

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

Financial Statements

December 31, 2018

**City of Eden Valley
Enterprise Funds
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**City of Eden Valley
Enterprise Funds
Elected Officials and Administration
December 31, 2018**

| <u>Elected Officials</u> | <u>Position</u> | <u>Term Expires</u> |
|--------------------------|----------------------|---------------------|
| Brent Bengtson | Mayor | December 31, 2020 |
| Pat Becker | Council Member | December 31, 2020 |
| Troy Huschle | Council Member | December 31, 2020 |
| Janice Sheets | Council Member | December 31, 2022 |
| Dan Thielen | Council Member | December 31, 2022 |
| <u>Administration</u> | | |
| Cindy Anderson | 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 the Water, Sewer, and Senior Housing Enterprise Funds (Enterprise Funds) of the City of Eden Valley, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 *Governmental 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.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Enterprise Funds of the City of Eden Valley, Minnesota, as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the City's Enterprise Funds and are not intended to present fairly the financial position of the City as a whole as of December 31, 2018, and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Eden Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eden Valley's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 15, 2019

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BASIC FINANCIAL STATEMENTS

**City of Eden Valley
Enterprise Funds
Statement of Net Position - Proprietary Funds
December 31, 2018**

| | Water (510) | Sewer (520) | Senior Housing (530) | Total |
|---|---------------------|---------------------|-------------------------|---------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and investments (including cash equivalents) | \$ 344,581 | \$ 350,982 | \$ 29,888 | \$ 725,451 |
| Special assessments receivable | | | | |
| Delinquent | 720 | 1,337 | - | 2,057 |
| Deferred | 10,947 | 21,422 | - | 32,369 |
| Accounts receivable | 30,075 | 15,888 | - | 45,963 |
| Loan receivable | 80,000 | - | - | 80,000 |
| Due from other governments | 146 | 789 | - | 935 |
| Prepaid expenses | 4,135 | 4,648 | 3,226 | 12,009 |
| Total current assets | <u>470,604</u> | <u>395,066</u> | <u>33,114</u> | <u>898,784</u> |
| Noncurrent assets | | | | |
| Loan receivable | 102,500 | - | - | 102,500 |
| Capital assets not being depreciated | | | | |
| Land and land improvements | 12,399 | 230,739 | 25,666 | 268,804 |
| Construction in progress | 484,302 | 523,917 | - | 1,008,219 |
| Capital assets being depreciated | | | | |
| Buildings | 19,247 | 136,127 | 785,708 | 941,082 |
| Systems and other improvements | 2,950,784 | 4,224,588 | - | 7,175,372 |
| Furniture, machinery, and equipment | 50,223 | 7,436 | 7,205 | 64,864 |
| Total capital assets | <u>3,516,955</u> | <u>5,122,807</u> | <u>818,579</u> | <u>9,458,341</u> |
| Less accumulated depreciation | <u>(802,087)</u> | <u>(2,896,120)</u> | <u>(389,901)</u> | <u>(4,088,108)</u> |
| Net capital assets | <u>2,714,868</u> | <u>2,226,687</u> | <u>428,678</u> | <u>5,370,233</u> |
| Total noncurrent assets | <u>2,817,368</u> | <u>2,226,687</u> | <u>428,678</u> | <u>5,472,733</u> |
| Total assets | <u>3,287,972</u> | <u>2,621,753</u> | <u>461,792</u> | <u>6,371,517</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows of resources related to pension activity | <u>10,080</u> | <u>6,549</u> | <u>325</u> | <u>16,954</u> |
| Total assets and deferred outflows of resources | <u>\$ 3,298,052</u> | <u>\$ 2,628,302</u> | <u>\$ 462,117</u> | <u>\$ 6,388,471</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 2,283 | \$ 137 | \$ 2,528 | \$ 4,948 |
| Deposits payable | - | - | 10,276 | 10,276 |
| Salaries and benefits payable | 713 | 871 | - | 1,584 |
| Interest payable | 5,535 | 5,676 | 351 | 11,562 |
| Compensated absences payable - current | 6,726 | 6,726 | - | 13,452 |
| PFA loans payable - due within one year | 185,923 | 73,239 | - | 259,162 |
| Bonds payable - due within one year | 11,000 | 11,000 | 53,000 | 75,000 |
| Total current liabilities | <u>212,180</u> | <u>97,649</u> | <u>66,155</u> | <u>375,984</u> |
| Noncurrent liabilities | | | | |
| Bonds payable - due within more than one year | 67,500 | 67,500 | 109,000 | 244,000 |
| PFA loans payable - due within more than one year | 1,221,528 | 1,168,715 | - | 2,390,243 |
| Net pension liability | 41,598 | 27,026 | 1,342 | 69,966 |
| Total noncurrent liabilities | <u>1,330,626</u> | <u>1,263,241</u> | <u>110,342</u> | <u>2,704,209</u> |
| Total liabilities | <u>1,542,806</u> | <u>1,360,890</u> | <u>176,497</u> | <u>3,080,193</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of resources related to pension activity | <u>10,281</u> | <u>6,680</u> | <u>332</u> | <u>17,293</u> |
| Net Position | | | | |
| Net investment in capital assets | 1,411,417 | 906,233 | 266,678 | 2,584,328 |
| Unrestricted | 333,548 | 354,499 | 18,610 | 706,657 |
| Total net position | <u>1,744,965</u> | <u>1,260,732</u> | <u>285,288</u> | <u>3,290,985</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 3,298,052</u> | <u>\$ 2,628,302</u> | <u>\$ 462,117</u> | <u>\$ 6,388,471</u> |

