

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 26, 2019

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., under existing federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates. No opinion will be expressed regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Non-Rated

CITY OF NEW GERMANY, MINNESOTA (Carver County)

\$520,000* GENERAL OBLIGATION BONDS, SERIES 2020A

PROPOSAL OPENING: January 7, 2020, 10:00 A.M., C.T. **CONSIDERATION:** January 7, 2020, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$520,000* General Obligation Bonds, Series 2020A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, and Sections 412.301 and 475.67, by the City of New Germany, Minnesota (the "City") to finance: (i) the costs associated with the purchase of the fire department equipment; and (ii) effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

DATE OF BONDS: January 29, 2020

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$70,000	2025	\$70,000	2029	\$35,000
2022	70,000	2026	30,000	2030	35,000
2023	70,000	2027	30,000	2031	10,000
2024	65,000	2028	35,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2020 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2029 and thereafter are subject to call for prior optional redemption on February 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$512,200.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$10,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Fryberger, Buchanan, Smith & Frederick, P.A.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	FINANCIAL STATEMENTS	A-1
THE BONDS	1	FORM OF LEGAL OPINION	B-1
GENERAL	1	BOOK-ENTRY-ONLY SYSTEM	C-1
OPTIONAL REDEMPTION	2	FORM OF CONTINUING DISCLOSURE CERTIFICATE	D-1
AUTHORITY; PURPOSE	2	TERMS OF PROPOSAL	E-1
ESTIMATED SOURCES AND USES	3		
SECURITY	4		
RATING	4		
CONTINUING DISCLOSURE	4		
LEGAL OPINION	5		
TAX EXEMPTION	5		
QUALIFIED TAX-EXEMPT OBLIGATIONS	7		
MUNICIPAL ADVISOR	7		
MUNICIPAL ADVISOR AFFILIATED COMPANIES ...	7		
INDEPENDENT AUDITORS	8		
RISK FACTORS	8		
VALUATIONS	10		
OVERVIEW	10		
CURRENT PROPERTY VALUATIONS	11		
2018/19 NET TAX CAPACITY BY CLASSIFICATION .	12		
TREND OF VALUATIONS	12		
LARGER TAXPAYERS	13		
DEBT	14		
DIRECT DEBT	14		
SCHEDULES OF BONDED INDEBTEDNESS	15		
DEBT LIMIT	18		
OVERLAPPING DEBT	19		
DEBT RATIOS	20		
DEBT PAYMENT HISTORY	20		
FUTURE FINANCING	20		
TAX RATES, LEVIES AND COLLECTIONS	21		
TAX LEVIES AND COLLECTIONS	21		
TAX CAPACITY RATES	22		
LEVY LIMITS	22		
THE ISSUER	23		
CITY GOVERNMENT	23		
EMPLOYEES; PENSIONS; UNIONS	23		
POST EMPLOYMENT BENEFITS	23		
LITIGATION	23		
MUNICIPAL BANKRUPTCY	24		
FUNDS ON HAND	24		
ENTERPRISE FUNDS	25		
SUMMARY GENERAL FUND INFORMATION	26		
GENERAL INFORMATION	27		
LOCATION	27		
LARGER EMPLOYERS	27		
BUILDING PERMITS	28		
U.S. CENSUS DATA	29		
EMPLOYMENT/UNEMPLOYMENT DATA	29		

CITY OF NEW GERMANY CITY COUNCIL

		<u>Term Expires</u>
Steve VanLith	Mayor	January 2021
Nick Hartwig	Council Member	January 2023
Shirley Jaeger	Council Member	January 2021
Thomas Mielke	Council Member	January 2021
Ty Turnquist	Council Member	January 2021

ADMINISTRATION

Twyla Menth, City Clerk-Treasurer

PROFESSIONAL SERVICES

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of New Germany, Minnesota (the "City") and the issuance of its \$520,000* General Obligation Bonds, Series 2020A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on January 7, 2020.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of January 29, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2020, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, and Sections 412.301 and 475.67, by the City to finance: (i) the costs associated with the purchase of fire department equipment (the "Equipment Portion"); and (ii) effecting a current refunding of the City's \$1,660,000 General Obligation Improvement Bonds, Series 2009A (the "Series 2009A Bonds" or the "Improvement Refunding Portion").

All equipment has an expected useful life at least as long as the term of the Equipment Portion of the Bonds. The par amount of the Equipment Portion of the Bonds does not exceed 0.25% of the estimated market value of the City. The City has performed the required publication. No petition was received within 10 days following the required publication. The estimated market value of the City for taxes collectible in 2019 is \$36,471,700. Therefore, the maximum par amount of the Equipment Portion of the Bonds exceeds \$91,179.25.

Following are the maturities of the Series 2009A Bonds which are being refunded by this issue:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP* Base 644466
Series 2009A Bonds	7/21/09	2/12/20	Par	2022 (term)	5.000%	\$70,000	GM0
				2026 (term)	5.000%	125,000	GN8
				2031 (term)	5.125%	<u>145,000</u>	GP3
Total Series 2009A Bonds Being Refunded						<u>\$340,000</u>	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2020 from the Debt Service Account for the Series 2009A Bonds.

**CUSIP is a registered trademark of the American Bankers Association ("ABA"). CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of ABA. The CUSIP numbers listed above are being provided solely for the convenience of Holders of the Series 2019D Bonds only at the time of issuance of the Series 2019D Bonds and neither the City nor the Purchaser makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at anytime in the future.*

ESTIMATED SOURCES AND USES*

Sources	Equipment Portion	Improvement Refunding Portion	Total Bond Issue
Par Amount of Bonds	<u>\$155,000</u>	<u>\$365,000</u>	<u>\$520,000</u>
Total Sources	\$155,000	\$365,000	\$520,000
Uses			
Total Underwriter's Discount (1.500%)	\$2,325	\$5,475	\$7,800
Costs of Issuance	6,111	14,389	20,500
Deposit to Project Construction Fund	150,000	-	150,000
Deposit to Current Refunding Fund	-	340,525	340,525
Rounding Amount	<u>(3,436)</u>	<u>4,611</u>	<u>1,175</u>
Total Uses	\$155,000	\$365,000	\$520,000

Breakdown of Principal Payments*:

Payment Date	Equipment Portion	Improvement Refunding Portion	Total Bond Issue
2/01/2021	\$30,000	\$40,000	\$70,000
2/01/2022	30,000	40,000	70,000
2/01/2023	30,000	40,000	70,000
2/01/2024	30,000	35,000	65,000
2/01/2025	35,000	35,000	70,000
2/01/2026	-	30,000	30,000
2/01/2027	-	30,000	30,000
2/01/2028	-	35,000	35,000
2/01/2029	-	35,000	35,000
2/01/2030	-	35,000	35,000
2/01/2031	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total	\$155,000	\$365,000	\$520,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service on the Equipment Portion of the Bonds will be paid from ad valorem property taxes. Ad valorem taxes will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Improvement Refunding Portion will be paid from a combination of special assessments levied against properties benefitted by improvements refinanced by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

The City has not requested a rating on the Bonds. *A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the City.* See "RISK FACTORS - Absence of Rating" in this Preliminary Official Statement.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exemption status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

Under federal and Minnesota laws, regulations, rulings and decisions in effect on the date of issuance of the Bonds, interest on the Bonds is not includable in gross income for federal income tax purposes. Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain not includable in federal gross income. The City has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with certain covenants or continuing Code requirements may cause the interest on the Bonds to be includable in federal gross income for purposes of federal income taxation, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on Bonds in the event that interest on the Bonds becomes includable in federal gross income.

Collateral Tax Matters

The following tax provision also may be applicable to the Bonds and interest thereon:

- (1) interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals;
- (2) interest on the Bonds may be includable in income of foreign corporations for purposes of the branch profits tax imposed by Section 88 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code;
- (3) in the case of an insurance company to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of that Code must be reduced by an amount equal to fifteen (15) percent of the interest on the Bonds that is received or accrued during the taxable year;
- (4) Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits;
- (5) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for an S corporation that has earnings and profits at the close of the taxable year if more than twenty-five (25) percent of its gross receipts is passive investment income;
- (6) Section 265 of the Code denies a deduction for the interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates and trusts; indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds;

(7) in the case of a financial institution, generally no deduction is allowed under Section 265(b) of the Code for that portion of the bondholder's interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations";

(8) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds; and

(9) receipt of interest on the Bonds. In addition, such interest may affect taxpayers otherwise entitled to claim the earned income credit under Section 32 of the code.

Premium Bonds

A bondholder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the bondholder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates and trusts. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Discount Bonds

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond). Bondholders should consult their tax advisers for an explanation of accrual.

Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the bondholder fails to provide an accurate taxpayer identification number and certification that it is subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the bondholder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain bondholders are exempt from information reporting. Potential bondholders should consult their tax advisers regarding qualification for an exemption and the procedures for obtaining such an exemption.

