

**City of Eden Valley
Meeker and Stearns Counties, Minnesota**

Financial Statements

December 31, 2017



**City of Eden Valley
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**City of Eden Valley
Elected Officials and Administration
December 31, 2017**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Brent Bengtson	Mayor	December 31, 2018
Janice Sheets	Council Member	December 31, 2018
Dan Thielen	Council Member	December 31, 2018
Pat Becker	Council Member	December 31, 2020
Troy Huschle	Council Member	December 31, 2020
<u>Administration</u>		
Mona Haag	City Clerk/Treasurer	Appointed

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Eden Valley
Eden Valley, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Eden Valley, Minnesota, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the City's regulatory financial statements as listed in the Table of Contents. We have also audited the additional supplementary information as listed in the Table of Contents for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with regulatory basis of accounting discussed 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 opinions 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Eden Valley, Minnesota, as of December 31, 2017, the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective cash balances of each major fund and the aggregate remaining fund information of the City of Eden Valley, Minnesota, as of December 31, 2017, and the respective changes in cash balances and cash flows, where applicable, thereof for the year then ended in accordance with the regulatory basis of accounting discussed in Note 1. In addition, in our opinion, the additional supplementary information referred to in the first paragraph presents fairly, in all material respects, the accounts receivable and accounts payable balances of the City's funds as of December 31, 2017, in conformity with the regulatory basis of accounting discussed in Note 1.

Other Matters

Other Information

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



Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of the City of Eden Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eden Valley's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota

March 16, 2018

REGULATORY BASIS FINANCIAL STATEMENTS

City of Eden Valley
Statement of Balances Arising from Cash Transactions -
Governmental Funds
December 31, 2017

	General Fund (100)	<u>Special Revenue</u> Business Incentives (220)	<u>Capital Projects</u> 2018 Street Utility Projects Fund (418)
Assets			
Cash and investments	\$ 697,372	\$ 144,608	\$ -
Due from other funds	<u>56,043</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 753,415</u></u>	<u><u>\$ 144,608</u></u>	<u><u>\$ -</u></u>
Liabilities and Cash Fund Balances			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,617</u>
Cash fund balances			
Restricted	-	-	-
Committed	-	144,608	-
Unassigned	<u>753,415</u>	<u>-</u>	<u>(52,617)</u>
Total cash fund balances	<u>753,415</u>	<u>144,608</u>	<u>(52,617)</u>
Total liabilities and cash fund balances	<u><u>\$ 753,415</u></u>	<u><u>\$ 144,608</u></u>	<u><u>\$ -</u></u>

<u>Debt Service</u>		
<u>2012 MN HWY 22 Improvement (320)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 200,554	\$ 385,962	\$ 1,428,496
-	-	56,043
<u>\$ 200,554</u>	<u>\$ 385,962</u>	<u>\$ 1,484,539</u>
\$ -	\$ 3,426	\$ 56,043
200,554	141,381	341,935
-	244,581	389,189
-	(3,426)	697,372
<u>200,554</u>	<u>382,536</u>	<u>1,428,496</u>
<u>\$ 200,554</u>	<u>\$ 385,962</u>	<u>\$ 1,484,539</u>

City of Eden Valley
Statement of Cash Receipts, Disbursements, and
Changes in Cash Fund Balances -
Governmental Funds
Year Ended December 31, 2017

		<u>Special Revenue</u>	<u>Capital Projects</u>
	General Fund (100)	Business Incentives (220)	2018 Street Utility Projects Fund (418)
Receipts			
General property taxes	\$ 485,993	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Licenses and permits	10,525	-	-
Intergovernmental	332,514	-	-
Charges for service	92,312	-	-
Fines and forfeitures	7,624	-	-
Investment earnings	2,558	1,043	-
Miscellaneous			
Refunds and reimbursements	40,803	11,924	-
Donations and contributions	6,460	-	-
Other	14,258	-	-
Total receipts	<u>993,047</u>	<u>12,967</u>	<u>-</u>
Disbursements			
Current			
General government	236,690	-	52,617
Public safety	308,270	-	-
Public works	181,747	-	-
Culture and recreation	28,673	-	-
Economic development	-	22,746	-
Debt service			
Principal	44,089	-	-
Interest and other charges	16,756	-	-
Capital outlay			
Public safety	-	-	-
Public works	30,000	-	-
Total disbursements	<u>846,225</u>	<u>22,746</u>	<u>52,617</u>
Excess of receipts over (under) disbursements	146,822	(9,779)	(52,617)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(60,500)	-	-
Total other financing sources (uses)	<u>(60,500)</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	86,322	(9,779)	(52,617)
Cash Fund Balances			
Beginning of year	<u>667,093</u>	<u>154,387</u>	<u>-</u>
End of year	<u>\$ 753,415</u>	<u>\$ 144,608</u>	<u>\$ (52,617)</u>

<u>Debt Service</u>		
<u>2012 MN HWY 22 Improvement (320)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 60,210	\$ 2,541	\$ 548,744
-	7,034	7,034
16,180	3,892	20,072
-	-	10,525
-	1,000	333,514
-	-	92,312
-	-	7,624
1,657	2,045	7,303
-	52,441	105,168
-	142,688	149,148
-	40,345	54,603
<u>78,047</u>	<u>251,986</u>	<u>1,336,047</u>
-	-	289,307
-	2,472	310,742
-	-	181,747
-	35,719	64,392
-	46,513	69,259
40,000	150,000	234,089
32,479	9,953	59,188
-	50,814	50,814
-	-	30,000
<u>72,479</u>	<u>295,471</u>	<u>1,289,538</u>
5,568	(43,485)	46,509
-	326,388	326,388
-	(19,715)	(80,215)
-	<u>306,673</u>	<u>246,173</u>
5,568	263,188	292,682
<u>194,986</u>	<u>119,348</u>	<u>1,135,814</u>
<u>\$ 200,554</u>	<u>\$ 382,536</u>	<u>\$ 1,428,496</u>

City of Eden Valley
Statement of Balances Arising from Cash Transactions -
Proprietary Funds
December 31, 2017

