2,587,651	93,288
Total public safety	3,141,650	3,166,650	3,083,130	83,520	3,053,370	2,990,017	63,353
Streets and highways							
Personal services	1,046,029	1,046,029	974,445	71,584	1,038,322	990,072	48,250
Supplies	581,900	581,900	598,702	(16,802)	604,200	604,260	(60)
Contractual services	665,793	665,793	654,324	11,469	619,204	605,408	13,796
Other services and charges	11,500	11,500	13,853	(2,353)	11,500	37,706	(26,206)
Total streets and highways	2,305,222	2,305,222	2,241,324	63,898	2,273,226	2,237,446	35,780
Sanitation and waste removal							
Personal services	70,250	70,250	95,304	(25,054)	78,050	82,883	(4,833)
Supplies	11,950	11,950	8,004	3,946	9,450	2,814	6,636
Contractual services	60,512	60,512	56,237	4,275	56,351	53,191	3,160
Other services and charges	5,600	5,600	3,100	2,500	6,000	3,960	2,040
Total sanitation and waste removal	148,312	148,312	162,645	(14,333)	149,851	142,848	7,003
Miscellaneous							
Airport							
Personal services	7,206	7,206	4,335	2,871	5,087	4,894	193
Supplies	1,500	1,500	1,019	481	1,500	68	1,432
Contractual services	104,378	104,378	85,384	18,994	100,039	79,787	20,252
Insurance	8,450	8,450	8,006	444	8,375	8,106	269
Other services and charges	19,950	19,950	15,984	3,966	9,700	17,451	(7,751)
Total airport	141,484	141,484	114,728	26,756	124,701	110,306	14,395
Cemetery							
Personal services	168,785	168,785	154,506	14,279	164,089	156,727	7,362
Supplies	14,470	14,470	10,675	3,795	11,270	8,116	3,154
Contractual services	33,470	33,470	31,609	1,861	31,255	30,067	1,188
Other services and charges	8,400	8,400	3,744	4,656	8,400	4,070	4,330
Total cemetery	225,125	225,125	200,534	24,591	215,014	198,980	16,034

(Continued)

CITY OF NEW ULM, MINNESOTA
General Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (continued)
For the years ended December 31, 2015 and 2014

	2015				2014		
	Budgeted Amounts						
	Original	Final	Actual Amounts	Variance with Final Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures							
Current							
Miscellaneous (continued)							
Engineering							
Personal services	$ 584,139	$ 584,139	$ 590,043	$ (5,904)	$ 571,943	$ 559,385	$ 12,558
Supplies	15,100	15,100	10,410	4,690	15,240	9,022	6,218
Contractual services	76,428	134,348	83,082	51,266	144,588	81,217	63,371
Other services and charges	24,700	24,700	18,051	6,649	34,700	101,249	(66,549)
Total engineering	700,367	758,287	701,586	56,701	766,471	750,873	15,598
Community access							
Personal services	135,867	135,867	135,943	(76)	120,901	123,841	(2,940)
Supplies	23,800	23,800	32,935	(9,135)	23,900	30,858	(6,958)
Other services and charges	13,652	13,652	10,744	2,908	13,304	12,283	1,021
Total community access	173,319	173,319	179,622	(6,303)	158,105	166,982	(8,877)
Total miscellaneous	1,240,295	1,298,215	1,196,470	101,745	1,264,291	1,227,141	37,150
Total current	9,043,314	9,146,684	8,764,145	382,539	8,974,749	8,688,080	286,669
Capital outlay							
Public safety	88,500	88,500	64,856	23,644	112,000	132,090	(20,090)
Miscellaneous	210,000	326,220	164,203	162,017	526,090	382,378	143,712
Total capital outlay	298,500	414,720	229,059	185,661	638,090	514,468	123,622
Total expenditures	9,341,814	9,561,404	8,993,204	568,200	9,612,839	9,202,548	410,291
Excess (deficiency) of revenues over (under) expenditures	(190,000)	(349,590)	758,515	1,108,105	(484,278)	801,208	1,285,486
Other financing sources (uses)							
Transfers in	190,000	190,000	190,000	-	293,275	379,391	86,116
Transfers out	(150,000)	(477,600)	(551,440)	(73,840)	(327,600)	-	327,600
Total other financing sources (uses)	40,000	(287,600)	(361,440)	(73,840)	(34,325)	379,391	413,716
Net change in fund balances	(150,000)	(637,190)	397,075	1,034,265	(518,603)	1,180,599	1,699,202
Fund balances, January 1	7,144,551	7,144,551	7,144,551	-	5,963,952	5,963,952	-
Fund balances, December 31	$ 6,994,551	$ 6,507,361	$ 7,541,626	$ 1,034,265	$ 5,445,349	$ 7,144,551	$ 1,699,202