Federal and State Tax Law Developments

From time to time, legislative proposals are introduced in Congress and in the states which, if enacted, could alter or amend the federal and state tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to bonds (such as the Bonds contemplated herein) issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisers regarding any pending or proposed legislation, regulatory initiatives or litigation.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The above, including the discussion concerning collateral tax matters, is not intended to be a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds should consult their tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2018 have been audited by Oberloh & Oberloh, Ltd., Redwood Falls, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Interest Rates: In the future, interest rates for this type of obligation may rise generally, possibly resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Absence of Rating: No rating as to creditworthiness of the Bonds has been requested from any organization engage in the business of publishing such ratings. Typically, unrated bonds lack liquidity in the secondary market in comparison with rated bonds. As a result of the foregoing, the Bonds are believed to bear interest at higher rates than would prevail for bonds with comparable maturities and redemption provisions that have investment grade credit ratings. The Bonds should not be purchased by any investor who, because of financial condition, investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inhere in an investment in the Bonds.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2016/17	2017/18	2018/19
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2018/19 Economic Market Value \$36,416,475¹

	2018/19 Assessor's Estimated Market Value	2018/19 Net Tax Capacity
Real Estate	\$36,063,400	\$350,168
Personal Property	408,300	8,166
Total Valuation	<u>\$36,471,700</u>	<u>\$358,334</u>
Less: Fiscal Disparities Contribution ²		<u>(24,426)</u>
Taxable Net Tax Capacity		\$333,908
Plus: Fiscal Disparities Distribution ²		<u>99,632</u>
Adjusted Taxable Net Tax Capacity		<u>\$433,540</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of New Germany is about 100.20% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$36,416,475.

² Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2018/19 NET TAX CAPACITY BY CLASSIFICATION

	2018/19 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$226,021	63.08%
Agricultural	18,308	5.11%
Commercial/industrial	57,751	16.12%
Non-homestead residential	48,088	13.42%
Personal property	8,166	2.28%
Total	<u>\$358,334</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2014/15	\$24,607,400	\$21,264,300	\$228,425	\$288,205	+12.36%
2015/16	26,805,200	23,345,000	252,703	319,412	+ 8.93%
2016/17	27,728,300	24,277,400	267,621	345,029	+ 3.44%
2017/18	30,788,700	27,205,400	299,103	372,227	+11.04%
2018/19	36,471,700	33,043,100	358,334	433,540	+18.46%

¹ Net Tax Capacity is before fiscal disparities adjustments.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

LARGER TAXPAYERS

Taxpayer	Type of Property	2018/19 Net Tax Capacity	Percent of City's Total Net Tax Capacity
J P New Germany, LLC	Industrial	\$ 32,080	8.95%
CDA Properties, LLC	Residential/Commercial	5,387	1.50%
Security Bank Waconia	Commercial	4,746	1.32%
New Germany Family Properties	Residential	4,453	1.24%
Xcel Energy	Utility	4,320	1.21%
Individual	Agricultural	4,178	1.17%
Pink Investments, LLC	Residential	3,728	1.04%
Individual	Residential	3,580	1.00%
Individual	Residential	3,315	0.93%
Individual	Residential	3,287	0.92%
Total		<u><u>\$ 69,074</u></u>	<u><u>19.28%</u></u>

City's Total 2018/19 Net Tax Capacity \$358,334

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Carver County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Refunding Portion of the Bonds)*	\$ 1,365,000
Total G.O. debt secured by taxes (includes the Equipment Portion of the Bonds)*	155,000
Total G.O. debt secured by utility revenues	<u>6,263,500</u>
Total General Obligation Debt*	<u><u>\$ 7,783,500</u></u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

**City of New Germany, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 01/29/2020)**

Calendar Year Ending	Improvement Bonds Series 2009A		Improvement Bonds 1 Series 2013C		Improvement Refunding Bonds 2 Series 2020A		Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Estimated Interest				
2020							137,452	1,285,000	5.86%	2020
2021							129,126	1,200,000	12.09%	2021
2022							126,566	1,115,000	18.32%	2022
2023							128,906	1,025,000	24.91%	2023
2024							121,194	940,000	31.14%	2024
2025							123,411	850,000	37.73%	2025
2026							115,546	765,000	43.96%	2026
2027							117,601	675,000	50.55%	2027
2028							119,469	580,000	57.51%	2028
2029							121,155	480,000	64.84%	2029
2030							117,674	380,000	72.16%	2030
2031							94,334	300,000	78.02%	2031
2032							81,319	230,000	83.15%	2032
2033							83,328	155,000	88.64%	2033
2034							80,141	80,000	94.14%	2034
2035							81,750	0	100.00%	2035
							413,973	1,365,000		
							1,778,973			

* Preliminary, subject to change.

- 1) This represents the \$1,090,000 Improvement Bonds portion of the \$1,505,000 General Obligation Bonds, Series 2013C.
- 2) This portion is refunding the 2021 through 2031 maturities of the City's \$1,660,000 General Obligation Improvement Bonds, Series 2009A, dated July 21, 2009 and represents the \$365,000 Improvement Refunding Portion of the \$520,000 General Obligation Bonds, Series 2020A.

**City of New Germany, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 01/29/2020)**

**Equipment Certificates 1)
Series 2020A**

Dated Amount	Maturity	01/29/2020 \$155,000*		Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
		Principal	Interest							
2020		0	1,556	0	1,556	1,556	155,000	.00%	2020	
2021		30,000	2,695	30,000	2,695	32,695	125,000	19.35%	2021	
2022		30,000	2,125	30,000	2,125	32,125	95,000	38.71%	2022	
2023		30,000	1,555	30,000	1,555	31,555	65,000	58.06%	2023	
2024		30,000	985	30,000	985	30,985	35,000	77.42%	2024	
2025		35,000	350	35,000	350	35,350	0	100.00%	2025	
		155,000	9,266	155,000	9,266	164,266				

* Preliminary, subject to change.

1) This represents the \$155,000 Equipment Portion of the \$520,000 General Obligation Bonds, Series 2020A.

City of New Germany, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 01/29/2020)

Dated Amount	Water and Sewer Revenue Bonds Series 2011B		Revenue Bonds Series 2013A		Sewer Revenue Bonds Series 2013B		Utility Revenue Bonds 1) Series 2013C		Total P & I	Principal Outstanding	Calendar Year Ending
	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal			
2020	25,000	14,100	0	0	0	0	20,000	14,756	73,856	6,218,500	2020
2021	25,000	13,500	19,573	19,573	97,589	97,589	20,000	13,956	144,618	6,056,600	2021
2022	25,000	12,700	19,159	19,159	95,519	95,519	20,000	13,156	306,518	5,892,100	2022
2023	25,000	11,700	18,734	18,734	93,404	93,404	20,000	12,356	303,195	5,725,100	2023
2024	25,000	10,700	18,301	18,301	91,245	91,245	20,000	11,556	301,402	5,555,500	2024
2025	25,000	9,700	17,859	17,859	89,040	89,040	20,000	10,756	299,654	5,383,200	2025
2026	25,000	8,700	17,406	17,406	86,787	86,787	20,000	9,956	297,749	5,208,300	2026
2027	25,000	7,700	16,945	16,945	84,488	84,488	20,000	9,156	296,089	5,030,500	2027
2028	25,000	6,700	16,473	16,473	82,138	82,138	20,000	8,356	294,167	4,850,000	2028
2029	30,000	5,600	15,993	15,993	79,739	79,739	25,000	7,456	302,188	4,656,600	2029
2030	30,000	4,400	15,502	15,502	77,288	77,288	25,000	6,441	299,931	4,460,300	2030
2031	30,000	3,200	15,000	15,000	74,787	74,787	25,000	5,409	297,697	4,261,000	2031
2032	30,000	2,000	14,488	14,488	72,233	72,233	25,000	4,378	295,499	4,058,600	2032
2033	35,000	700	13,966	13,966	69,624	69,624	30,000	3,244	303,133	3,843,000	2033
2034			13,430	13,430	66,959	66,959	30,000	1,969	266,158	3,659,200	2034
2035			12,884	12,884	64,237	64,237	30,000	656	264,777	3,472,200	2035
2036			12,327	12,327	61,457	61,457	160,400	73,784	234,184	3,311,800	2036
2037			11,758	11,758	58,618	58,618	163,600	70,376	234,176	3,148,000	2037
2038			11,175	11,175	55,720	55,720	167,200	66,895	234,095	2,980,800	2038
2039			10,583	10,583	52,760	52,760	170,800	63,342	234,142	2,810,000	2039
2040			9,977	9,977	49,736	49,736	174,400	59,713	234,113	2,635,600	2040
2041			9,359	9,359	46,648	46,648	178,200	56,007	234,207	2,457,400	2041
2042			8,725	8,725	43,495	43,495	181,900	52,220	234,120	2,275,500	2042
2043			8,079	8,079	40,275	40,275	185,800	48,354	234,154	2,089,700	2043
2044			7,421	7,421	36,986	36,986	189,800	44,406	234,206	1,899,900	2044
2045			6,747	6,747	33,626	33,626	193,800	40,373	234,173	1,706,100	2045
2046			6,058	6,058	30,196	30,196	197,900	36,255	234,155	1,508,200	2046
2047			5,355	5,355	26,694	26,694	202,100	32,049	234,149	1,306,100	2047
2048			4,637	4,637	23,118	23,118	206,400	27,755	234,155	1,099,700	2048
2049			3,904	3,904	19,465	19,465	210,800	23,369	234,169	888,900	2049
2050			3,156	3,156	15,734	15,734	215,300	18,889	234,189	673,600	2050
2051			2,391	2,391	11,923	11,923	219,800	14,314	234,114	453,800	2051
2052			1,611	1,611	8,033	8,033	224,500	9,643	234,143	229,300	2052
2053			814	814	4,059	4,059	229,300	4,873	234,173	0	2053
	380,000	111,400	369,786	369,786	1,843,616	1,843,616	370,000	133,559	2,458,362	6,263,500	8,721,862