	Enterprise Funds			
	Water (510)	Sewer (520)	Senior Housing (530)	Total
Assets				
Cash and investments	<u>\$ 354,022</u>	<u>\$ 323,846</u>	<u>\$ 35,690</u>	<u>\$ 713,558</u>
Net Cash Position				
Unrestricted	<u>\$ 354,022</u>	<u>\$ 323,846</u>	<u>\$ 35,690</u>	<u>\$ 713,558</u>

City of Eden Valley
Statement of Receipts, Disbursements, and
Changes in Net Cash Position - Proprietary Funds
December 31, 2017

	Enterprise Funds			
	Water (510)	Sewer (520)	Housing (530)	Total
Operating receipts				
Charges for services	\$ 367,109	\$ 176,543	\$ 127,128	\$ 670,780
Connection fees	4,268	-	-	4,268
Miscellaneous operating revenues	961	2,243	-	3,204
Total operating receipts	<u>372,338</u>	<u>178,786</u>	<u>127,128</u>	<u>678,252</u>
Operating disbursements				
Salaries and benefits	79,309	56,677	6,401	142,387
Operating supplies	7,406	9,972	3,443	20,821
Repairs and maintenance	9,850	18,811	20,471	49,132
Professional services	17,757	36,686	17,399	71,842
Utilities	19,990	13,189	15,135	48,314
Miscellaneous expenses	12,314	6,221	8,762	27,297
Total operating disbursements	<u>146,626</u>	<u>141,556</u>	<u>71,611</u>	<u>359,793</u>
Excess of operating receipts over (under) operating disbursements	225,712	37,230	55,517	318,459
Nonoperating receipts (disbursements)				
Investment income	2,209	3,044	322	5,575
Other	1,612	9,089	4,922	15,623
Interest expense	(23,094)	(13,858)	(6,838)	(43,790)
Capital outlay	<u>(85,241)</u>	<u>(73,315)</u>	<u>-</u>	<u>(158,556)</u>
Total nonoperating receipts (disbursements)	<u>(104,514)</u>	<u>(75,040)</u>	<u>(1,594)</u>	<u>(181,148)</u>
Net income (loss) before debt and other items	121,198	(37,810)	53,923	137,311
Debt principal	(174,000)	(53,000)	(50,000)	(277,000)
Bond issuance	90,000	90,000	-	180,000
Transfers out	<u>-</u>	<u>(9,500)</u>	<u>-</u>	<u>(9,500)</u>
Change in net cash position	37,198	(10,310)	3,923	30,811
Net cash position				
Beginning of year	<u>316,824</u>	<u>334,156</u>	<u>31,767</u>	<u>682,747</u>
End of year	<u>\$ 354,022</u>	<u>\$ 323,846</u>	<u>\$ 35,690</u>	<u>\$ 713,558</u>

City of Eden Valley
Statement of Cash Flows - Cash Basis -
Proprietary Funds
December 31, 2017

	Water (510)	Sewer (520)	Senior Housing	Total
Cash Flows - Operating Activities				
Receipts from customers	\$ 286,511	\$ 178,786	\$ 127,128	\$ 592,425
Payments to suppliers	(72,658)	(84,879)	(65,210)	(222,747)
Payments to employees	(79,309)	(56,677)	(6,401)	(142,387)
Net cash flows - operating activities	<u>134,544</u>	<u>37,230</u>	<u>55,517</u>	<u>227,291</u>
Cash Flows - Noncapital Financing Activities				
Miscellaneous revenue	1,612	9,089	4,922	15,623
Transfers to other funds	<u>-</u>	<u>(9,500)</u>	<u>-</u>	<u>(9,500)</u>
Net cash flows - noncapital financing activities	<u>1,612</u>	<u>(411)</u>	<u>4,922</u>	<u>6,123</u>
Cash Flows - Capital and Related Financing Activities				
Loan repayment proceeds	76,000	-	-	76,000
Acquisition of capital assets	(79,900)	(73,315)	-	(153,215)
Proceeds from bond issuance	90,000	90,000	-	180,000
Principal paid on capital debt	(174,000)	(53,000)	(50,000)	(277,000)
Interest paid on capital debt	<u>(13,267)</u>	<u>(13,858)</u>	<u>(6,838)</u>	<u>(33,963)</u>
Net cash flows - capital and related financing activities	<u>(101,167)</u>	<u>(50,173)</u>	<u>(56,838)</u>	<u>(208,178)</u>
Cash Flows - Investing Activities				
Interest and dividends	<u>2,209</u>	<u>3,044</u>	<u>322</u>	<u>5,575</u>
Net change in cash and cash equivalents	37,198	(10,310)	3,923	30,811
Cash and Cash Equivalents				
Beginning of year	<u>316,824</u>	<u>334,156</u>	<u>31,767</u>	<u>682,747</u>
End of year	<u><u>\$ 354,022</u></u>	<u><u>\$ 323,846</u></u>	<u><u>\$ 35,690</u></u>	<u><u>\$ 713,558</u></u>

**City of Eden Valley
Statement of Fiduciary Net Position
December 31, 2017**

	<u>Liquor Trust</u>
Assets	
Current	
Cash and investments	\$ -
	<u> </u>
Net Position	
Held in trust for benefits and other purposes	\$ -
	<u> </u>

**Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2017**

	<u>Liquor Trust</u>
Additions	
Investment interest	\$ 4,946
	<u> </u>
Transfers out	<u>236,673</u>
Change in net position	(231,727)
Net Position	
Beginning of year	<u>231,727</u>
End of year	<u>\$ -</u>

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City of Eden Valley
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Eden Valley is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the regulatory financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, the following organization has been defined and is presented in this report as follows:

Blended Component Units – Reported as if they were part of the City.

For the above category, the specific entity is identified as follows:

1. Blended Component Unit

The Eden Valley Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Eden Valley EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Eden Valley EDA.

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

The accounts of the City are maintained and the accompanying financial statements have been prepared, on a regulatory basis of accounting prescribed by the Minnesota Office of the State Auditor. The regulatory basis of accounting is defined in the *Reporting and Publishing Requirements for City Audited Financial Statements for Cities Under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* issued by the State of Minnesota Office of the State Auditor on December 17, 2004. The regulatory basis allows revenues to be recognized when received rather than when earned, and expenditures to be recognized when paid rather than when the obligations are incurred.