See notes to financial statements.

**City of Eden Valley
Enterprise Funds
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2018**

| | Water (510) | Sewer (520) | Senior Housing (530) | Total |
|---|----------------------------|----------------------------|--------------------------|----------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 290,397 | \$ 189,371 | \$ 109,543 | \$ 589,311 |
| Connection fees | 6,267 | 1,000 | - | 7,267 |
| Special assessments | 4,068 | 659 | - | 4,727 |
| Total operating revenues | <u>300,732</u> | <u>191,030</u> | <u>109,543</u> | <u>601,305</u> |
| Operating expenses | | | | |
| Salaries and benefits | 73,266 | 54,687 | 7,637 | 135,590 |
| Operating supplies | 16,600 | 8,010 | 1,867 | 26,477 |
| Repairs and maintenance | 44,598 | 32,992 | 13,684 | 91,274 |
| Professional services | 23,872 | 12,620 | 16,278 | 52,770 |
| Utilities | 22,378 | 11,029 | 15,640 | 49,047 |
| Depreciation | 52,448 | 63,280 | 19,643 | 135,371 |
| Miscellaneous expenses | 12,206 | 6,746 | 8,049 | 27,001 |
| Total operating expenses | <u>245,368</u> | <u>189,364</u> | <u>82,798</u> | <u>517,530</u> |
| Operating income (loss) | 55,364 | 1,666 | 26,745 | 83,775 |
| Nonoperating revenues (expenses) | | | | |
| Investment income | 424 | 1,965 | 633 | 3,022 |
| Intergovernmental | 2,692 | - | - | 2,692 |
| Refunds and reimbursements | 2,223 | 7,727 | 155 | 10,105 |
| Miscellaneous revenue | 1,436 | 10,190 | 6,750 | 18,376 |
| Interest expense | (11,570) | (15,701) | (5,333) | (32,604) |
| Total nonoperating revenues (expenses) | <u>(4,795)</u> | <u>4,181</u> | <u>2,205</u> | <u>1,591</u> |
| Income (loss) before capital contributions | 50,569 | 5,847 | 28,950 | 85,366 |
| Capital contributions from Governmental activities | <u>439,167</u> | <u>35,963</u> | <u>-</u> | <u>475,130</u> |
| Change in net position | 489,736 | 41,810 | 28,950 | 560,496 |
| Net position | | | | |
| Beginning of year | <u>1,255,229</u> | <u>1,218,922</u> | <u>256,338</u> | <u>2,730,489</u> |
| End of year | <u><u>\$ 1,744,965</u></u> | <u><u>\$ 1,260,732</u></u> | <u><u>\$ 285,288</u></u> | <u><u>\$ 3,290,985</u></u> |

See notes to financial statements.