1) This represents the \$415,000 Utility Revenue Bonds portion of the \$1,505,000 General Obligation Bonds, Series 2013C.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Refunding Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1- 4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2018/19 Assessor's Estimated Market Value	\$ 36,471,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 1,094,151
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Portion of the Bonds)*	<u>(155,000)</u>
Unused Debt Limit*	<u><u>\$ 939,151</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2018/19 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Carver County	\$ 153,858,855	0.2818%	\$ 25,964,000	\$ 73,167
I.S.D. No. 110 (Waconia Public Schools)	29,314,951	1.4789%	126,550,000 ³	1,871,548
Metropolitan Council	4,268,355,428	0.0102%	263,285,000 ⁴	26,855
City's Share of Total Overlapping Debt				<u>\$ 1,971,570</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$36,416,475)	Debt/ Current Population Estimate (455)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$ 1,365,000		
Taxes*	155,000		
Utility Revenues	<u>6,263,500</u>		
Total General Obligation Debt (includes the Bonds)*	\$ 7,783,500		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(6,263,500)</u>		
Tax Supported General Obligation Debt*	\$ 1,520,000	4.17%	\$3,340.66
 City's Share of Total Overlapping Debt	 <u>\$ 1,971,570</u>	 <u>5.41%</u>	 <u>\$4,333.12</u>
 Total*	 <u><u>\$ 3,491,570</u></u>	 <u><u>9.59%</u></u>	 <u><u>\$7,673.78</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2014/15	\$ 242,720	\$238,717	\$242,472	99.90%
2015/16	320,601	319,155	320,085	99.84%
2016/17	353,789	352,765	353,235	99.84%
2017/18	364,941	361,365	361,365	99.02%
2018/19	420,585	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2019.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2014/15	2015/16	2016/17	2017/18	2018/19
Carver County	40.488%	38.880%	38.851%	37.436%	36.488%
City of New Germany	73.636%	111.294%	99.887%	98.750%	97.651%
I.S.D. No. 110 (Waconia Public Schools)	44.311%	45.537%	43.524%	44.085%	33.800%
Metropolitan Council	0.947%	0.914%	0.877%	0.827%	0.650%
Mosquito Control	0.492%	0.478%	0.473%	0.446%	0.423%
Carver County WMO	0.891%	0.912%	0.919%	0.967%	0.927%
Carver County CDA	1.589%	1.701%	1.731%	1.640%	1.626%
Carver County Rail Authority	0.097%	0.110%	0.105%	0.114%	0.104%

Referendum Market Value Rates:

I.S.D. No. 110 (Waconia Public Schools)	0.12006%	0.12293%	0.12178%	0.12422%	0.20595%
--	----------	----------	----------	----------	----------

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Carver County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City of New Germany was organized as a municipality in 1887. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Clerk-Treasurer is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 1 full-time, 29 part-time, and 1 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

The City does not have any recognized and certified bargaining units.

POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of November 25, 2019)

Fund	Total Cash and Investments
General	\$ 767,431
Debt Service	97,283
Capital Projects	31,143
Enterprise Funds	558,980
Black Forest	53,924
Total Funds on Hand	<u><u>\$1,508,761</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2016	2017	2018
Water Fund			
Total Operating Revenues	\$136,333	\$159,688	\$143,376
Less: Operating Expenses	<u>(38,017)</u>	<u>(41,541)</u>	<u>(44,112)</u>
Operating Income	\$ 98,316	\$118,147	\$ 99,264
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$ 98,316</u></u>	<u><u>\$118,147</u></u>	<u><u>\$ 99,264</u></u>
Sewer Fund			
Total Operating Revenues	\$127,982	\$151,576	\$137,402
Less: Operating Expenses	<u>(10,801)</u>	<u>(11,000)</u>	<u>(11,291)</u>
Operating Income	\$117,181	\$140,576	\$126,111
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$117,181</u></u>	<u><u>\$140,576</u></u>	<u><u>\$126,111</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2018 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2016 Audited	2017 Audited	2018 Audited	2019 Adopted Budget ¹	2020 Adopted Budget ²
Revenues					
Property taxes	\$ 263,918	\$ 282,628	\$ 296,175	\$ 348,421	\$ 317,679
Licenses and permits	38,660	34,737	7,800	11,120	11,120
Intergovernmental	44,148	75,678	63,990	54,704	62,552
Charges for services	91,792	93,042	92,348	93,401	100,066
Fines and forfeitures	586	458	720	1,200	1,000
Interest	820	735	2,206	6,055	8,967
Other miscellaneous revenues	18,837	7,290	5,037	3,900	5,900
Total Revenues	\$ 458,761	\$ 494,568	\$ 468,276	\$ 518,801	\$ 507,284
Expenditures					
Current:					
General government	\$ 103,228	\$ 106,394	\$ 128,500	\$ 166,093	\$ 167,768
Public safety	81,212	86,184	98,667	111,006	124,306
Public works	29,575	47,626	35,145	52,525	63,905
Culture and recreation	15,834	9,122	11,521	9,045	10,005
Sanitation	25,402	26,267	26,974	29,800	29,350
Miscellaneous	14	0	0	0	0
Debt service	35,705	35,705	35,705	17,852	0
Capital outlay	0	0	3,008	4,000	4,000
Total Expenditures	\$ 290,970	\$ 311,298	\$ 339,520	\$ 390,321	\$ 399,334
Excess of revenues over (under) expenditures	\$ 167,791	\$ 183,270	\$ 128,756	\$ 128,480	\$ 107,950
Other Financing Sources (Uses)					
Transfers in	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers out	(154,146)	(110,164)	(100,670)	(100,500)	(99,500)
Total Other Financing Sources (Uses)	\$ (154,146)	\$ (110,164)	\$ (100,670)	\$ (100,500)	\$ (99,500)
Net Changes in Fund Balances	\$ 13,645	\$ 73,106	\$ 28,086	\$ 27,980	\$ 8,450
General Fund Balance January 1	603,213	616,858	689,964		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$ 616,858	\$ 689,964	\$ 718,050		
DETAILS OF DECEMBER 31 FUND BALANCE					
Restricted	\$ 12,000	\$ 12,000	\$ 12,000		
Assigned	113,375	113,375	113,375		
Unassigned	491,483	564,589	592,675		
Total	\$ 616,858	\$ 689,964	\$ 718,050		

¹ The 2019 budget was adopted on December 18, 2018.

² The 2020 budget was adopted on December 17, 2019.

GENERAL INFORMATION

LOCATION

The City of New Germany, with a 2010 U.S. Census population of 372 and a current population estimate of 455, and comprising an area of one square mile, is located approximately 40 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City of New Germany include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Top Dog Country Club	Pet boarding sitting & kennels	22
BNR Irrigation Services, Inc.	Irrigation systems & equipment	20
Award Baking International	Bakers- wholesale	20
Kenny B's	Cookie Shops	15
Paws Inn Resort	Pet boarding sitting & kennels	10
Cenex & Fill Me Up	Service station	10
United Xpress	Convenience store	8
Minnesota Inboard Watersports	Boat dealers sales & service	8
Hollywood Roadhouse	Full-service restaurants	8
Picture Perfect Homes, Inc.	General contractors	7
Henning Excavation	Excavating contractors	5

Source: *ReferenceUSA, written and telephone survey (November 2019), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

BUILDING PERMITS

	2015	2016	2017	2018	2019 ¹
<u>New Single Family Homes</u>					
No. of building permits	2	9	8	0	1
Valuation	\$382,000	\$1,868,180	\$1,839,400	\$0	\$275,000
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	0	0
Valuation	\$0	\$0	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	0	0	0	0
Valuation	\$382,000	\$0	\$0	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	24	44	28	12	23
Valuation	\$889,690	\$159,118	\$77,410	\$20,058	\$109,528

Source: The City.

¹ As of November 26, 2019.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	346
2010 U.S. Census population	372
2018 State Metropolitan's Estimate	455
Percent of Change 2000 - 2010	+ 7.51%

Income and Age Statistics

	The City	Carver County	State of Minnesota	United States
2017 per capita income	\$25,819	\$44,212	\$34,712	\$31,177
2017 median household income	\$57,375	\$93,095	\$65,699	\$57,652
2017 median family income	\$64,643	\$109,974	\$82,785	\$70,850
2017 median gross rent	\$715	\$1,003	\$906	\$982
2017 median value owner occupied units	\$135,900	\$287,200	\$199,700	\$193,500
2017 median age	33.7 yrs.	37.2 yrs.	37.9 yrs.	37.8 yrs.