Major proprietary funds are reported on an accrual basis of accounting in a separate report.

**City of Eden Valley
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Governmental Funds:

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

Business Incentives Special Revenue Fund – This fund accounts for all the activity relating to the business loan program. It is funded by loan repayments.

2018 Street Utility Project Capital Projects Fund – This fund is a capital project fund and accounts for all of the activity related to the 2018 Street Utility project.

2012 MN HWY 22 Improvement Debt Service Fund – This fund accounts for the debt associated with the 2012 improvement project.

Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water utility.

Sewer Fund – This fund accounts for the operations of the City's sewer utility.

Senior Housing – This fund accounts for the activities and operation of the City's senior housing facility.

Fiduciary Fund:

Liquor Trust – This fund is used to account for the proceeds received from the sale of the Municipal liquor store.

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

City of Eden Valley
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Cash, Cash Equivalents, and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

**City of Eden Valley
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Tax Collection Calendar

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditors for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Meeker County and Stearns County are the collecting agencies for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15.

The County Auditors prepare the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditors also collect all special assessments, except for certain prepayments paid directly to the City.

The County Auditors submit the list of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

E. Vacation and Sick Leave

The City compensates employees who either retire or terminate for 100% of their accumulated unused vacation pay, and 50% of sick leave for those who have been employed for more than 15 years. As of December 31, 2017, the total liability for unused vacation and sick pay was approximately \$27,821.

F. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and disbursements during the reporting period. Actual results could differ from those estimates.

G. Cash Fund Balances

1. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Clerk/Treasurer based on the City Council's direction.

**City of Eden Valley
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash Fund Balances (Continued)

1. Classification (Continued)

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order, first to last: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance

The City strives to maintain a General Fund unassigned fund balance of six months of operating expenses.

H. Budgetary Information

1. In September of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed disbursements and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets are adopted on a basis consistent with the regulatory basis of accounting.
5. Disbursements may not legally exceed budgeted appropriations at the fund level. No fund's budget can be increased without City Council approval. The City Council may authorize the transfer of budgeted amounts between departments within any fund. Management may amend budgets within a fund level, so long as the total fund budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General, Enterprise, and most Special Revenue Funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. No amendments were made to the budget in 2017. Budgeted disbursement appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure the City's deposits may not be returned to it. The City has adopted a deposit policy to address custodial risk for deposits that matches *Minnesota Statutes* requirement that deposits are collateralized at 110% of excess over Federal Deposit Insurance Corporation (FDIC) insurance. As of December 31, 2017, the City's bank balance was not exposed to custodial credit risk because the balance was insured through the FDIC with collateral pledged by the depository for amounts exceeding FDIC coverage.

City of Eden Valley
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

As of December 31, 2017, the City had deposits as follows:

Checking	<u><u>\$ 146,835</u></u>
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B. Investments

As of December 31, 2017, the City had the following investments:

Investment Type	Fair Value	Investment Maturities				Ratings
		1 Year or Less	1-2 Years	3-5 Years	6-10 Years	
Brokered certificate of deposits	\$ 1,354,530	\$ 134,401	\$ 224,403	\$ 720,706	\$ 275,020	N/A
Brokered money market	22,134	22,134	-	-	-	AAA
4M money market	618,255	618,255	-	-	-	N/A
Total investments	<u><u>\$ 1,994,919</u></u>	<u><u>\$ 774,790</u></u>	<u><u>\$ 224,403</u></u>	<u><u>\$ 720,706</u></u>	<u><u>\$ 275,020</u></u>	

<u>Maturity</u>	<u>Maximum Investments</u>
1 year or less	39 %
1-2 years	11
3-5 years	36
6-10 years	14

The City has a formal deposit and investment policy to address the following risks:

Interest Rate Risk: This is the risk that correlates with managing exposure to fair value arising from increasing interest rates. The City's policy manages this by giving guidance on the safety of investing and managing the liquidity of the portfolio.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's policy limits investments to shares of the 4M Fund, direct obligations of the Department of the Treasury of the U.S. Government and federal agency issues which are guaranteed by the U.S. Government or its agencies as to principal and interest and general obligations of the State of Minnesota and local governments with taxing powers, which is rated A or better by a nation bond rating service, provided no single issue exceeds \$200,000 with maturities not exceeding seven years.

City of Eden Valley
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk that limits the amount the City may invest in any one issuer. The City's investment policy states investments shall be diversified to minimize credit risk; specifically, no more than 5% of the investment portfolio will be invested in the securities of a single issuer. The City was exposed to this risk as the following brokered certificates of deposits exceeded 5% of total investments; Amex Centurion Salt Lake City UT CD, Goldman Sachs New York NY CD, Sallie Mae Bank Salt Lake City UT CD, Capital One Bank Glen Allen VA CD, Synchrony Bk Draper UT CD, City Sale Lake City UT CD, JP Morgan Chase Bk NA Columbus Ohio CD, Discover Bk Green Greenwood DE CD, Discover Greenwood DE CD and HSBC Bk USA NA McLean VA CD.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires all investments to be insured.

The City has the following recurring fair value measurements as of December 31, 2017:

- Investments of \$1,354,530 are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2017, were as follows:

Petty cash	\$ 300
Total deposits	146,835
Total investments	<u>1,994,919</u>
Total deposits and investments	<u><u>\$ 2,142,054</u></u>
Statement of Balances Arising from Cash Transactions - Governmental Funds	
Cash and investments	\$ 1,428,496
Statement of Balances Arising From Cash Transactions - Proprietary Funds	
Cash and investments	<u>713,558</u>
Total cash and investments	<u><u>\$ 2,142,054</u></u>

City of Eden Valley
Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Assets/Liabilities

At December 31, 2017, due from/to other funds for the City were as follows:

<u>Fund Type and Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 56,043	\$ -
2018 Street Utility Projects Fund	-	52,617
Other governmental funds	-	3,426
	<u> </u>	<u> </u>
Total	<u><u>\$ 56,043</u></u>	<u><u>\$ 56,043</u></u>

The above interfund transactions were to cover deficit cash balances and will be repaid as funds become available.