City of Eden Valley
Enterprise Funds
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2018

| | Water (510) | Sewer (520) | Senior Housing (530) | Total |
|---|-------------------|-------------------|-------------------------|-------------------|
| Cash Flows - Operating Activities | | | | |
| Receipts from customers and users | \$ 337,746 | \$ 218,691 | \$ 109,543 | \$ 665,980 |
| Payments to suppliers | (123,028) | (74,680) | (62,256) | (259,964) |
| Payments to employees | (76,884) | (55,456) | (7,323) | (139,663) |
| Net cash flows - operating activities | <u>137,834</u> | <u>88,555</u> | <u>39,964</u> | <u>266,353</u> |
| Cash Flows - Noncapital Financing Activities | | | | |
| Miscellaneous revenue | <u>6,351</u> | <u>17,917</u> | <u>10,139</u> | <u>34,407</u> |
| Cash Flows - Capital and Related Financing Activities | | | | |
| Principal paid on debt | (189,500) | (65,500) | (51,000) | (306,000) |
| Loan repayment proceeds | 78,000 | - | - | 78,000 |
| Interest paid on debt | (13,607) | (15,801) | (5,538) | (34,946) |
| Acquisition of capital assets | <u>(28,943)</u> | <u>-</u> | <u>-</u> | <u>(28,943)</u> |
| Net cash flows - capital and related financing activities | <u>(154,050)</u> | <u>(81,301)</u> | <u>(56,538)</u> | <u>(291,889)</u> |
| Cash Flows - Investing Activities | | | | |
| Interest and dividends received | <u>424</u> | <u>1,965</u> | <u>633</u> | <u>3,022</u> |
| Net change in cash and cash equivalents | (9,441) | 27,136 | (5,802) | 11,893 |
| Cash and Cash Equivalents | | | | |
| Beginning of year | <u>354,022</u> | <u>323,846</u> | <u>35,690</u> | <u>713,558</u> |
| End of year | <u>\$ 344,581</u> | <u>\$ 350,982</u> | <u>\$ 29,888</u> | <u>\$ 725,451</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities | | | | |
| Operating income (loss) | \$ 55,364 | \$ 1,666 | \$ 26,745 | \$ 83,775 |
| Adjustments to reconcile operating income (loss) to net cash flows - operating activities | | | | |
| Depreciation expense | 52,448 | 63,280 | 19,643 | 135,371 |
| Net pension liability expense | (5,008) | (2,808) | 389 | (7,427) |
| Accounts receivable | 31,400 | 18,072 | - | 49,472 |
| Special assessments receivable | 3,846 | 9,139 | - | 12,985 |
| Due from other governments | 1,768 | 450 | - | 2,218 |
| Prepaid items | (4,135) | (4,648) | (3,226) | (12,009) |
| Accounts payable | (858) | 56 | (536) | (1,338) |
| Deposit payable | - | - | (2,976) | (2,976) |
| Salaries payable | (10) | 329 | (75) | 244 |
| Compensated absences payable | <u>3,019</u> | <u>3,019</u> | <u>-</u> | <u>6,038</u> |
| Total adjustments | <u>82,470</u> | <u>86,889</u> | <u>13,219</u> | <u>182,578</u> |
| Net cash flows - operating activities | <u>\$ 137,834</u> | <u>\$ 88,555</u> | <u>\$ 39,964</u> | <u>\$ 266,353</u> |
| Noncash Investing, Capital And Financing Activities | | | | |
| Contribution Of Capital Assets From Governmental Activities | \$ 484,302 | \$ 523,917 | \$ - | \$ 1,008,219 |
| Debt Related To Contributed Capital Assets | <u>(45,135)</u> | <u>(487,954)</u> | <u>-</u> | <u>(533,089)</u> |
| Net Noncash Investing, capital And Financing Activities | <u>\$ 439,167</u> | <u>\$ 35,963</u> | <u>\$ -</u> | <u>\$ 475,130</u> |