	State of Minnesota	United States
City % of 2017 per capita income	74.38%	82.81%
City % of 2017 median family income	78.09%	91.24%

Housing Statistics

	<u>The City</u>		Percent of Change
	2010	2018	
All Housing Units	146	181	23.97%

Source: 2000 and 2010 Census of Population and Housing, and 2017 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder.census.gov) and 2018 Population Estimates, Metropolitan Council (<https://metro council.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Carver County	Carver County	State of Minnesota	
2015	53,426	3.2%	3.7%	
2016	54,623	3.3%	3.9%	
2017	55,771	2.9%	3.4%	
2018	56,437	2.5%	2.9%	
2019, October	57,641	2.4%	2.5%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF NEW GERMANY
NEW GERMANY, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

CITY OF NEW GERMANY, MINNESOTA
CONTENTS

	PAGE
	1
<u>SECTION I</u> INTRODUCTORY SECTION	
Elected and Appointed Officials	2 - 4
<u>SECTION II</u> FINANCIAL SECTION	
Independent Auditor's Report	5
Governmental Funds	6
Statement of Balances Arising from Cash Transactions	7
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances	8
Proprietary Funds	9
Statement of Balances Arising from Cash Transactions	10
Statement of Cash Receipts, Disbursements and Changes in Fund Net Cash Position	11 - 23
Statement of Cash Flows - Cash Basis	
Fiduciary Funds	
Statement of Net Cash Position	
Notes to Financial Statements	
<u>SECTION III</u> REQUIRED SUPPLEMENTAL INFORMATION	
General Fund	24 - 27
Budgetary Comparison Schedule - Cash Basis	
<u>SECTION IV</u> SUPPLEMENTAL SECTION	
Combining Fund Statements	28
Nonmajor Governmental Funds	29
Combining Statement of Balances Arising from Cash Transactions	30
Combining Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances	31
Nonmajor Debt Service Funds	32
Combining Statement of Balances Arising from Cash Transactions	33
Combining Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances	34
Nonmajor Capital Project Fund	
Combining Statement of Balances Arising from Cash Transactions	
Combining Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances	
Schedule of City Indebtedness	

CITY OF NEW GERMANY, MINNESOTA
CONTENTS

	PAGE
	35
<u>SECTION IV</u> SUPPLEMENTAL SECTION	
Summary Financial Report	36
Receipts and Disbursements for General Operations - Governmental Funds	37
Schedule of Accounts Receivable (Unaudited)	
Schedule of Accounts Payable and Contingent Liabilities (Unaudited)	
<u>SECTION V</u> ADDITIONAL INFORMATION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38 - 39
Schedule of Findings and Responses	40
Auditor's Report on Legal Compliance	41

CITY OF NEW GERMANY
NEW GERMANY, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

MAYOR	Steve VanLith
COUNCIL MEMBER	Shirley Jaeger
COUNCIL MEMBER	Ty Turnquist
COUNCIL MEMBER	Nick Hartwig
COUNCIL MEMBER	Cathy Ruschmeier
CITY CLERK/TREASURER	Twyja Menth
CITY ATTORNEY	David Hubert

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



P.O. Box 186
530 West Park Road
Redwood Falls, MN 56283
507-644-6400
www.oberlohcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Council
City of New Germany
New Germany, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the City of New Germany, Minnesota, which comprise the statement of cash and unencumbered cash balances as of December 31, 2018, and the related statement of receipts received and disbursements paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Office of the State Auditor, State of Minnesota as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 entity'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 entity'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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City of New Germany, Minnesota, on the basis of the financial reporting provisions of the Office of the State Auditor, State of Minnesota, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Office of the State Auditor, State of Minnesota.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of City of New Germany, Minnesota as of December 31, 2018, or changes in net position, or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the cash and unencumbered cash balances of City of New Germany, Minnesota as of December 31, 2018, and the receipts it received and disbursements it paid for the year then ended, in accordance with the financial reporting provisions of the Office of the State Auditor, State of Minnesota described in Note 1.

Other Matters

Required Supplementary Information

The regulatory basis of accounting require that the budgetary comparison information on pages 24 through 27 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Germany, Minnesota's regulatory basis financial statements. The statements and schedules on pages 28 through 37 are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The statements and schedules on pages 28 through 35 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 statements and schedules on pages 28 through 35 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules on pages 36 and 37 noted as unaudited have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019 on our consideration of the City of New Germany, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on 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 City of New Germany, Minnesota's internal control over financial reporting and compliance.

Oberloh & Oberloh, Ltd.

March 19, 2019

CITY OF NEW GERMANY, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Investments	\$ 718,050	\$ 288,620	\$ 1,006,670
Total Assets	<u>\$ 718,050</u>	<u>\$ 288,620</u>	<u>\$ 1,006,670</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FUND BALANCES			
Restricted	12,000	141,569	153,569
Assigned	113,375	147,051	260,426
Unassigned	<u>592,675</u>	<u>-</u>	<u>592,675</u>
Total Cash Fund Balances	<u>718,050</u>	<u>288,620</u>	<u>1,006,670</u>
Total Liabilities and Cash Fund Balances	<u>\$ 718,050</u>	<u>\$ 288,620</u>	<u>\$ 1,006,670</u>

CITY OF NEW GERMANY, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS			
Taxes	\$ 296,175	\$ 52,071	\$ 348,246
Licenses and Permits	7,800	-	7,800
Intergovernmental Revenue	63,990	-	63,990
Charges for Services	92,348	-	92,348
Fines and Forfeits	720	-	720
Interest Income	2,206	883	3,089
Miscellaneous	<u>5,037</u>	<u>18,205</u>	<u>23,242</u>
Total Receipts	<u>468,276</u>	<u>71,159</u>	<u>539,435</u>
DISBURSEMENTS			
Current Operations:			
General Government	128,500	-	128,500
Public Safety	98,667	-	98,667
Public Works	35,145	-	35,145
Culture and Recreation	11,521	-	11,521
Sanitation	26,974	-	26,974
Debt Service:			
Principal Payments	33,432	20,300	53,732
Interest Payments	2,273	18,364	20,637
Miscellaneous	-	445	445
Capital Outlay	<u>3,008</u>	<u>69,424</u>	<u>72,432</u>
Total Disbursements	<u>339,520</u>	<u>108,533</u>	<u>448,053</u>
EXCESS RECEIPTS OVER(UNDER) DISBURSEMENTS	<u>128,756</u>	<u>(37,374)</u>	<u>91,382</u>
OTHER FINANCING SOURCES (USES):			
Transfer In	-	54,670	54,670
Transfer Out	<u>(100,670)</u>	<u>-</u>	<u>(100,670)</u>
Total Other Financing Sources (Uses)	<u>(100,670)</u>	<u>54,670</u>	<u>(46,000)</u>
NET CHANGE IN CASH FUND BALANCES	28,086	17,296	45,382
CASH FUND BALANCES - January 1	<u>689,964</u>	<u>271,324</u>	<u>961,288</u>
CASH FUND BALANCES - December 31	<u>\$ 718,050</u>	<u>\$ 288,620</u>	<u>\$ 1,006,670</u>

CITY OF NEW GERMANY, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS			
Cash and Cash Investments	\$ 253,584	\$ 109,684	\$ 363,268
Total Assets	<u>\$ 253,584</u>	<u>\$ 109,684</u>	<u>\$ 363,268</u>
LIABILITIES	\$ -	\$ -	\$ -
NET CASH POSITION			
Unrestricted	253,584	109,684	363,268
Total Net Cash Position	<u>253,584</u>	<u>109,684</u>	<u>363,268</u>
Total Liabilities and Net Cash Position	<u>\$ 253,584</u>	<u>\$ 109,684</u>	<u>\$ 363,268</u>

CITY OF NEW GERMANY, MINNESOTA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN FUND NET CASH POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Fund	Enterprise Funds Sewer Fund	Totals
OPERATING RECEIPTS			
Sales	\$ 143,376	\$ 137,402	\$ 280,778
Total Operating Receipts	143,376	137,402	280,778
OPERATING DISBURSEMENTS			
Personnel Services	7,272	7,272	14,544
Professional Services	17,174	-	17,174
Repairs and Maintenance	3,633	965	4,598
Supplies	3,358	905	4,263
Telephone	758	-	758
Utilities	8,413	1,275	9,688
Other Services and Charges	3,504	874	4,378
Total Operating Disbursements	44,112	11,291	55,403
NET OPERATING INCOME	99,264	126,111	225,375
NON OPERATING RECEIPTS (DISBURSEMENTS)			
Interest Income	796	364	1,160
Special Assessments	84,719	68,811	153,530
Debt Principal	(115,444)	(83,057)	(198,501)
Interest Expense	(116,190)	(83,653)	(199,843)
Capital Outlay	-	(40,657)	(40,657)
Total Non Operating Receipts (Disbursements)	(146,119)	(138,192)	(284,311)
LOSS BEFORE TRANSFERS	(46,855)	(12,081)	(58,936)
Transfer from Other Funds	46,000	-	46,000
CHANGE IN NET CASH POSITION	(855)	(12,081)	(12,936)
NET CASH POSITION - January 1	254,439	121,765	376,204
NET CASH POSITION - December 31	\$ 253,584	\$ 109,684	\$ 363,268

CITY OF NEW GERMANY, MINNESOTA
STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 143,376	\$ 137,402	\$ 280,778
Payments to Vendors	(36,840)	(4,019)	(40,859)
Payments to Employees	(7,272)	(7,272)	(14,544)
Net Cash Provided By Operating Activities	99,264	126,111	225,375
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer from Other Funds	46,000	-	46,000
Net Cash Provided By Noncapital Financing Activities	46,000	-	46,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Special Assessments Collected	84,719	68,811	153,530
Capital Outlay	-	(40,657)	(40,657)
Principal Paid on Capital Debt	(115,444)	(83,057)	(198,501)
Interest Paid on Capital Debt	(116,190)	(83,653)	(199,843)
Net Cash Used By Capital and Related Financing Activities	(146,915)	(138,556)	(285,471)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	796	364	1,160
Net Cash Provided By Investing Activities	796	364	1,160
NET DECREASE IN CASH	(855)	(12,081)	(12,936)
BALANCE - January 1	254,439	121,765	376,204
BALANCE - December 31	\$ 253,584	\$ 109,684	\$ 363,268

CITY OF NEW GERMANY, MINNESOTA
STATEMENT OF NET CASH POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Investments	\$ <u>51,771</u>
LIABILITIES	
Accounts Payable	\$ <u>51,771</u>

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization - The City of New Germany, Minnesota has a mayor-council form of government. A mayor and four council members are elected by the voters of the City.