B. Interfund Transfers

For the year ended December 31, 2017, interfund transfers were included in the following funds:

	<u>Transfers In Nonmajor Governmental Funds</u>
Transfers out	
General Fund	\$ 60,500
Sewer Fund	9,500
Nonmajor governmental funds	19,715
Liquor Trust Fund	236,673
	<u> </u>
Total	<u><u>\$ 326,388</u></u>

The purpose of the transfers was for debt service payments, to close a fund and setting up new capital project funds, and in accordance with fire contract agreements.

NOTE 4 – LONG-TERM PAYABLE

The City currently has a long-term payable to the Sauk River Watershed District for \$12,000. This payable is to pay costs for a project that was not completed at the City. The payable began in 2011 and is payable over ten years, with annual payments of \$3,000. Interest is being paid at 3.5%, or an annual interest payment of \$105.

City of Eden Valley
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT

A. Bonds Payable

	<u>Issue Year</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-term liabilities						
Governmental activities						
General Obligation (G.O.)						
Bonds, including Refunding Bonds						
G.O. Improvement Bonds of 2007	2007	4.3%	\$ 215,000	2018	\$ 25,000	\$ 25,000
G.O. Improvement Bonds of 2013B	2013	1.40% - 4.00%	1,050,000	2035	970,000	40,000
Total G.O. Bonds, including Refunding Bonds					995,000	65,000
USDA Rural Development Loan	2009	4.50%	400,000	2049	329,414	6,916
G.O. Equipment Certificate	2013	3.25%	175,000	2023	100,000	20,000
Total Governmental Activities Liabilities					1,424,414	91,916
Enterprise Funds						
G.O. Housing Development Revenue Refunding Bonds 2013C	2013	2.60%	406,000	2021	213,000	51,000
PFA G.O. Water Revenue Note/DWRF Loan	1999	3.16%	1,881,057	2020	366,000	118,000
PFA G.O. Water Revenue Note/DWRF Loan	2000	2.32%	644,890	2021	155,000	38,000
PFA G.O. Water Revenue Note/DWRF Loan	2009	1.00%	286,461	2029	179,000	14,000
PFA G.O. Sewer Revenue Note/CWRF Loan	2009	1.74%	660,457	2029	418,000	32,000
PFA Drinking Water Forgivable Grant	2013	0.00%	697,316	2033	697,316	-
PFA G.O. Water Revenue Note/DWRF Loan	2013	1.00%	174,329	2033	143,000	8,000
PFA G.O. Sewer Revenue Note/CWRF Loan	2013	1.46%	470,625	2033	390,000	22,000
G.O. Sewer Revenue Note, Series 2017A	2017	2.75%	90,000	2025	90,000	11,500
G.O. Water Revenue Note, Series 2017A	2017	2.75%	90,000	2025	90,000	11,500
Total Enterprise Fund Bonds					2,741,316	306,000
Total all long-term liabilities					\$ 4,165,730	\$ 397,916

On September 11, 2013, the City received a PFA Drinking Water Forgivable Grant that is not required to be repaid by the City except if conditions of the agreement are not met. At December 31, 2017, the City had expended the full grant. Since the City anticipates that this debt will be forgiven, it is not included in the amortization schedules.

City of Eden Valley
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Bonds Payable (Continued)

The following is a summary of bonds payable transactions of the City for the year ended 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
G.O. special assessment bonds	\$ 1,165,000	\$ -	\$ (170,000)	\$ 995,000
G.O. revenue bonds	263,000	-	(50,000)	213,000
USDA rural development loan	370,012	-	(40,598)	329,414
Equipment certificates	120,000	-	(20,000)	100,000
PFA forgivable grant	697,316	-	-	697,316
PFA G.O. revenue notes/loans	1,878,000	-	(227,000)	1,651,000
G.O. utility revenue note	-	180,000	-	180,000
	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total long-term liabilities	<u>\$ 4,493,328</u>	<u>\$ 180,000</u>	<u>\$ (507,598)</u>	<u>\$ 4,165,730</u>

B. Bonds, Certificates, and Loans Payable

The annual requirements to amortize all long-term debt outstanding are as follows:

Year Ending December 31,	Special Assessment Bonds			USDA Rural Development Loan		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 65,000	\$ 31,887	\$ 96,887	\$ 6,916	\$ 14,824	\$ 21,740
2019	45,000	30,687	75,687	7,228	14,512	21,740
2020	45,000	29,855	74,855	7,553	14,187	21,740
2021	45,000	28,899	73,899	7,893	13,847	21,740
2022	45,000	27,841	72,841	8,248	13,492	21,740
2023-2027	250,000	118,305	368,305	47,152	61,548	108,700
2028-2032	295,000	71,280	366,280	58,761	49,939	108,700
2033-2037	205,000	12,500	217,500	73,226	35,474	108,700
2038-2042	-	-	-	91,253	17,447	108,700
2043	-	-	-	21,184	971	22,155
	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,184</u>	<u>971</u>	<u>22,155</u>
Total	<u>\$ 995,000</u>	<u>\$ 351,254</u>	<u>\$ 1,346,254</u>	<u>\$ 329,414</u>	<u>\$ 236,241</u>	<u>\$ 565,655</u>

City of Eden Valley
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Bonds, Certificates, and Loans Payable (Continued)

Year Ended December 31,	Revenue Bonds			PFA Note		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 51,000	\$ 5,538	\$ 56,538	\$ 232,000	\$ 31,483	\$ 263,483
2019	53,000	4,212	57,212	236,000	25,771	261,771
2020	54,000	2,834	56,834	242,000	19,917	261,917
2021	55,000	1,430	56,430	120,000	13,913	133,913
2022	-	-	-	81,000	11,816	92,816
2023-2027	-	-	-	419,000	41,139	460,139
2028-2032	-	-	-	284,000	12,123	296,123
2033	-	-	-	37,000	496	37,496
Total	<u>\$ 213,000</u>	<u>\$ 14,014</u>	<u>\$ 227,014</u>	<u>\$ 1,651,000</u>	<u>\$ 156,658</u>	<u>\$ 1,807,658</u>

