

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

**Financial Statements**

**December 31, 2018**

**City of Eden Valley  
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**City of Eden Valley  
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 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, 2018, 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, 2018.

### 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, 2018, 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, 2018, 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, 2018, 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 was 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 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

## **REGULATORY BASIS FINANCIAL STATEMENTS**

**City of Eden Valley**  
**Statement of Balances Arising from Cash Transactions -**  
**Governmental Funds**  
**December 31, 2018**

		<u>Special Revenue</u>	
	General Fund (100)	Business Incentives (220)	Lions Park (295)
<b>Assets</b>			
Cash and investments	\$ 845,225	\$ 128,230	\$ -
Due from other funds	817	-	-
Total assets	<u>\$ 846,042</u>	<u>\$ 128,230</u>	<u>\$ -</u>
<b>Liabilities and Cash Fund Balances</b>			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 817</u>
Cash fund balances			
Restricted	-	-	-
Committed	-	128,230	-
Unassigned	<u>846,042</u>	<u>-</u>	<u>(817)</u>
Total cash fund balances	<u>846,042</u>	<u>128,230</u>	<u>(817)</u>
Total liabilities and cash fund balances	<u>\$ 846,042</u>	<u>\$ 128,230</u>	<u>\$ -</u>



<u>Capital Projects</u>	<u>Debt Service</u>		
2018 Street Utility Projects Fund (418)	2012 MN HWY 22 Improvement (320)	Other Governmental Funds	Total Governmental Funds
\$ 30,149	\$ 214,174	\$ 460,699	\$ 1,678,477
-	-	-	817
<u>\$ 30,149</u>	<u>\$ 214,174</u>	<u>\$ 460,699</u>	<u>\$ 1,679,294</u>
\$ -	\$ -	\$ -	\$ 817
30,149	214,174	142,493	386,816
-	-	318,206	446,436
-	-	-	845,225
<u>30,149</u>	<u>214,174</u>	<u>460,699</u>	<u>1,678,477</u>
<u>\$ 30,149</u>	<u>\$ 214,174</u>	<u>\$ 460,699</u>	<u>\$ 1,679,294</u>

**City of Eden Valley**  
**Statement of Cash Receipts, Disbursements, and**  
**Changes in Cash Fund Balances -**  
**Governmental Funds**  
**Year Ended December 31, 2018**

		Special Revenue	
	General Fund (100)	Business Incentives (220)	Lions Park (295)
<b>Receipts</b>			
General property taxes	\$ 507,540	\$ -	\$ -
Tax increments	-	-	-
Special assessments	300	-	-
Licenses and permits	8,850	-	-
Intergovernmental	343,048	-	-
Charges for service	83,700	-	-
Fines and forfeitures	1,738	-	-
Investment earnings	5,012	1,845	-
Miscellaneous			
Refunds and reimbursements	35,081	7,662	-
Donations and contributions	1,492	-	8,000
Other	12,743	50	-
Total receipts	<u>999,504</u>	<u>9,557</u>	<u>8,000</u>
<b>Disbursements</b>			
Current			
General government	291,614	-	-
Public safety	317,368	-	-
Public works	166,773	-	-
Culture and recreation	34,245	-	7,284
Economic development	-	25,935	-
Debt service			
Principal	44,916	-	-
Interest and other charges	15,929	-	-
Capital outlay			
Public safety	-	-	-
Public works	7,875	-	-
Total disbursements	<u>878,720</u>	<u>25,935</u>	<u>7,284</u>
Excess of receipts over (under) disbursements	120,784	(16,378)	716
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital asset	-	-	-
Proceeds from long-term debt	-	-	-
Insurance proceeds	843	-	-
Transfers in	-	-	-
Transfers out	(29,000)	-	-
Total other financing sources (uses)	<u>(28,157)</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	92,627	(16,378)	716
<b>Cash Fund Balances</b>			
Beginning of year	<u>753,415</u>	<u>144,608</u>	<u>(1,533)</u>
End of year	<u>\$ 846,042</u>	<u>\$ 128,230</u>	<u>\$ (817)</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Debt Service</u>		
<u>2018 Street Utility Projects Fund (418)</u>	<u>2012 MN HWY 22 Improvement (320)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 64,407	\$ 2,938	\$ 574,885
-	-	27,484	27,484
-	22,208	6,835	29,343
-	-	-	8,850
495,266	-	200	838,514
-	-	-	83,700
-	-	4,517	6,255
160	(1,170)	6,414	12,261
-	-	-	42,743
-	-	189,818	199,310
-	-	36,106	48,899
<u>495,426</u>	<u>85,445</u>	<u>274,312</u>	<u>1,872,244</u>
-	-	-	291,614
-	-	17,657	335,025
251,625	-	-	418,398
-	-	65,340	106,869
-	-	43,266	69,201
-	40,000	45,000	129,916
-	31,825	3,788	51,542
-	-	40,032	40,032
839,124	-	20,500	867,499
<u>1,090,749</u>	<u>71,825</u>	<u>235,583</u>	<u>2,310,096</u>
(595,323)	13,620	38,729	(437,852)
-	-	8,901	8,901
678,089	-	-	678,089
-	-	-	843
-	-	49,988	49,988
-	-	(20,988)	(49,988)
<u>678,089</u>	<u>-</u>	<u>37,901</u>	<u>687,833</u>
82,766	13,620	76,630	249,981
<u>(52,617)</u>	<u>200,554</u>	<u>384,069</u>	<u>1,428,496</u>
<u>\$ 30,149</u>	<u>\$ 214,174</u>	<u>\$ 460,699</u>	<u>\$ 1,678,477</u>