B. Financial Reporting Entity

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. Based on this criteria, the City of New Germany has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements have been prepared using the regulatory basis of accounting as described in the *Minnesota Office of the State Auditor's Reporting and Publishing Requirements for Cities under 2,500 in Population* published on September 21, 2004. Minnesota Statutes permit cities with populations under 2,500 to report on the regulatory basis of accounting although the modified accrual basis is recommended. Under the regulatory basis, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from U.S. generally accepted accounting principles primarily because the City has not reported a management discussion and analysis, government-wide statement of net position and government-wide statement of activities, and the City does not recognize revenues and expenditures in accordance with the modified accrual (governmental) or accrual (proprietary) basis of accounting.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)
The City has the following fund types:

Governmental Fund Types

Governmental funds are used to account for the City's general government activities and are accounted for using the regulatory basis of accounting. Their revenue is recognized when received in cash and expenditures are recognized when paid in cash. The regulatory basis of accounting is a comprehensive basis of accounting other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current 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.

The City reports the following types of governmental funds:

General Fund - The General Fund is used to account for all financial transactions not properly includible in other funds. It is the primary operating fund of the City.
Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of principal and interest of general long-term debt.
Capital Project Funds - The Capital Project Funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds or trust funds.

The City reports the following major governmental funds:

General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

Proprietary Fund Types

Proprietary funds include the City's Enterprise Funds. The Enterprise Funds are used to account for operations which provide goods or services to the general public in a manner similar to private enterprise. The intent is to recover the cost of providing goods and services through user charges.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)
 - B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)
 - Proprietary Fund Types (Cont.)
Proprietary funds are accounted for using the regulatory basis of accounting. In the accompanying supplemental section the proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or non current), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.
The City reports the following major proprietary funds:
Water Fund - This fund is used to account for water treatment and distribution to the residential and commercial users of the City.
Sewer Fund - This fund is used to account for sewer treatment and distribution from the residential and commercial users of the City.
Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.
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.
Interfund Transactions
Interfund transactions are loans, services provided, reimbursements or transfers. Loans are reported as receivable and payables as appropriate. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers.
 - C. Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City.
 - D. 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.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)
 - D. Deposits and Investments (Cont.)
Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.
The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received.
 - E. Property Taxes
The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.
 - F. Special Assessments
Special assessments represent the financing for public improvements paid for by benefiting property owners. Special assessments are recognized as revenue when they are paid.
 - G. Capital Assets
The City's regulatory basis of accounting reports capital assets resulting from cash transactions as capital outlay expenditures in its governmental and proprietary funds.
 - H. Long-Term Debt
Long-term debt arising from cash transactions is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and repayments of principal and interest are reported as expenditures.
 - I. Deferred Outflows/Inflows 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 (disbursements) until then.
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 (receipts) until that time.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

K. Net Position

Net position represent the difference between assets and deferred outflows, and liabilities and deferred inflows. Net positions are displayed in two components:

1. Restricted - Consist 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.
2. Unrestricted - All other net position that do not meet the definition of "restricted."

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Previous year and current year data is reviewed by the City Clerk/Treasurer to determine the next year's budget.
2. The proposed budget is submitted by September to the Mayor and City Council for their review or modification.
3. Once the budget modifications have been made, the City Council adopts the budget by resolution no later than December of each year. The budget is set forth at the function level for the general fund.
4. Formal budget integration is not employed for Debt Service Funds. Debt Service Funds budgetary control is alternatively achieved through bond indenture provisions.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

A. Budgetary Information (Cont.)

5. Budgets for the general fund are adopted on a basis consistent with the regulatory basis of accounting.
6. Budget appropriations lapse at the end of the City's fiscal year.

B. Expenditures Over Appropriations

By its nature, a local government unit, the City is subject to various federal, state and local laws and contracted regulations. The following sub-function of the general fund had expenditures in excess of appropriations for the year ended December 31, 2018.

Function Area	Budget	Actual	Variance
Public Safety	\$ 93,605	\$ 100,675	\$ (7,070)
Culture and Recreation	\$ 8,650	\$ 11,521	\$ (2,871)

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - 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, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes legal investments authorized by Minnesota statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$1,421,709 and the bank balance was \$1,442,973, including certificates of deposit of \$49,013. Of the bank balance \$250,000 was covered by federal depository insurance. Of the remaining balance, \$1,192,973 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts other than certificates of deposit reported above.

C. Cash and Investments Summary

A reconciliation of cash and investments as shown on the statements for the City follows:

Cash and Cash Investments	
Governmental Funds	\$ 1,006,670
Enterprise Funds	363,268
Fiduciary Fund	51,771
Total Cash and Cash Investments	<u>\$ 1,421,709</u>

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

4. PROPERTY TAXES

Property tax is levied each December on the tax capacity listed as of the prior January 1 for all real property located in the City. Property taxes are due in two payments, May 15 and October 15 of each year. Carver County is the collection agent for the levy and remits the collections to the City three times a year. Property tax revenue includes amounts collected by the County during the year and remitted to the City. Portions of the tax levy paid by the state in the form of Local Government Aids and Credits are included in intergovernmental revenue. Only that portion collected directly from property owners is reflected in tax revenue.

5. VACATION PAY/SICK LEAVE

Any contingent liability for unused vacation pay is immaterial and not recognized in the financial statements.

6. TRANSFERS

Transfers to and from other funds at December 31, 2018, follows:

	Transfers to Other Funds	Transfers from Other Funds
General	\$ 100,670	\$ -
Nonmajor Governmental Funds	-	54,670
Water Fund	\$ 100,670	46,000
		\$ 100,670

- The General Fund transferred \$18,000 to the Sealcoat Capital Project Fund, \$10,000 to the Public Works Capital Equipment Fund, \$3,500 to the Parks Capital Improvement Fund, \$16,170 to the Fire Department Building/Truck Fund, \$500 to the Furniture Capital Fund, \$500 to the Recognition Fund and \$6,000 to the other Capital Improvement Fund for future capital outlay and capital improvements.
- The General Fund transferred \$46,000 to the Water Fund for operations.

7. FUND BALANCE

A. Classifications

	General Fund	Nonmajor Governmental Funds	Total
Restricted for:			
Debt Service	\$ -	\$ 141,569	\$ 141,569
Park Dedication	12,000	-	12,000
Total Restricted	12,000	141,569	153,569
Assigned to:			
Fire Equipment	113,375	-	113,375
Capital Improvements	-	147,051	147,051
Total Assigned	113,375	147,051	260,426
Unassigned	592,675	-	592,675
Total	\$ 718,050	\$ 288,620	\$ 1,006,670

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. FUND BALANCE (Cont.)

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2018, the unassigned fund balance of the General Fund was 120.7% of the subsequent year's budgeted expenditures.

8. CAPITAL LEASES

The following is a summary of capital lease transactions of the City for the year ended December 31, 2018.

	Balance January 1	Debt Issued	Debt Retired	Balance December 31	Current Amount
Capital Leases	\$ 50,820	\$ -	\$ 33,432	\$ 17,388	\$ 17,388
Totals	\$ 50,820	\$ -	\$ 33,432	\$ 17,388	\$ 17,388

Capital Leases outstanding at December 31, 2018 are comprised of the following issue:

\$275,000 Fire Truck Lease issued April 29, 2009 requiring semi-annual payments of \$17,852 including interest of 5.34% through April 1, 2019	\$ 17,388	\$ 17,388
Total Capital Leases	\$ 17,388	\$ 17,388

The annual requirements to maturity for capital leases are as follows:

	Capital Lease Governmental Funds	
	Principal	Interest
2019	\$ 17,388	\$ 464
Total	\$ 17,388	\$ 17,852

9. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2018.