**City of Eden Valley
Enterprise Funds
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 accounting policies of the enterprise funds activities conform to accounting principles generally accepted in the United States of America

B. Basis of Reporting

These financial statements are those of the Enterprise Funds activities only. The Water, Sewer, and Senior Housing Enterprise Funds are enterprises of the City.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, deferred outflows of resources, and all liabilities, including long-term liabilities, and deferred inflows of resources associated with their activity are included on their Balance Sheets. The reported fund equity is segregated into restricted, unrestricted, and net investment on capital assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense 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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The City's Enterprise Funds are accounted for using the accrual basis of accounting; revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

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.

D. Assets, Liabilities, and Net Position

1. Cash 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 2. 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 Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 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
Enterprise Funds
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

2. Loans Receivable

Loans receivable at December 31, 2018, were due from the City of Watkins, Minnesota, for their share of Public Facilities Authority (PFA) water system improvements. The receivable scheduled maturity is half of the underlying 1999 and 2000 PFA debt obligations listed in Note 5, and totals \$182,500 at December 31, 2018.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported only for the business-type activities in the Statement of Net Position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 to \$100,000, depending on the classification, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method for 3 to 50 years depending on the classification.

4. Vacation and Sick Leave

The City compensates employees who either retire or terminate for their unused vacation time, and 50% of sick leave for this who have been employed for more than 15 years. As of December 31, 2018, the total liability for vacation and sick pay was \$13,452 in the Water and Sewer Funds.

5. 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position (Continued)

6. Long-Term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

7. Net Position

Net position represents the difference between assets, deferred outflows of resources; and liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed on the financial statements as cash and cash equivalents or investments. For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below and on the following page.

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 credit 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, 2018, 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.

As of December 31, 2018, the City had deposits as follows:

| | |
|----------|--------------------------|
| Checking | <u><u>\$ 172,088</u></u> |
|----------|--------------------------|

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

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments

As of December 31, 2018, 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 | \$ 1,373,879 | \$ 223,357 | \$ 197,863 | \$ 805,759 | \$ 146,900 | N/A |
| Brokered money market | 7,277 | 7,277 | - | - | - | AAA |
| 4M money market | 850,384 | 850,384 | - | - | - | N/A |
| Total pooled investments | <u>\$ 2,231,540</u> | <u>\$ 1,081,018</u> | <u>\$ 197,863</u> | <u>\$ 805,759</u> | <u>\$ 146,900</u> | |

| Maturity | Maximum Investments |
|----------------|---------------------|
| 1 Year or Less | 48% |
| 1-2 Years | 9% |
| 3-5 Years | 36% |
| 6-10 Years | 7% |

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

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.

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; Sallie Mae Bk Salt Lake City CD, JPMorgan Chase Bk Na Columbus Ohio CD, Ally Bk Midvale Utah CD, Discover Bk CD, and HSBC Bk USA N.A. Lean 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.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City has the following recurring fair value measurements as of December 31, 2018:

- Investments of \$1,373,879 are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

Total deposits and investments are as follows:

| | |
|------------------------------------|--------------------------------|
| Petty cash | \$ 300 |
| Total deposits | 172,088 |
| Total investments | <u>2,231,540</u> |
| Total deposits and investments | <u><u>\$ 2,403,928</u></u> |

Deposits and investments are classified in the December 31, 2018, financial statements as follows:

Statement of Balances Arising from Cash

Transactions - Governmental Funds

| | |
|----------------------|--------------|
| Cash and investments | \$ 1,678,477 |
|----------------------|--------------|

Statement of Balances Arising from Cash

Transactions - Proprietary Funds

| | |
|--|---------------|
| Cash and investments - Water Fund | 344,581 |
| Cash and investments - Sewer Fund | 350,982 |
| Cash and investments - Senior Housing Fund | <u>29,888</u> |

| | |
|-------|----------------------------|
| Total | <u><u>\$ 2,403,928</u></u> |
|-------|----------------------------|