Year Ended December 31,	G.O. Equipment Certificate			G.O. Utility Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 20,000	\$ 3,250	\$ 23,250	\$ 23,000	\$ 5,610	\$ 28,610
2019	20,000	2,600	22,600	22,000	4,166	26,166
2020	20,000	1,950	21,950	23,000	3,548	26,548
2021	20,000	1,300	21,300	24,000	2,915	26,915
2022	20,000	650	20,650	24,000	2,255	26,255
2023-2025	-	-	-	64,000	2,654	66,654
Total	<u>\$ 100,000</u>	<u>\$ 9,750</u>	<u>\$ 109,750</u>	<u>\$ 180,000</u>	<u>\$ 21,148</u>	<u>\$ 201,148</u>

The General Fund is responsible for the liquidation of the G.O. Equipment Certificate and the USDA Rural Development Loan, and the general government Debt Service Funds will pay for the outstanding principal and interest on the G.O. improvement bonds. The Water and Sewer Funds are responsible for payment of their respective Public Facilities Authority (PFA) loans and revenue notes and the Senior Housing Fund is responsible for paying the revenue bond liability.

City of Eden Valley
Notes to Financial Statements

NOTE 6 – RECEIVABLES

A. Notes Receivable

Notes, loans, and lease receivables at December 31, 2017, are as follows:

Eden Valley Veterinary Services Promissory Note	
\$50,000 promissory note, due in monthly installments of \$530 through November 2018, with a final payment of \$556 due December 2018, interest at 5%	\$ 6,219
Amy Fink Photography Revolving Loan	
\$10,000 promissory note, due in monthly installments of \$106 through May 2022, with a final payment of \$5,726 due June 2022, interest at 5%	9,610
Total notes receivable	<u>\$ 15,829</u>

B. Long-Term Receivable

Loans receivable at December 31, 2017, is due from the City of Watkins, Minnesota, for their share of PFA water system improvements. The receivable scheduled maturity is half of the underlying 1999 and 2000 PFA debt obligations listed in Note 5. The balance at December 31, 2017, was \$260,500, and \$76,000 was collected on the receivable in 2017.

NOTE 7 – FUND BALANCE DETAIL

Fund equity balances are classified as follows on the chart below to reflect the limitations and restrictions of the respective funds.

	General	Business Incentives	2018 Street Utility Project	2012 MN HWY Improvement	Nonmajor Governmental Fund	Total
Restricted						
Henfling Trust	\$ -	\$ -	\$ -	\$ -	\$ 10,041	\$ 10,041
Housing Rehabilitation	-	-	-	-	12,940	12,940
Tax Increment Financing	-	-	-	-	33,042	33,042
Park Development	-	-	-	-	51,953	51,953
Debt Service	-	-	-	200,554	33,405	233,959
Committed						
Economic Development	-	144,608	-	-	-	144,608
Valley Daze Celebration	-	-	-	-	198	198
Community Development	-	-	-	-	16,850	16,850
Athletic Field Improvements	-	-	-	-	898	898
Capital Projects	-	-	-	-	226,635	226,635
Unassigned	753,415	-	(52,617)	-	(3,426)	697,372
Total	<u>\$ 753,415</u>	<u>\$ 144,608</u>	<u>\$ (52,617)</u>	<u>\$ 200,554</u>	<u>\$ 382,536</u>	<u>\$ 1,428,496</u>

City of Eden Valley
Notes to Financial Statements

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risk of loss related to torts: theft of, damage to and destruction of assets, errors, and omissions, injuries to employees and natural disasters. In order to protect against these risks of loss, the City purchases commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool. This pool currently operates common risk management and insurance programs for municipal entities. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience, workers' compensation rates and salaries are known for the year. The final premium adjustment was recorded in the year the adjustment was made.

During the year ended December 31, 2017, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

NOTE 9 – PENSION PLANS

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City of Eden Valley, Minnesota, are covered by defined benefit plans administered by the Public Employees' Retirement Association of Minnesota (PERA. PERA administers the General Employees' Retirement Fund and the Public Employees' Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These Plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits 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.

**City of Eden Valley
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association

A. Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated 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 Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For Police and Fire Plan members, the annuity accrual rate is 3.0% for each year of service. For all Police and Fire Plan members, and General Employees Plan members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Police and Fire Plan members and 65 for Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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.

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

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

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 state statutes. Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in 2017. Police and Fire Plan members were required to contribute 10.8% of their annual covered salary in 2017. In 2017, the City was required to contribute the following percentages of annual covered payroll: 7.5% for Coordinated Plan members and 16.2% for Police and Fire Plan members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2017, 2016, and 2015, were \$16,258, \$15,590, and \$13,328, respectively. The City's contribution to the Public Employees Police & Fire Fund for the years ended December 31, 2017, 2016, and 2015, were \$16,370, \$15,164, and \$14,211, respectively.

City of Eden Valley
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees Defined Contribution Plan

Four Council Members and 19 volunteer rescue squad members are covered by the Public Employee's Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City for elected officials during 2017 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 421	\$ 421	5.0%	5.0%	5.0%

Total contributions made by the City for the volunteer rescue squad during fiscal year 2017 were:

Contribution Amount		Percentage of Covered Payroll		Total Required Rate
Employee	Employer	Employee	Employer	
\$ 9,118	\$ 11,400	106.4%	133.0%	At least 7.5%

NOTE 10 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. This statement will be effective for the year ending December 31, 2018.