	Balance January 1	Debt Issued	Debt Retired	Balance December 31	Current Amount
Governmental Funds	\$ 430,650	\$ -	\$ 20,300	\$ 410,350	\$ 21,750
G.O. Bonds	6,320,050	-	159,800	6,160,250	165,350
Enterprise Funds	1,378,900	-	38,700	1,340,200	39,100
G.O. Revenue Bonds	-	-	-	-	-
Totals	\$ 8,129,600	\$ -	\$ 218,800	\$ 7,910,800	\$ 226,200

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT (Cont.)

General Obligation Bonds issued by the governmental funds are repaid by the related debt service fund. General Obligation Revenue Bonds and General Obligation Bonds issued by the enterprise funds are repaid by the related Water and Sewer Funds.

Bonds outstanding at December 31, 2018 are comprised of the following issues:

Governmental Funds	
\$1,505,000 General Obligation Bonds of 2013C, due in annual installments of \$55,000 to \$110,000 through February 1, 2035, plus interest at 3.0-4.375%.	\$ 292,900
\$1,660,000 General Obligation Improvement Bonds of 2009, due in annual installments of \$10,000 to \$120,000 through February 1, 2031, plus interest at 3-5.125%.	<u>117,450</u>
Total Governmental Funds	<u>410,350</u>
Enterprise Funds	
\$1,660,000 General Obligation Improvement Bonds of 2009, due in annual installments of \$10,000 to \$120,000 through February 1, 2031, plus interest at 3-5.125%.	287,550
\$1,505,000 General Obligation Bonds of 2013C, due in annual installments of \$55,000 to \$110,000 through February 1, 2035, plus interest at 3.0-4.375%.	<u>1,102,100</u>
\$485,000 General Obligation Water and Sewer Revenue Bonds of 2011B, due in annual installment of \$15,000 to \$35,000, plus interest at 1.5-4.0% due in semi-annual installments through February 1, 2033.	400,000
\$1,030,000 General Obligation Revenue Bond of 2013A, due in annual installments of \$17,200 to \$38,300, plus interest at 2.125% through January 1, 2053.	940,200
\$5,050,000 General Obligation Revenue Bond of 2013B, due in annual installments of \$91,000 to \$194,000, plus interest at 2.125% through January 1, 2053.	<u>4,770,600</u>
Total Enterprise Funds	<u>7,500,450</u>
Total Long-Term Debt	<u>\$ 7,910,800</u>

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT (Cont.)

The annual requirements to maturity for long-term debt are as follows:

	G.O. Improvement Bonds		G.O. Improvement Bonds		Total
	Principal	Interest	Principal	Interest	
2019	\$ 21,750	\$ 17,295	\$ 39,045	\$ 165,350	\$ 324,449
2020	23,200	16,414	39,614	176,000	330,255
2021	23,200	15,120	38,320	178,100	326,988
2022	23,200	14,380	37,580	180,200	323,615
2023	24,650	13,322	37,972	185,950	323,776
2024-2028	126,150	50,565	176,715	971,650	1,591,698
2029-2033	123,250	22,369	145,619	1,056,850	1,504,515
2034-2038	44,950	1,999	46,949	864,450	1,169,912
2039-2043	-	-	-	771,400	992,357
2044-2048	-	-	-	856,900	992,341
2049-2053	-	-	-	753,400	40,444
Total	<u>\$ 410,350</u>	<u>\$ 151,464</u>	<u>\$ 561,814</u>	<u>\$ 6,160,250</u>	<u>\$ 8,673,750</u>

G.O. Revenue Bonds

	Enterprise Funds		Total
	Principal	Interest	
2019	\$ 39,100	\$ 34,619	\$ 73,719
2020	44,500	33,673	78,173
2021	45,000	32,659	77,659
2022	45,400	31,434	76,834
2023	45,800	30,001	75,801
2024-2028	235,900	128,175	364,075
2029-2033	278,200	88,385	366,585
2034-2038	136,800	58,726	195,526
2039-2043	152,000	43,559	195,559
2044-2048	169,000	26,701	195,701
2049-2053	148,500	7,972	156,472
Total	<u>\$1,340,200</u>	<u>\$ 515,904</u>	<u>\$1,856,104</u>

10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of New Germany, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correction Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

A. Plan Description (Cont.)

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. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefit are established by state statute, and vest after five years of credited service. The defined retirement 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.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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 10 years of service and 2.7 percent for each remaining year. The annuity accrual rates for a Coordinated Plan Member is 1.2 percent of average salary for each of the first 10 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 all GERF whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available 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, MN, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by the state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2018. In 2018, the City of New Germany, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.50% for Coordinated Plan members.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2018, 2017 and 2016 were \$2,905, \$2,883 and \$2,665, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

11. DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

All members of the New Germany Fire Department (the Department) are covered by a Defined Benefit Plan (the Plan) administered by the New Germany Firefighters' Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, chapter 69.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261) as amended by Chapter 509 of Minnesota Statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to New Germany Firefighters' Relief Association, P.O. Box 177, New Germany, Minnesota 55367-0177.

12. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

13. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2018.

14. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. 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. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

CITY OF NEW GERMANY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS AND CONTINGENCIES (Cont.)

A. Risk Management (Cont.)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Claims and Judgments

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, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

SECTION III

REQUIRED SUPPLEMENTAL SECTION

CITY OF NEW GERMANY, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance - January 1	\$ 689,964	\$ 689,964	\$ 689,964	\$ -
RECEIPTS:				
TAXES:				
General Property Taxes	297,193	297,193	296,175	(1,018)
LICENSES AND PERMITS	11,320	11,320	7,800	(3,520)
INTERGOVERNMENTAL REVENUE:				
Local Government Aid	21,289	21,289	21,289	-
Market Value Credit	-	-	836	836
Small Cities Street Aid	1,155	1,155	6,531	5,376
State Fire Aid	12,000	12,000	18,732	6,732
Other State Grants	3,500	3,500	9,102	5,602
County Grants	-	-	7,500	7,500
Total Intergovernmental Revenue	37,944	37,944	63,990	26,046
CHARGES FOR SERVICES:				
General Government	2,200	2,200	201	(1,999)
Public Safety	63,655	63,655	66,350	2,695
Public Works	23,500	23,500	25,797	2,297
Total Charges for Services	89,355	89,355	92,348	2,993
FINES AND FORFEITS	1,200	1,200	720	(480)
INTEREST INCOME	4,341	4,341	2,206	(2,135)
MISCELLANEOUS:				
Donations	1,500	1,500	2,256	756
Miscellaneous Income	2,200	2,200	2,781	581
Total Miscellaneous	3,700	3,700	5,037	1,337
TOTAL RECEIPTS	445,053	445,053	468,276	23,223
AMOUNT AVAILABLE FOR APPROPRIATION	\$1,135,017	\$1,135,017	\$1,158,240	\$ 23,223

CITY OF NEW GERMANY, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
DISBURSEMENTS:				
GENERAL GOVERNMENT:				
Mayor and Council:	\$ 4,325	\$ 4,325	\$ 3,357	\$ 968
Personnel Services	2,500	2,500	1,200	1,300
Election:	1,500	1,500	821	679
Personnel Services	19,000	19,000	14,544	4,456
Other Current Expenditures	4,000	4,000	3,302	698
City Clerk:	19,900	19,900	21,320	(1,420)
Personnel Services	1,500	1,500	1,391	109
Other Current Expenditures	16,000	16,000	13,480	2,520
Other General Government:				
Personnel Services	25,750	25,750	22,003	3,747
Other Current Expenditures	17,458	17,458	12,950	4,508
Planning and Zoning:				
Current Expenditures	6,350	6,350	22,540	(16,190)
Assessor Fees:				
Current Expenditures	5,000	5,000	4,466	534
Legal:				
Current Expenditures	8,000	8,000	7,126	874
Total General Government	131,283	131,283	128,500	2,783
PUBLIC SAFETY:				
Police Protection:				
Current Expenditures	17,000	17,000	16,415	585
Fire Protection:				
Personnel Services	18,000	18,000	19,377	(1,377)
State Fire Aid	7,500	7,500	18,732	(11,232)
Supplies	13,100	13,100	19,326	(6,226)
Other Current Expenditures	33,855	33,855	24,722	9,133
Capital Outlay	4,000	4,000	2,008	1,992
Other Public Safety:				
Current Expenditures	150	150	95	55
Total Public Safety	93,605	93,605	100,675	(7,070)

CITY OF NEW GERMANY, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
DISBURSEMENTS:				
PUBLIC WORKS:				
Public Works:				
Personnel Services	\$ 2,500	\$ 2,500	\$ 1,512	\$ 988
Other Current Expenditures	24,875	24,875	17,564	7,311
Public Works Capital Outlay	1,000	1,000	1,000	-
Ice and Snow Removal:				
Personnel Services	3,200	3,200	1,374	1,826
Other Current Expenditures	2,100	2,100	868	1,232
Street Lighting:				
Current Expenditures	9,500	9,500	8,617	883
Building Inspection:				
Current Expenditures	4,200	4,200	1,960	2,240
Engineering:				
Current Expenditures	7,500	7,500	3,250	4,250
Total Public Works	<u>54,875</u>	<u>54,875</u>	<u>36,145</u>	<u>18,730</u>
CULTURE AND RECREATION:				
Parks:				
Personnel Services	2,500	2,500	2,856	(356)
Other Current Expenditures	6,150	6,150	8,665	(2,515)
Total Culture and Recreation	<u>8,650</u>	<u>8,650</u>	<u>11,521</u>	<u>(2,871)</u>
SANITATION:				
Refuse:				
Current Expenditures	23,500	23,500	23,201	299
Recycling:				
Personnel Services	200	200	100	100
Composting:				
Current Expenditures	4,050	4,050	3,673	377
Total Sanitation	<u>27,750</u>	<u>27,750</u>	<u>26,974</u>	<u>776</u>
DEBT SERVICE:				
Principal Payments	33,432	33,432	33,432	-
Interest Payments	2,273	2,273	2,273	-
Total Debt Service	<u>35,705</u>	<u>35,705</u>	<u>35,705</u>	<u>-</u>
TOTAL DISBURSEMENTS	<u>351,868</u>	<u>351,868</u>	<u>339,520</u>	<u>12,348</u>