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, 2015

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Total
Assets				
Current assets				
Cash and investments	$ 894,216	$ 801,842	$ 1,099,444	$ 2,795,502
Receivables				
Accounts	-	7,719	-	7,719
Due from other funds	1,312	-	-	1,312
Inventories	99,420	-	-	99,420
Total current assets	994,948	809,561	1,099,444	2,903,953
Noncurrent assets				
Capital assets				
Buildings and structures	1,806,903	-	-	1,806,903
Machinery and equipment	5,159,533	-	-	5,159,533
Accumulated depreciation	(4,475,530)	-	-	(4,475,530)
Total noncurrent assets	2,490,906	-	-	2,490,906
Total assets	3,485,854	809,561	1,099,444	5,394,859
Deferred outflows of resources				
Deferred pension resources	9,604	-	-	9,604
Liabilities				
Current liabilities				
Accounts payable	13,870	128,234	-	142,104
Accrued salaries payable	3,680	-	-	3,680
Claims incurred but not paid	-	20,049	-	20,049
Unearned revenue	-	199,078	-	199,078
Total current liabilities	17,550	347,361	-	364,911
Noncurrent liabilities				
Pension liability	84,007	-	-	84,007
Total liabilities	101,557	347,361	-	448,918
Deferred inflows of resources				
Deferred pension resources	20,861	-	-	20,861
Net position				
Investment in capital assets	2,490,906	-	-	2,490,906
Unrestricted	882,134	462,200	1,099,444	2,443,778
Total net position	$ 3,373,040	$ 462,200	$ 1,099,444	$ 4,934,684

CITY OF NEW ULM, MINNESOTA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2015

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Total
Operating revenues				
Charges for services	$ 946,869	$ -	$ -	$ 946,869
Insurance premiums	-	2,313,068	-	2,313,068
Insurance refunds	-	7,567	-	7,567
Total operating revenues	946,869	2,320,635	-	3,267,504
Operating expenses				
Administrative and general	171,661	21,021	-	192,682
Insurance premiums	-	2,080,648	-	2,080,648
Self funded claims	-	184,906	2,304	187,210
Vehicle maintenance	262,117	-	-	262,117
Depreciation	384,903	-	-	384,903
Total operating expenses	818,681	2,286,575	2,304	3,107,560
Operating income (loss)	128,188	34,060	(2,304)	159,944
Non-operating revenues (expenses)				
State other aid	281	-	-	281
Gain on sale of assets	5,530	-	-	5,530
Investment income	10,930	6,910	12,521	30,361
Miscellaneous income	598	-	172,651	173,249
Total non-operating revenues (expenses)	17,339	6,910	185,172	209,421
Change in net position	145,527	40,970	182,868	369,365
Net position				
January 1 as restated	3,227,513	421,230	916,576	4,565,319
December 31	$ 3,373,040	$ 462,200	$ 1,099,444	$ 4,934,684

CITY OF NEW ULM, MINNESOTA
Internal Service Funds
Combining Statement of Cash Flows
For the year ended December 31, 2015