City of Eden Valley
Notes to Financial Statements

NOTE 10 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

GASB Statement No. 83, Certain Asset Retirement Obligations establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 85, Omnibus 2017 addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

City of Eden Valley
Notes to Financial Statements

NOTE 11 - TAX INCREMENT FINANCING

The City has entered into two Tax Increment Financing agreements which meet the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures. The City's authority to enter into these agreements comes from Minnesota Statute 469. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2017, the City generated \$7,034 in tax increment revenue and made no payments to developers. There were no payments due to developers at December 31, 2017.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

City of Eden Valley
Schedule of Receipts, Disbursements, and Changes
in Cash Fund Balances - Budget and Actual -
General Fund
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Receipts			
Taxes			
Property taxes	\$ 480,000	\$ 485,993	\$ 5,993
Licenses and permits	14,150	10,525	(3,625)
Intergovernmental			
State grants and aids			
Local government aid	285,655	285,655	-
Market value credit	-	542	542
Police and fire relief aid	28,500	29,891	1,391
PERA aid	703	703	-
Other aids and grants	500	15,723	15,223
Total intergovernmental	315,358	332,514	17,156
Charges for services			
General government	11,000	14,603	3,603
Public safety			
Public safety fire protection	68,550	77,559	9,009
Public works	-	150	150
Total charges for services	79,550	92,312	12,762
Fines and forfeitures	1,650	7,624	5,974
Investment earnings	5,000	2,558	(2,442)
Miscellaneous revenue			
Refunds and reimbursements	36,220	40,803	4,583
Donations and contributions	6,250	6,460	210
Other	16,350	14,258	(2,092)
Total miscellaneous revenue	58,820	61,521	2,701
Total receipts	954,528	993,047	38,519
Disbursements			
General government			
Mayor and council			
Current	21,315	16,444	(4,871)
Clerk/treasurer			
Current	97,370	107,996	10,626

City of Eden Valley
Schedule of Receipts, Disbursements, and Changes
in Cash Fund Balances - Budget and Actual -
General Fund
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Disbursements (Continued)			
General government (continued)			
Elections			
Current	\$ 500	\$ 532	\$ 32
Assessor			
Current	6,700	6,419	(281)
Audit and accounting			
Current	11,700	11,475	(225)
Legal			
Current	10,000	1,684	(8,316)
Planning and zoning			
Current	10,855	8,019	(2,836)
Other general government			
Current	98,415	84,121	(14,294)
Total general government	<u>256,855</u>	<u>236,690</u>	<u>(20,165)</u>
Public safety			
Police protection			
Current	170,275	170,040	(235)
Fire			
Current	144,435	129,034	(15,401)
Building inspection			
Current	10,300	5,336	(4,964)
Animal Control			
Current	440	100	(340)
Civil defense			
Current	3,350	3,760	410
Total public safety	<u>328,800</u>	<u>308,270</u>	<u>(20,530)</u>
Public works			
Streets and general maintenance			
Current	139,500	131,334	(8,166)
Capital outlay	30,000	30,000	-
Snow removal			
Current	31,265	16,849	(14,416)
Street lighting			
Current	27,955	25,956	(1,999)
Sanitation			
Current	8,010	7,608	(402)
Total public works	<u>236,730</u>	<u>211,747</u>	<u>(24,983)</u>

City of Eden Valley
Schedule of Receipts, Disbursements, and Changes
in Cash Fund Balances - Budget and Actual -
General Fund
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Disbursements (Continued)			
Culture and recreation			
Parks			
Current	\$ 45,185	\$ 28,673	\$ (16,512)
Debt service			
Certificate of indebtedness repayments			
Loan principal	44,090	44,089	(1)
Loan interest	16,755	16,756	1
Total debt service	<u>60,845</u>	<u>60,845</u>	<u>-</u>
Total disbursements	<u>928,415</u>	<u>846,225</u>	<u>(82,190)</u>
Excess of receipts over disbursements	26,113	146,822	120,709
Other Financing Uses			
Transfers out	<u>(29,000)</u>	<u>(60,500)</u>	<u>(31,500)</u>
Total other financing uses	<u>(29,000)</u>	<u>(60,500)</u>	<u>(31,500)</u>
Net change in cash fund balances	<u><u>\$ (2,887)</u></u>	86,322	<u><u>\$ 89,209</u></u>
Cash Fund Balances			
Beginning of year		<u>667,093</u>	
End of year		<u><u>\$ 753,415</u></u>	

City of Eden Valley
Meeker and Stearns County, Minnesota
Schedule of Receipts, Disbursements, and Changes
in Cash Fund Balances - Budget and Actual -
Business Incentives
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Receipts			
Investment earnings	\$ 1,500	\$ 1,043	\$ (457)
Miscellaneous revenues			
Refunds and reimbursements	11,170	11,924	754
Other	<u>500</u>	<u>-</u>	<u>(500)</u>
Total miscellaneous	<u>11,670</u>	<u>11,924</u>	<u>254</u>
Total receipts	13,170	12,967	(203)
Disbursements			
Economic development			
Current	<u>54,060</u>	<u>22,746</u>	<u>(31,314)</u>
Receipts over (under) disbursements	<u><u>\$ (40,890)</u></u>	<u><u>(9,779)</u></u>	<u><u>\$ 31,111</u></u>
Cash Fund Balances			
Beginning of year		<u>154,387</u>	
End of year		<u><u>\$ 144,608</u></u>	

**City of Eden Valley
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue			
	Housing Rehabilitation (225)	Art & Lorrain Henfling Trust (271)	TIF Districts (240, 245, 250 and 280)	Valley Daze Celebration (260)
Assets				
Cash and investments	\$ 12,940	\$ 10,041	\$ 33,042	\$ 198
Total assets	<u>\$ 12,940</u>	<u>\$ 10,041</u>	<u>\$ 33,042</u>	<u>\$ 198</u>
 Liabilities and Cash Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Cash fund balances				
Restricted	12,940	10,041	33,042	-
Committed	-	-	-	198
Unassigned	-	-	-	-
Total cash fund balances	<u>12,940</u>	<u>10,041</u>	<u>33,042</u>	<u>198</u>
Total liabilities and cash fund balances	<u>\$ 12,940</u>	<u>\$ 10,041</u>	<u>\$ 33,042</u>	<u>\$ 198</u>

Special Revenue				Debt Service
Park Dedication (265)	Healthy Communities (230)	Hawks Athletic Field (290)	Lions Park (295)	2007 Improvement Bonds (330)
<u>\$ 51,953</u>	<u>\$ 16,850</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 32,020</u>
<u>\$ 51,953</u>	<u>\$ 16,850</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 32,020</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,533</u>	<u>\$ -</u>
51,953	-	-	-	32,020
-	16,850	898	-	-
-	-	-	(1,533)	-
<u>51,953</u>	<u>16,850</u>	<u>898</u>	<u>-</u>	<u>32,020</u>
<u>\$ 51,953</u>	<u>\$ 16,850</u>	<u>\$ 898</u>	<u>\$ -</u>	<u>\$ 32,020</u>