CITY OF NEW GERMANY, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
OTHER FINANCING USES:				
Transfer to Other Funds	\$ 94,500	\$ 94,500	\$ 100,670	\$ (6,170)
TOTAL DISBURSEMENTS AND OTHER FINANCING USES	<u>446,368</u>	<u>446,368</u>	<u>440,190</u>	<u>6,178</u>
Ending Budgetary Fund Balance - December 31	\$ 688,649	\$ 688,649	\$ 718,050	\$ 29,401

CITY OF NEW GERMANY, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

	<u>Debt Service Funds</u>	<u>Capital Improvement Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and Cash Investments	\$ 141,569	\$ 147,051	\$ 288,620
Total Assets	\$ 141,569	\$ 147,051	\$ 288,620
LIABILITIES			
CASH FUND BALANCES			
Restricted	141,569	-	141,569
Assigned	-	147,051	147,051
Total Cash Fund Balances	<u>141,569</u>	<u>147,051</u>	<u>288,620</u>
Total Liabilities and Cash Fund Balances	<u>\$ 141,569</u>	<u>\$ 147,051</u>	<u>\$ 288,620</u>

SECTION IV

SUPPLEMENTAL SECTION

CITY OF NEW GERMANY, MINNESOTA
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Debt Service Funds	Capital Improvement Funds	Total Nonmajor Governmental Funds
RECEIPTS			
Taxes	\$ 52,071	\$ -	\$ 52,071
Interest Income	426	457	883
Miscellaneous	-	18,205	18,205
Total Receipts	<u>52,497</u>	<u>18,662</u>	<u>71,159</u>
DISBURSEMENTS			
Principal Payments	20,300	-	20,300
Interest Payments	18,364	-	18,364
Miscellaneous	445	-	445
Capital Outlay	-	69,424	69,424
Total Disbursements	<u>39,109</u>	<u>69,424</u>	<u>108,533</u>
EXCESS RECEIPTS OVER (UNDER) DISBURSEMENTS	13,388	(50,762)	(37,374)
OTHER FINANCING SOURCES (USES):			
Transfer In	-	54,670	54,670
NET CHANGE IN CASH FUND BALANCES	13,388	3,908	17,296
CASH FUND BALANCES - January 1	<u>128,181</u>	<u>143,143</u>	<u>271,324</u>
CASH FUND BALANCES - December 31	<u>\$ 141,569</u>	<u>\$ 147,051</u>	<u>\$ 288,620</u>

CITY OF NEW GERMANY, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2018

	2009 GO Improvement Bond	2013C GO Bond	Total
ASSETS			
Cash and Cash Investments	\$ 37,794	\$ 103,775	\$ 141,569
Total Assets	<u>\$ 37,794</u>	<u>\$ 103,775</u>	<u>\$ 141,569</u>
LIABILITIES			
CASH FUND BALANCES			
Restricted	37,794	103,775	141,569
Total Liabilities and Cash Fund Balances	<u>\$ 37,794</u>	<u>\$ 103,775</u>	<u>\$ 141,569</u>

CITY OF NEW GERMANY, MINNESOTA
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2009 GO	2013C	
	Improvement	GO Bond	Total
	Bond	GO Bond	Total
RECEIPTS			
Taxes			
Interest Income	\$ 17,721	\$ 34,350	\$ 52,071
Total Receipts	<u>115</u>	<u>311</u>	<u>426</u>
	<u>17,836</u>	<u>34,661</u>	<u>52,497</u>
DISBURSEMENTS			
Principal Payments	8,700	11,600	20,300
Interest Payments	6,334	12,030	18,364
Miscellaneous	-	445	445
Total Disbursements	<u>15,034</u>	<u>24,075</u>	<u>39,109</u>
EXCESS RECEIPTS OVER DISBURSEMENTS	2,802	10,586	13,388
CASH FUND BALANCES - January 1	<u>34,992</u>	<u>93,189</u>	<u>128,181</u>
CASH FUND BALANCES - December 31	<u>\$ 37,794</u>	<u>\$ 103,775</u>	<u>\$ 141,569</u>

CITY OF NEW GERMANY, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR CAPITAL PROJECT FUNDS
 DECEMBER 31, 2018

	Sealcoat Capital Project	Public Works Capital Equipment	Capital Improvement - Other	Capital Improvement Park	Fire Dept Truck/Bldg Capital Fund	Total
ASSETS						
Cash and Cash Investments	\$ 7,620	\$ 46,821	\$ 10,095	\$ 18,041	\$ 64,474	\$ 147,051
Total Assets	\$ 7,620	\$ 46,821	\$ 10,095	\$ 18,041	\$ 64,474	\$ 147,051
LIABILITIES						
CASH FUND BALANCES						
Assigned	7,620	46,821	10,095	18,041	64,474	147,051
Total Cash Fund Balances	7,620	46,821	10,095	18,041	64,474	147,051
Total Liabilities and Cash Fund Balances	\$ 7,620	\$ 46,821	\$ 10,095	\$ 18,041	\$ 64,474	\$ 147,051

CITY OF NEW GERMANY, MINNESOTA
 COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Sealcoat Capital Project	Public Works Capital Equipment	Capital Improvement - Other	Capital Improvement Park	Fire Dept Truck/Bldg Capital Fund	Total							
RECEIPTS													
Interest Income	\$ 52	\$ 132	\$ 40	\$ 56	\$ 177	\$ 457							
Miscellaneous	-	-	522	4,600	13,083	18,205							
Total Receipts	<u>52</u>	<u>132</u>	<u>562</u>	<u>4,656</u>	<u>13,260</u>	<u>18,662</u>							
DISBURSEMENTS													
Capital Outlay	35,516	900	12,392	7,721	12,895	69,424							
Total Disbursements	<u>35,516</u>	<u>900</u>	<u>12,392</u>	<u>7,721</u>	<u>12,895</u>	<u>69,424</u>							
EXCESS RECEIPTS OVER (UNDER) DISBURSEMENTS	(35,464)	(768)	(11,830)	(3,065)	365	(50,762)							
OTHER FINANCING SOURCES (USES):													
Transfer In	18,000	10,000	7,000	3,500	16,170	54,670							
NET CHANGE IN CASH FUND BALANCE	(17,464)	9,232	(4,830)	435	16,535	3,908							
CASH FUND BALANCE - January 1	25,084	37,589	14,925	17,606	47,939	143,143							
CASH FUND BALANCE - December 31	<u>\$ 7,620</u>	<u>\$ 46,821</u>	<u>\$ 10,095</u>	<u>\$ 18,041</u>	<u>\$ 64,474</u>	<u>\$ 147,051</u>							

- 34 -
 CITY OF NEW GERMANY, MINNESOTA
 SCHEDULE OF CITY INDEBTEDNESS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Bonded Indebtedness	Interest Rate	Issue Date	Maturity Date	Balance January 1	Issued in 2018	Paid in 2018	Balance December 31	Current Amount Due
GO Bonds								
2013C GO Bond	3-4.375%	12/01/13	02/01/35	\$ 1,450,000	\$ -	\$ 55,000	\$ 1,395,000	\$ 60,000
2009 GO Improvement Bonds	3-5.125%	07/21/09	02/01/31	435,000	-	30,000	405,000	30,000
GO Revenue Bonds								
2011B GO Water/Sewer Rev Bonds	1.5-4.0%	11/30/11	02/01/33	420,000	-	20,000	400,000	20,000
2013A GO Revenue Bond	2.125%	09/30/13	01/01/53	958,900	-	18,700	940,200	19,100
2013B GO Revenue Bond	2.125%	09/30/13	01/01/53	4,865,700	-	95,100	4,770,600	97,100
Total Bonded Indebtedness				<u>8,129,600</u>	<u>-</u>	<u>218,800</u>	<u>7,910,800</u>	<u>226,200</u>
Capital Leases								
2009 Fire Truck Lease	5.34%	04/01/09	04/01/19	50,820	-	33,432	17,388	17,388
Total Capital Leases				<u>50,820</u>	<u>-</u>	<u>33,432</u>	<u>17,388</u>	<u>17,388</u>
Total City Indebtedness				<u>\$ 8,180,420</u>	<u>\$ -</u>	<u>\$ 252,232</u>	<u>\$ 7,928,188</u>	<u>\$ 243,588</u>

CITY OF NEW GERMANY, MINNESOTA
 SUMMARY FINANCIAL REPORT
 RECEIPTS AND DISBURSEMENTS FOR GENERAL OPERATIONS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

The purpose of this report is to provide a summary of financial information concerning the City of New Germany to interested citizens. The complete financial statements may be examined at the City Hall, PO Box 177, New Germany, MN. Questions about this report should be directed to Twyla Mench, City Clerk, at 952-353-2488.