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

NOTE 3 – CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 268,804 | \$ - | \$ - | \$ 268,804 |
| Construction in progress | <u>-</u> | <u>1,008,219</u> | <u>-</u> | <u>1,008,219</u> |
| Total capital assets not Being depreciated | <u>268,804</u> | <u>1,008,219</u> | <u>-</u> | <u>1,277,023</u> |
| Capital assets being depreciated | | | | |
| Buildings | 941,082 | - | - | 941,082 |
| Distribution systems | 7,158,289 | 17,083 | - | 7,175,372 |
| Equipment | <u>53,004</u> | <u>11,860</u> | <u>-</u> | <u>64,864</u> |
| Total capital assets being depreciated | <u>8,152,375</u> | <u>28,943</u> | <u>-</u> | <u>8,181,318</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 501,775 | 21,665 | - | 523,440 |
| Distribution systems | 3,412,403 | 108,363 | - | 3,520,766 |
| Equipment | <u>38,559</u> | <u>5,343</u> | <u>-</u> | <u>43,902</u> |
| Total accumulated depreciation | <u>3,952,737</u> | <u>135,371</u> | <u>-</u> | <u>4,088,108</u> |
| Total capital assets being depreciated, net | <u>4,199,638</u> | <u>(106,428)</u> | <u>-</u> | <u>4,093,210</u> |
| Capital assets, net | <u>\$ 4,468,442</u> | <u>\$ 901,791</u> | <u>\$ -</u> | <u>\$ 5,370,233</u> |

Depreciation expense was charged to the following funds:

| | |
|---------------------------------------|-------------------|
| Water | \$ 52,448 |
| Sewer | 63,280 |
| Senior Housing | <u>19,643</u> |
| Total depreciation - enterprise funds | <u>\$ 135,371</u> |

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

NOTE 4 – COMMITMENTS

The City has entered into contracts with RL Larson Excavating Inc. for the 2018 Street Utility Improvement Project. The remaining commitment on these contracts is \$164,235.

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

The following is a summary of bonds payable transactions of the Enterprise Funds for the year ended December 31, 2018.

| | <u>Issue Year</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> | <u>Due Within One Year</u> |
|---------------------------------------|-----------------------|--------------------------|---------------------------|---------------------------|----------------------------------|--------------------------------|
| Long-term liabilities | | | | | | |
| G.O. Housing Development Revenue | | | | | | |
| Refunding Bonds 2013C | 2013 | 2.60% | \$ 406,000 | 2021 | \$ 162,000 | \$ 53,000 |
| PFA G.O. Water Revenue Note/DWRF Loan | 1999 | 3.16% | 1,881,057 | 2020 | 248,000 | 122,000 |
| PFA G.O. Water Revenue Note/DWRF Loan | 2000 | 2.32% | 644,890 | 2021 | 117,000 | 38,000 |
| PFA G.O. Water Revenue Note/DWRF Loan | 2009 | 1.00% | 286,461 | 2029 | 165,000 | 14,000 |
| PFA G.O. Sewer Revenue Note/CWRF Loan | 2009 | 1.74% | 660,457 | 2029 | 386,000 | 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 | 135,000 | 8,000 |
| PFA G.O. Sewer Revenue Note/CWRF Loan | 2013 | 1.46% | 470,625 | 2033 | 368,000 | 22,000 |
| G.O. Sewer Revenue Note, Series 2017A | 2017 | 2.75% | 90,000 | 2025 | 78,500 | 11,000 |
| G.O. Water Revenue Note, Series 2017A | 2017 | 2.75% | 90,000 | 2025 | 78,500 | 11,000 |
| PFA G.O. Water Revenue Note/DWRF Loan | 2018 | 1.00% | 172,923 | 2038 | 45,135 | 3,923 |
| PFA G.O. Sewer Revenue Note/CWRF Loan | 2018 | 1.00% | 799,239 | 2038 | 487,954 | 19,239 |
| Compensated absences | | | | | <u>13,452</u> | <u>13,452</u> |
| Total long-term liabilities | | | | | <u>\$2,981,857</u> | <u>\$347,614</u> |

On September 11, 2013, the City issued 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, 2018, 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.