	Equipment Revolving	Health Insurance Trust	Insurance Trust	Total
Cash flows from operating activities				
Receipts from interfund services provided	$ 946,869	$ 2,511,777	$ -	$ 3,458,646
Grant receipts	281	-	-	281
Payments to suppliers and interfund services used	(267,225)	127,135	(2,304)	(142,394)
Payments to and on behalf of employees	(147,747)	(2,292,928)	-	(2,440,675)
Other receipts	598	7,567	172,651	180,816
Net cash provided (used) by operating activities	532,776	353,551	170,347	1,056,674
Cash flows from non-capital financing activities				
Increase (decrease) in due from other funds	1,831	-	-	1,831
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	5,530	-	-	5,530
Acquisition of capital assets	(417,047)	-	-	(417,047)
Net cash provided (used) by capital and related financing activities	(411,517)	-	-	(411,517)
Cash flows from investing activities				
Interest income received	10,930	6,910	12,521	30,361
Net increase (decrease) in cash and cash equivalents	134,020	360,461	182,868	677,349
Cash and cash equivalents				
January 1	760,196	441,381	916,576	2,118,153
December 31	$ 894,216	$ 801,842	$ 1,099,444	$ 2,795,502
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 128,188	$ 34,060	$ (2,304)	$ 159,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	879	-	172,651	173,530
Depreciation	384,903	-	-	384,903
(Increase) decrease in assets				
Accounts receivable	-	(369)	-	(369)
Inventories	8,114	-	-	8,114
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	2,981	-	-	2,981
(Decrease) increase in liabilities				
Accounts payable	5,923	127,135	-	133,058
Accrued salaries payable	(1,948)	-	-	(1,948)
Claims incurred, but not paid	-	(6,353)	-	(6,353)
Unearned revenue	-	199,078	-	199,078
Pension liability	4,388	-	-	4,388
(Decrease) increase in deferred inflows of resources				
Deferred pension resources	(652)	-	-	(652)
Net cash provided (used) by operating activities	$ 532,776	$ 353,551	$ 170,347	$ 1,056,674

This Page Left Blank Intentionally

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, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
BLR Drug Task Force Fund (803)				
Assets				
Cash and investments	$ 259,261	$ 373,488	$ 273,785	$ 358,964
Due from other governments	17,750	46,917	17,750	46,917
Total assets	$ 277,011	$ 420,405	$ 291,535	$ 405,881
Liabilities				
Accounts payable	$ 34,133	$ 33,559	$ 34,198	$ 33,494
Due to other entities	242,878	386,846	257,337	372,387
Total liabilities	$ 277,011	$ 420,405	$ 291,535	$ 405,881
City Employee Lunchroom Fund (820)				
Assets				
Cash and investments	$ (826)	$ 1,579	$ 1,507	$ (754)
Total assets	$ (826)	$ 1,579	$ 1,507	$ (754)
Liabilities				
Accounts payable	$ 101	$ 12	$ 101	$ 12
Due to other entities	(927)	1,567	1,406	(766)
Total liabilities	$ (826)	$ 1,579	$ 1,507	$ (754)
Library Employee Lunchroom Fund (823)				
Assets				
Cash and investments	$ 812	$ 242	$ 199	$ 855
Total assets	$ 812	$ 242	$ 199	$ 855
Liabilities				
Accounts payable	$ 30	$ 2	$ 30	$ 2
Due to other entities	782	240	169	853
Total liabilities	$ 812	$ 242	$ 199	$ 855
PUC Employee Lunchroom Fund (825)				
Assets				
Cash and investments	$ 8,074	$ 1,688	$ 1,506	$ 8,256
Total assets	$ 8,074	$ 1,688	$ 1,506	$ 8,256
Liabilities				
Accounts payable	$ 153	$ 1,474	$ 1,505	$ 122
Due to other entities	7,921	214	1	8,134
Total liabilities	$ 8,074	$ 1,688	$ 1,506	$ 8,256
Miscellaneous Affiliated Groups Fund (830)				
Assets				
Cash and investments	$ 41,415	$ 20,060	$ 21,321	$ 40,154
Total assets	$ 41,415	$ 20,060	$ 21,321	$ 40,154
Liabilities				
Accounts payable	$ 276	$ 11,288	$ 11,564	$ -
Due to other entities	41,139	8,772	9,757	40,154
Total liabilities	$ 41,415	$ 20,060	$ 21,321	$ 40,154
Totals All Funds				
Assets				
Cash and investments	$ 308,736	$ 397,057	$ 298,318	$ 407,475
Due from other governments	17,750	46,917	17,750	46,917
Total assets	$ 326,486	$ 443,974	$ 316,068	$ 454,392
Liabilities				
Accounts payable	$ 34,693	$ 46,335	$ 47,398	$ 33,630
Due to other entities	291,793	397,639	268,670	420,762
Total liabilities	$ 326,486	$ 443,974	$ 316,068	$ 454,392

CITY OF NEW ULM, MINNESOTA
Summary Financial Report
Revenues and Expenditures for General Operations
Governmental Funds
For the years ended December 31, 2015 and 2014