	Total 2018	Total 2017	Percent Increase (Decrease)
RECEIPTS:			
Taxes and Assessments	\$ 348,246	\$ 347,668	0.17 %
Licenses and Permits	7,800	34,737	(77.55)%
Intergovernmental	63,990	75,678	(15.44)%
Charges for Services	92,348	93,042	(0.75)%
Fines	720	458	57.21 %
Investment Earnings	3,089	1,000	208.90 %
Miscellaneous	23,242	45,785	(49.24)%
Transfer In	54,670	54,164	0.93 %
Total Receipts	\$ 594,105	\$ 652,532	(8.95)%
Per Capita	1,601	1,759	

DISBURSEMENTS:

Current			
General Government	\$ 128,500	\$ 106,394	20.78 %
Public Safety	98,667	86,184	14.48 %
Public Works	35,145	47,626	(26.21)%
Culture and Recreation	11,521	9,122	26.30 %
Sanitation	26,974	26,267	2.69 %
Debt Service:			
Principal Payments	53,732	50,565	6.26 %
Interest Payments	20,637	23,312	(11.47)%
Other Charges	445	307	44.95 %
Capital Outlay	72,432	1,426,022	(94.92)%
Transfer Out	100,670	110,164	(8.62)%
Total Disbursements	\$ 548,723	\$ 510,821	7.42 %
Per Capita	1,479	1,377	
Total Long-term Indebtedness	\$ 7,928,188	\$ 8,180,420	(3.08)%
Per Capita	21,370	22,050	
General Fund Cash Balance - December 31	\$ 718,050	\$ 689,964	4.07 %
Per Capita	1,935	1,860	

CITY OF NEW GERMANY, MINNESOTA
 SCHEDULE OF ACCOUNTS RECEIVABLE (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

Fund	Source of Revenue and Purpose	Amount
General, DS, Water, Sewer	Carver County - Property Taxes and Special Assessments	\$ 26,279
General, Water, Sewer	Residents - User Fees	28,090
General	Steve Ball & Associates - Special Assessment Searches	45
General	MN Dept. of Finance - Court Fines	98
General	Carver County - Special Police Services	25
Total Accounts Receivable		\$ 54,537

CITY OF NEW GERMANY, MINNESOTA
 SCHEDULE OF ACCOUNTS PAYABLE (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2018

Fund	Vendor	Item and Purpose	Amount
General, Water, Sewer	XCEL Energy	Utilities	\$ 2,435
General	Great America Financial Svcs	Copier Usage Fee	183
General	Carver County	Elections	282
General	PERA	PERA	242
General	MIN Revenue	Payroll Taxes	62
General	EFTPS	Payroll Taxes	2,939
General	MIN Revenue	Sales Tax	649
General	City of Wacomia	Storm Drainage	510
General	Carver County Attorney	Oct-Dec 2018 Fines and Fees	236
General	XCEL Energy	Utilities	39
General	Mayer Lumber Company	City Hall Expenses	103
General	Camden Township	Mowings	240
Water, Sewer	Gopher State One Call	Locate Calls	5
General	Republic Services	Sanitation	5,769
General	Ehlers & Associates	Utility Rate Study	810
Water, Sewer	Melchert Hubert & Sjodin PLLP	Ordinance Questions	489
General	Resource Strategies Corp	Planning & Zoning	2,975
Total Accounts Payable			\$ 17,968

SECTION V
 ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



P.O. Box 186
530 West Park Road
Redwood Falls, MN 56283
507-644-6400
www.oberlohnpa.com

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 Members of the Council
City of New Germany
New Germany, 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 City of New Germany, Minnesota, which comprise of the statement of cash and unencumbered cash balances as of December 31, 2018, and the related statement of receipts received and disbursements paid for the year then ended, and the related notes to the financial statements, which collectively comprise the City of New Germany, Minnesota's basic financial and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Germany, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for expressing an opinion on the effectiveness of City of New Germany, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Germany, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements in a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2018-001 and 2018-002.

Members: American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New Germany, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City of New Germany, Minnesota's Response to Findings

City of New Germany, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of New Germany, Minnesota's response and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oberloh & Oberloh, Ltd.

March 19, 2019

CITY OF NEW GERMANY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

INTERNAL CONTROL FINDINGS
Audit Finding 2018-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with the regulatory basis of accounting.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by the regulatory basis of accounting for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Management's Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2018-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Management's Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.



Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA

P.O. Box 186
530 West Park Road
Redwood Falls, MN 56283
507-644-6400
www.oberlohqpa.com

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members of the Council
City of New Germany
New Germany, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of New Germany, Minnesota, which comprise of the statement of cash and unencumbered cash balances as of December 31, 2018, and the related statement of receipts received and disbursements paid for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2019.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 contains seven main 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 included all of the listed categories except tax increment financing because the City does not maintain any tax increment financing districts.

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

Oberloh & Oberloh, Ltd.

March 19, 2019

Members: American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER

— LAW FIRM —

January 29, 2020

City of New Germany
300 Broadway Street East
P.O. Box 177
New Germany, MN 55367-0177

[PURCHASER]

**Re: City of New Germany, Minnesota
\$520,000* General Obligation Bonds, Series 2020A**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of New Germany, Carver County, Minnesota (the "Issuer"), of the above-referenced bonds dated the date hereof (the "Bonds"). The Bonds are issued pursuant to Minnesota Statutes, Sections 412.301 and 475.67, and Chapters 429 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on January 7, 2020, authorizing the issuance and delivery of the Bonds (the "Resolution");
2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the "Tax Certificate");
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

DULUTH
302 W. Superior Street, Ste. 700
Duluth, MN 55802
p: (218) 722-0861
f: (218) 725-6800

SUPERIOR
1409 Hammond Avenue, Ste. 330
Superior, WI 54880
p: (715) 392-7405
f: (715) 392-7407

ST. PAUL
380 St. Peter Street, Ste. 710
St. Paul, MN 55102
p: (651) 221-1044
f: (651) 221-1035

of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum

taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as "qualified tax-exempt obligations" under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

LIMITED CONTINUING DISCLOSURE CERTIFICATE

This Limited Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of New Germany, Minnesota (the "Issuer") in connection with the issuance of the \$520,000* General Obligation Bonds, Series 2020A, dated January 29, 2020 (the "Obligations"). The Obligations are being issued pursuant to a Resolution of the Issuer dated January 7, 2020 (the "Resolution"). The Issuer certifies (i) that it is the only obligated person with respect to the Obligations; and (ii) that on the date hereof, the Issuer is an obligated person with respect to less than \$10,000,000 aggregate amount of outstanding municipal securities, including the Obligations, and thus limited continuing disclosure pursuant to subparagraph (d)(2) of the Rule is required. The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Dissemination Agent" means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Official Statement" means the Official Statement, dated _____, 2020, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

"Participating Underwriter" means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2019, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's financial information or operating data shall contain or consist of the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;

- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
 - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
 - (6) tender offers;
 - (7) defeasances;
 - (8) rating changes;
 - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) non-payment related defaults;
- (2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;
- (3) modifications to rights of holders of the Obligations;
- (4) bond calls;
- (5) release, substitution or sale of property securing repayment of the Obligations;
- (6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that

which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of January 29, 2020.

CITY OF NEW GERMANY, MINNESOTA

By _____
Mayor

By _____
City Clerk-Treasurer

APPENDIX E

TERMS OF PROPOSAL

**\$520,000* GENERAL OBLIGATION BONDS, SERIES 2020A
CITY OF NEW GERMANY, MINNESOTA**

Proposals for the purchase of \$520,000* General Obligation Bonds, Series 2020A (the "Bonds") of the City of New Germany, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on January 7, 2020, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, and Sections 412.301 and 475.67, by the City to finance: (i) the costs associated with the purchase of fire department equipment; and (ii) effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated January 29, 2020, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$70,000	2025	\$70,000	2029	\$35,000
2022	70,000	2026	30,000	2030	35,000
2023	70,000	2027	30,000	2031	10,000
2024	65,000	2028	35,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2020, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about January 29, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as, Bond Counsel to the City. See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$512,200 plus accrued interest on the principal sum of \$520,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$10,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of New Germany, Minnesota

PROPOSAL FORM

The City Council
City of New Germany, Minnesota

January 7, 2020

RE: \$520,000* General Obligation Bonds, Series 2020A (the "Bonds")
DATED: January 29, 2020

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$512,200) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2021	_____ % due	2025	_____ % due	2029
_____ % due	2022	_____ % due	2026	_____ % due	2030
_____ % due	2023	_____ % due	2027	_____ % due	2031
_____ % due	2024	_____ % due	2028		

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the City.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$10,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about January 29, 2020.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from January 29, 2020 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of New Germany, Minnesota, on January 7, 2020.

By: _____ By: _____
Title: _____ Title: _____