On August 9, 2018, the City issued a \$ 172,923 G.O. Water Revenue Note through the Minnesota Public Facilities Authority (PFA). At December 31, 2018, the City had only expended \$ 45,135 of this PFA Drinking Water Revolving Loan. The amortization schedule included on page 17 represents the entire note liability of \$ 172,923. The remaining balance is expected to be drawn in 2019.

On August 9, 2018, the City issued a \$799,239 G.O. Sewer Revenue Note through the Minnesota PFA. At December 31, 2018, the City had only expended \$487,954 of this PFA Clean Water Revolving Loan. The amortization schedule included on page 17 represents the entire note liability of \$799,239. The remaining balance is expected to be drawn in 2019.

The Water Fund is responsible for payment of the PFA Drinking Water Revolving Loans, the Sewer Fund is responsible for payment of the PFA Clean Water Revolving Loan, and the Senior Housing Fund is responsible for paying the revenue bond liability.

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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The following is a summary of bonds payable transactions of the business-type activities for the year ended December 31, 2018.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------------------|----------------------|-------------------|---------------------|---------------------|
| Business-type activities | | | | |
| G.O. revenue bonds | \$ 213,000 | \$ - | \$ (51,000) | \$ 162,000 |
| PFA G.O. forgivable grant | 697,316 | - | - | 697,316 |
| PFA G.O. revenue notes/loan grant | 1,651,000 | 533,089 | (232,000) | 1,952,089 |
| G.O. utility revenue note | 180,000 | - | (23,000) | 157,000 |
| Compensated absences | 7,414 | 13,452 | (7,414) | 13,452 |
| | <u>\$ 2,748,730</u> | <u>\$ 546,541</u> | <u>\$ (313,414)</u> | <u>\$ 2,981,857</u> |
| Total long-term liabilities | | | | |

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

| Year Ending December 31, | Revenue Bonds | | |
|-----------------------------|-------------------|-----------------|-------------------|
| | Principal | Interest | Total |
| 2019 | \$ 53,000 | \$ 4,212 | \$ 57,212 |
| 2020 | 54,000 | 2,834 | 56,834 |
| 2021 | 55,000 | 1,430 | 56,430 |
| | <u>\$ 162,000</u> | <u>\$ 8,476</u> | <u>\$ 170,476</u> |
| Total | | | |

| Year Ending December 31, | PFA Note | | |
|-----------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2019 | \$ 259,162 | \$ 32,346 | \$ 291,508 |
| 2020 | 287,000 | 29,407 | 316,407 |
| 2021 | 166,000 | 22,953 | 188,953 |
| 2022 | 127,000 | 20,396 | 147,396 |
| 2023 | 128,000 | 18,768 | 146,768 |
| 2024-2028 | 669,000 | 68,470 | 737,470 |
| 2029-2033 | 487,000 | 29,170 | 516,170 |
| 2034-2038 | 268,000 | 8,110 | 276,110 |
| | <u>\$ 2,391,162</u> | <u>\$ 229,620</u> | <u>\$ 2,620,782</u> |
| Total | | | |

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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

| Year Ending December 31, | G.O. Utility Revenue Note | | |
|-----------------------------|---------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2019 | \$ 22,000 | \$ 4,166 | \$ 26,166 |
| 2020 | 23,000 | 3,548 | 26,548 |
| 2021 | 24,000 | 2,915 | 26,915 |
| 2022 | 24,000 | 2,255 | 26,255 |
| 2023 | 25,000 | 1,581 | 26,581 |
| 2024-2025 | 39,000 | 1,073 | 40,073 |
| Total | <u>\$ 157,000</u> | <u>\$ 15,538</u> | <u>\$ 172,538</u> |

NOTE 6 –PENSION PLANS

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. Data presented within this footnote relates to the Enterprise Funds only.

General Employees Retirement Plan (General Employees Plan, accounted for in the General Employees Fund)

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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

NOTE 6 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

General Employees Plan Benefits

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

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least 1 month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2018. The City was required to contribute 7.5% for Coordinated Plan members in calendar year 2018. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$6,624. The City's contributions were equal to the required contributions as set by state statute.