**City of Eden Valley
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017**

	Debt Service	Capital Projects		
	2003 Improvement Bonds (310)	Capital Improvement (410)	HWY 22 Project (430)	Police Equipment (421)
Assets				
Cash and investments	\$ 1,385	\$ 13,475	\$ -	\$ 21,183
Total assets	<u>\$ 1,385</u>	<u>\$ 13,475</u>	<u>\$ -</u>	<u>\$ 21,183</u>
 Liabilities and Cash Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 1,893	\$ -
Cash fund balances				
Restricted	1,385	-	-	-
Committed	-	13,475	-	21,183
Unassigned	-	-	(1,893)	-
Total cash fund balances	<u>1,385</u>	<u>13,475</u>	<u>(1,893)</u>	<u>21,183</u>
Total liabilities and cash fund balances	<u>\$ 1,385</u>	<u>\$ 13,475</u>	<u>\$ -</u>	<u>\$ 21,183</u>

Capital Projects				
Streets & Parks Equipment (431)	Friederichs Park Project Fund (451)	Fire and Rescue Equipment (470 and 475)	Stormwater Maintenance (432)	Total Governmental Funds
<u>\$ 55,308</u>	<u>\$ 9,503</u>	<u>\$ 110,453</u>	<u>\$ 16,713</u>	<u>\$ 385,962</u>
<u>\$ 55,308</u>	<u>\$ 9,503</u>	<u>\$ 110,453</u>	<u>\$ 16,713</u>	<u>\$ 385,962</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,426</u>
-	-	-	-	141,381
55,308	9,503	110,453	16,713	244,581
-	-	-	-	(3,426)
<u>55,308</u>	<u>9,503</u>	<u>110,453</u>	<u>16,713</u>	<u>382,536</u>
<u>\$ 55,308</u>	<u>\$ 9,503</u>	<u>\$ 110,453</u>	<u>\$ 16,713</u>	<u>\$ 385,962</u>

City of Eden Valley
Combining Statement of Cash Receipts, Disbursements,
and Changes in Cash Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2017

	Special Revenue		
	Housing Rehabilitation (225)	Art & Lorrain Henfling Trust (271)	TIF Districts (240, 245, 250 and 280)
Receipts			
General property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	7,034
Special assessments	-	-	-
Intergovernmental	-	-	-
Investment earnings	71	41	6
Miscellaneous			
Donations and contributions	-	-	-
Refunds and reimbursements	-	-	-
Other	-	-	-
Total receipts	<u>71</u>	<u>41</u>	<u>7,040</u>
Disbursements			
Current			
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	513
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>513</u>
Excess of receipts over (under) disbursements	71	41	6,527
Other Financing Sources (Uses)			
Transfers in	-	10,000	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>-</u>
Net change in cash fund balances	71	10,041	6,527
Cash Fund Balances			
Beginning of year	<u>12,869</u>	<u>-</u>	<u>26,515</u>
End of year	<u>\$ 12,940</u>	<u>\$ 10,041</u>	<u>\$ 33,042</u>

Special Revenue

Valley Daze Celebration (260)	Park Dedication (265)	Healthy Communities (230)	Hawks Athletic Field (290)	Lions Park (295)
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	1,000	-	-
-	547	-	-	-
18,300	32,632	5,948	11,700	4,000
600	-	-	-	-
-	230	40,115	-	-
<u>18,900</u>	<u>33,409</u>	<u>47,063</u>	<u>11,700</u>	<u>4,000</u>
-	-	-	-	-
18,900	-	-	10,677	6,142
-	-	46,000	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,900</u>	<u>-</u>	<u>46,000</u>	<u>10,677</u>	<u>6,142</u>
-	33,409	1,063	1,023	(2,142)
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	33,409	1,063	1,023	(2,142)
198	18,544	15,787	(125)	609
<u>\$ 198</u>	<u>\$ 51,953</u>	<u>\$ 16,850</u>	<u>\$ 898</u>	<u>\$ (1,533)</u>

City of Eden Valley
Combining Statement of Cash Receipts, Disbursements
and Changes in Cash Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2017

	Debt Service		Capital Projects
	2007 Improvement Bonds (330)	2003 Improvement Bonds (310)	Capital Improvement (410)
Receipts			
General property taxes	\$ 692	\$ 1,849	\$ -
Tax increments	-	-	-
Special assessments	1,075	2,817	-
Intergovernmental	-	-	-
Investment earnings	167	13	3
Miscellaneous			
Donations and contributions	-	-	-
Refunds and reimbursements	-	-	-
Other	-	-	-
Total receipts	<u>1,934</u>	<u>4,679</u>	<u>3</u>
Disbursements			
Current			
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	25,000	105,000	-
Interest and other charges	2,163	3,890	-
Capital outlay			
Public safety	-	-	-
Total disbursements	<u>27,163</u>	<u>108,890</u>	<u>-</u>
Excess of receipts over (under) disbursements	(25,229)	(104,211)	3
Other Financing Sources (Uses)			
Transfers in	9,500	-	12,000
Transfers out	-	(19,715)	-
Total other financing sources (uses)	<u>9,500</u>	<u>(19,715)</u>	<u>12,000</u>
Net change in cash fund balances	(15,729)	(123,926)	12,003
Cash Fund Balances			
Beginning of year	<u>47,749</u>	<u>125,311</u>	<u>1,472</u>
End of year	<u>\$ 32,020</u>	<u>\$ 1,385</u>	<u>\$ 13,475</u>