	Total 2015	Total 2014	Percent Increase (Decrease)
REVENUES			
Taxes	$ 10,017,020	$ 9,762,119	2.61 %
Special assessments	1,431,355	1,551,276	(7.73)
Licenses and permits	283,597	237,560	19.38
Intergovernmental	6,948,653	9,364,926	(25.80)
Contribution from component unit	411,926	-	N/A
Charges for services	1,870,134	1,864,913	0.28
Fines and forfeits	96,244	97,896	(1.69)
Investment earnings	275,636	549,038	(49.80)
Miscellaneous	290,163	209,293	38.64
TOTAL REVENUES	$ 21,624,728	$ 23,637,021	(8.51) %
Per Capita	$ 1,600	$ 1,757	(8.97) %
EXPENDITURES			
Current			
General government	$ 2,080,576	$ 2,090,628	(0.48) %
Public safety	3,089,652	3,000,690	2.96
Streets and highways	5,861,355	2,375,659	146.73
Sanitation and waste removal	162,645	142,848	13.86
Culture and recreation	3,646,538	3,390,133	7.56
Miscellaneous	1,358,756	1,361,721	(0.22)
Capital outlay			
Public safety	64,856	132,090	(50.90)
Streets and highways	2,015,665	3,441,937	(41.44)
Culture and recreation	243,206	446,266	(45.50)
Miscellaneous	225,110	2,992,727	(92.48)
Debt service			
Principal	3,266,392	3,924,378	(16.77)
Interest and other charges	541,093	591,051	(8.45)
TOTAL EXPENDITURES	$ 22,555,844	$ 23,890,128	(5.59) %
Per Capita	$ 1,668	$ 1,776	(6.05) %
Total Long-term Indebtedness	$ 18,574,745	$ 18,566,137	0.05 %
Per Capita	1,374	1,380	(0.45)
General Fund Balance - December 31	$ 7,541,626	$ 7,144,551	5.56 %
Per Capita	558	531	5.03

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 Reginald Vorwerk, Finance Director at 507-359-8259.

SINGLE AUDIT AND
OTHER REQUIRED REPORTS

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of New Ulm, Minnesota (the City) as of and for the year ended December 31, 2015, and related notes to the financial statements, and have issued our report thereon dated May 31, 2016.

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

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

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 31, 2016

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2016.

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
P.O. Box 3166
Mankato, MN 56002-3166
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
May 31, 2016

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of New Ulm's, New Ulm, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 31, 2016

CITY OF NEW ULM, MINNESOTA

Schedule of Expenditure of Federal Award Programs

For the year ended December 31, 2015

Federal Grantor	Pass-Through Grantor	Program Title	Catalog of Federal Domestic Assistance Number	State or Other Contract Number	Total Federal Expenditures
U.S. Department of Defense	Minnesota Department of Military Affairs	National Guard Military Operations and Maintenance	12.401		$ 18,506
U.S. Department of Housing and Urban Development	Direct	Public and Indian Housing (Low Rent)	14.850	C-4130	63,086
U.S. Department of Housing and Urban Development	Direct	Section 8 Housing Choice Vouchers	14.871	C-4038	341,780
U.S. Department of Housing and Urban Development	Direct	Public Housing Capital Fund (CFP)	14.872		29,551
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106		725,045
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205		810,840
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Boating Safety Financial Assistance	97.012		79,688
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036		2,598
	Total Expended				$ 2,071,094

CITY OF NEW ULM, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1: Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Ulm, Minnesota, (the City) for the year ended December 31, 2015. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of significant accounting policies for expenditures

Expenditures reported on this schedule are reported both on the accrual and modified accrual basis of accounting.

Note 3: Pass-through entity identifying numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect cost rate

During the year ended December 31, 2015, the City did not elect to use the 10% de minimis indirect cost rate.

CITY OF NEW ULM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)	No

Identification of Major Programs	CFDA No.
Airport Improvement Program	20.106

Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

None

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Finding 2014-001

CITY OF NEW ULM
NEW ULM, MINNESOTA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

2014-001 Material audit and accounting adjustments

Condition: During our audit, adjustments were needed to record accounting and audit adjustments, including one we consider to be material. The material adjustment was made to record additional intergovernmental receivables of $1,882,781.

Criteria: The financial statements are the responsibility of the City's management.

Cause: Source documents provided by the engineering department were not reconciled as of December 31, 2014 but rather at a date after year end.

Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management response:

Management will review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

This Page Left Blank Intentionally

City of New Ulm,

Minnesota

100 North Broadway
New Ulm, Minnesota 56073

Ph: 507.359.8259
Fax: 507.359.8219

E-mail: comments@ci.new-ulm.mn.us
Web Site: www.ci.new-ulm.mn.us