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

NOTE 6 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$69,966 for its Enterprise Funds proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$2,288. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.00126%, which was a decrease of 0.00013% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of (\$270) for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$533 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2018, the Enterprise Funds' reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the sources below:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 1,799 | \$ 1,861 |
| Changes in actuarial assumptions | 6,094 | 7,703 |
| Difference between projected and actual investment earnings | - | 7,729 |
| Changes in proportion | 5,749 | - |
| Contributions paid to PERA subsequent to the measurement date | 3,312 | - |
| | <hr/> | <hr/> |
| Total | \$ 16,954 | \$ 17,293 |
| | <hr/> | <hr/> |

\$3,312 reported as deferred outflows of resources related to pensions resulting from the Enterprise Funds' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense Amount |
|-----------------------------|---------------------------|
| | <hr/> |
| 2019 | \$ 4,654 |
| 2020 | (1,860) |
| 2021 | (4,985) |
| 2022 | (1,460) |
| | <hr/> |
| Total | \$ (3,651) |
| | <hr/> |

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

| | |
|------------------------------|-----------------|
| Inflation | 2.50 % Per year |
| Active member payroll growth | 3.25 % Per year |
| Investment rate of return | 7.50 % |

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.5% of the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decreased in annual increments from 11.25% after 1 year of service, to 3.25% after 26 years of service. In the Police and Fire Plan, salary growth assumptions decreased from 12.25% after 1 year of service to 3.25% after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employment Plan are reviewed every four to six years. The most recent six year experience study for the General Employees Plan was completed in 2015. The most recent four year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table on the following page.

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic stocks | 36% | 5.10 % |
| International stocks | 17% | 5.30 |
| Bonds | 20% | 0.75 |
| Alternative assets | 25% | 5.90 |
| Cash | 2% | 0.00 |
| Total | 100% | |

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate (6.5%) | Discount Rate (7.5%) | 1% Increase in Discount Rate (8.5%) |
|---|---|-------------------------|---|
| Enterprise Funds' proprionate share of the General Employees Fund net pension liability | \$ 113,703 | \$ 69,966 | \$ 33,862 |

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – 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, 2018, 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 8 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements improves the information that is disclosed in the notes to the financial statements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement will be effective for the year ending December 31, 2019.

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

NOTE 8 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Eden Valley
Schedule of Enterprise Fund's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years

| For Fiscal Year Ended June 30, | City's Proportionate Share (Percentage) of the Net Pension Liability (Asset) | City's Proportionate Share (Amount) of the Net Pension Liability (Asset) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City | City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------------|---|---|--|--|---------------------------|--|--|
| 2018 | 0.0013% | \$ 69,966 | \$ 2,288 | \$ 72,254 | \$ 85,577 | 81.76% | 79.53% |
| 2017 | 0.0014% | 88,452 | 1,117 | 89,569 | 89,690 | 98.62% | 75.90% |
| 2016 | 0.0012% | 96,261 | 1,281 | 97,542 | 74,470 | 129.26% | 68.91% |
| 2015 | 0.0010% | 52,865 | - | 52,865 | 59,516 | 88.82% | 78.19% |

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

City of Eden Valley
Schedule of Enterprise Funds Contributions
General Employees Retirement Fund
Last Ten Years

| <u>Fiscal Year Ending December 31,</u> | <u>Statutorily Required Contribution</u> | <u>Contributions in Relation to the Statutorily Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>City's Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|--|--|--|---|-----------------------------------|---|
| 2018 | \$ 6,624 | \$ 6,624 | \$ - | \$ 88,320 | 7.5% |
| 2017 | 6,826 | 6,826 | - | 91,013 | 7.5% |
| 2016 | 5,962 | 5,962 | - | 79,493 | 7.5% |
| 2015 | 4,460 | 4,460 | - | 59,467 | 7.5% |

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

**City of Eden Valley
Enterprise Funds
Notes to Required Supplementary Information**

GENERAL EMPLOYEES FUND

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% percent per year.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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