Capital Projects

HWY 22 Project (430)	Police Equipment (421)	Streets & Parks Equipment (431)	Friederichs Park Project Fund (451)	Fire and Rescue Equipment (470 and 475)	Stormwater Maintenance (432)	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,541
-	-	-	-	-	-	7,034
-	-	-	-	-	-	3,892
-	-	-	-	-	-	1,000
-	150	250	3	781	13	2,045
-	-	-	-	70,108	-	142,688
51,841	-	-	-	-	-	52,441
-	-	-	-	-	-	40,345
<u>51,841</u>	<u>150</u>	<u>250</u>	<u>3</u>	<u>70,889</u>	<u>13</u>	<u>251,986</u>
-	-	-	-	2,472	-	2,472
-	-	-	-	-	-	35,719
-	-	-	-	-	-	46,513
-	-	-	-	20,000	-	150,000
-	-	-	-	3,900	-	9,953
-	-	-	-	50,814	-	50,814
-	-	-	-	77,186	-	295,471
51,841	150	250	3	(6,297)	13	(43,485)
256,388	-	14,000	9,500	10,000	5,000	326,388
-	-	-	-	-	-	(19,715)
<u>256,388</u>	<u>-</u>	<u>14,000</u>	<u>9,500</u>	<u>10,000</u>	<u>5,000</u>	<u>306,673</u>
308,229	150	14,250	9,503	3,703	5,013	263,188
(310,122)	21,033	41,058	-	106,750	11,700	119,348
<u>\$ (1,893)</u>	<u>\$ 21,183</u>	<u>\$ 55,308</u>	<u>\$ 9,503</u>	<u>\$ 110,453</u>	<u>\$ 16,713</u>	<u>\$ 382,536</u>

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SUPPLEMENTARY INFORMATION

City of Eden Valley
Schedule of Accounts Receivable
December 31, 2017

<u>Fund</u>	<u>Source of Revenue</u>	<u>Purpose</u>	<u>Amount</u>
2003 Improvement Bonds	Stearns County	January tax settlement	\$ 1
2003 Improvement Bonds	Meeker County	January tax settlement	3,084
2012 MN HWY 22 Improvement	Stearns County	January tax settlement	586
2012 MN HWY 22 Improvement	Meeker County	January tax settlement	1,261
2007B Improvements Bonds	Stearns County	January tax settlement	2
General	Arvig	Franchise fees	3,063
General	LMCIT	Agent Fees	23
General	Stearns County	January tax settlement	2,915
General	Meeker County	January tax settlement	9,903
General	Eden Valley Area Library	Event center	200
General	Stearns County	Utility billing	339
General	Meeker County	Delinquent refuse	899
General	Meeker County	Delinquent weed fees	1,430
General	ISD 463	Eagles kids	200
TIF Districts	Meeker County	January tax settlement	4,833
Senior Housing	Stearns County	January tax settlement	3,234
Sewer	Meeker County	January tax settlement	1,088
Sewer	Various	Utility billing	32,262
Sewer	Premier Apartments	Utility billing	1,579
Sewer	Meeker County	Delinquent sewer fees	11
Sewer	Voss Plumbing	Sewer supplies	119
Sewer	Stearns County	Utility billing	140
Water	Stearns County	Utility billing	260
Water	Meeker County	Delinquent water fees	21
Water	Meeker County	January tax settlement	1,632
Water	Thielen Excavating	Water sales	632
Water	Underground Tech	Water sales	82
Water	Premier Apartments	Water sales	2,933
Water	City of Watkins	Water sales	9,435
Water	Various	Utility billing	48,393
Total			<u><u>\$ 130,560</u></u>

City of Eden Valley
Schedule of Accounts Payable and Contingent Liabilities
December 31, 2017

<u>Fund</u>	<u>Vendor Name</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Central McGowan Inc.	Rental	\$ 7
General	Eden Valley Lumber	Repairs/supplies	61
General	Jack's Oil Distributing	Gas & supplies	559
General	K & B Solutions	Supplies	376
General	KRD	Services	53
General	LMC	Safety training	150
General	Marco	Copier lease	145
General	MN Dept of Admin	Squad lease	157
General	Mr. Heating & A/C	Repairs	68
General	Office Depot	Supplies	57
General	Bob Peschon	Service	200
General	Rinke Noonan	Legal	763
General	Stearns Co Fire Chiefs	Dues	15
General	Thielen Excavating	Services	523
General	Judy Thielen	Services	200
General	Valley Quick Stop	Fuel	183
General	Verizon	Phone	335
General	West Central	Services	68
General	City Utilities - Water/Sewer	City utilities	409
General	Xcel	Electric	2,028
General	Meeker Coop	Electric	100
General	Center Point	Gas	1,293
General	Fire & Rescue	Calls, meetings, salaries	3,956
Hawks Athletic Field	Eden Valley Lumber	Repairs/supplies	128
Hawks Athletic Field	City Utilities - Water/Sewer	City utilities	46
Hawks Athletic Field	Center Point	Gas	180
Police Forfeiture	Meeker County Attorney	Foreiture proceeds	903
Police Forfeiture	MN Revenue	Foreiture proceeds	452
2018 Street Utility Project	Braun Intertec	Testing	2,530
Lions Park	City Utilities - Water/Sewer	City utilities	46
Water	City of Watkins	Treatment plant	1,712
Water	Gopher State One-Call	Service	3
Water	Jack's of Eden Valley	Supplies	6
Water	MN Revenue	Sales tax	503
Water	UC Lab	Testing	44
Water	Meeker Coop	Electric	538
Water	Center Point	Gas	335
Sewer	Gopher State One-Call	Service	3
Sewer	UC Lab	Testing	69
Sewer	City Utilities - Water/Sewer	City utilities	9

City of Eden Valley
Schedule of Accounts Payable and Contingent Liabilities
December 31, 2017

<u>Fund</u>	<u>Vendor Name</u>	<u>Item and Purpose</u>	<u>Amount</u>
Senior Housing	Juanita Arens	Service	\$ 450
Senior Housing	Bell Appliance	Repairs	104
Senior Housing	Eden Valley Lumber	Repairs/supplies	27
Senior Housing	Erkens Water	Services	46
Senior Housing	Hutchinson Leader	Advertising	52
Senior Housing	Mary's Country Catering	Supplies	25
Senior Housing	Meeker County Court	Services	120
Senior Housing	Mr. Heating & A/C	Repairs	95
Senior Housing	Paynesville Press	Advertising	59
Senior Housing	Steins Thriftway	Supplies	37
Senior Housing	West Central	Services	86
Senior Housing	City Utilities - Water/Sewer	City utilities	1,234
Senior Housing	Sherri Zieglmeier	Supplies	82
Senior Housing	Center Point	Gas	647
Total			<u><u>\$ 22,277</u></u>