**City of Eden Valley**  
**Statement of Balances Arising from Cash Transactions -**  
**Proprietary Funds**  
**December 31, 2018**

	Enterprise Funds			
	Water (510)	Sewer (520)	Senior Housing (530)	Total
<b>Assets</b>				
Cash and investments	<u>\$ 344,581</u>	<u>\$ 350,982</u>	<u>\$ 29,888</u>	<u>\$ 725,451</u>
<b>Net Cash Position</b>				
Unrestricted	<u>\$ 344,581</u>	<u>\$ 350,982</u>	<u>\$ 29,888</u>	<u>\$ 725,451</u>

**City of Eden Valley**  
**Statement of Receipts, Disbursements, and**  
**Changes in Net Cash Position - Proprietary Funds**  
**December 31, 2018**

	Enterprise Funds			
	Water (510)	Sewer (520)	Senior Housing (530)	Total
Operating receipts				
Charges for services	\$ 412,651	\$ 214,405	\$ 109,543	\$ 736,599
Connection fees	6,267	1,000	-	7,267
Miscellaneous operating revenues	4,408	3,286	-	7,694
Total operating receipts	<u>423,326</u>	<u>218,691</u>	<u>109,543</u>	<u>751,560</u>
Operating disbursements				
Salaries and benefits	76,884	55,456	7,323	139,663
Operating supplies	16,606	8,010	2,042	26,658
Repairs and maintenance	44,598	32,870	13,883	91,351
Professional services	23,794	16,016	19,514	59,324
Utilities	22,495	11,038	16,351	49,884
Miscellaneous expenses	15,525	6,746	10,466	32,737
Total operating disbursements	<u>199,902</u>	<u>130,136</u>	<u>69,579</u>	<u>399,617</u>
Excess of operating receipts over operating disbursements	223,424	88,555	39,964	351,943
Nonoperating receipts (disbursements)				
Investment income	424	1,965	633	3,022
Intergovernmental	2,692	-	-	2,692
Refunds and reimbursements	2,223	7,727	155	10,105
Other	1,436	10,190	9,984	21,610
Interest expense	(21,187)	(15,801)	(5,538)	(42,526)
Capital outlay	(28,953)	-	-	(28,953)
Total nonoperating receipts (disbursements)	<u>(43,365)</u>	<u>4,081</u>	<u>5,234</u>	<u>(34,050)</u>
Net income (loss) before debt principal	180,059	92,636	45,198	317,893
Debt principal	<u>(189,500)</u>	<u>(65,500)</u>	<u>(51,000)</u>	<u>(306,000)</u>
Change in net cash position	(9,441)	27,136	(5,802)	11,893
Net cash position				
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>

See notes to financials statements.

**City of Eden Valley**  
**Statement of Cash Flows - Cash Basis -**  
**Proprietary Funds**  
**December 31, 2018**

	<u>Water (510)</u>	<u>Sewer (520)</u>	<u>Senior Housing</u>	<u>Total</u>
<b>Cash Flows - Operating Activities</b>				
Receipts from customers	\$ 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>
<b>Cash Flows - Noncapital Financing Activities</b>				
Miscellaneous revenue	<u>6,351</u>	<u>17,917</u>	<u>10,139</u>	<u>34,407</u>
<b>Cash Flows - Capital and Related Financing Activities</b>				
Loan repayment proceeds	78,000	-	-	78,000
Acquisition of capital assets	(28,943)	-	-	(28,943)
Principal paid on capital debt	(189,500)	(65,500)	(51,000)	(306,000)
Interest paid on capital debt	(13,607)	(15,801)	(5,538)	(34,946)
Net cash flows - capital and related financing activities	<u>(154,050)</u>	<u>(81,301)</u>	<u>(56,538)</u>	<u>(291,889)</u>
<b>Cash Flows - Investing Activities</b>				
Interest and dividends	<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
<b>Cash and Cash Equivalents</b>				
Beginning of year	<u>354,022</u>	<u>323,846</u>	<u>35,690</u>	<u>713,558</u>
End of year	<u><u>\$ 344,581</u></u>	<u><u>\$ 350,982</u></u>	<u><u>\$ 29,888</u></u>	<u><u>\$ 725,451</u></u>

**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.

Lions Park Special Revenue Fund – This fund accounts for all the activity relating to the operations of Lions Park. It is funded by donations.

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.

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, 2018, the total liability for unused vacation and sick pay was approximately \$40,377.

**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 2018. Budgeted disbursement appropriations lapse at year-end.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances**

The Lions Park Special Revenue Fund had a deficit cash fund balance of \$817 at December 31, 2018.

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

**NOTE 3 – 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, 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	\$ 172,088
----------	------------

**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 investments	<u>\$ 2,231,540</u>	<u>\$ 1,081,018</u>	<u>\$ 197,863</u>	<u>\$ 805,759</u>	<u>\$ 146,900</u>	

<u>Maturity</u>	<u>Maximum Investments</u>
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:

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.

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

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**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.

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**

Summary of cash deposits and investments as of December 31, 2018, were 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>
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	<u>725,451</u>
Total cash and investments	<u><u>\$ 2,403,928</u></u>

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

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Assets/Liabilities**

At December 31, 2018, 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	\$ 817	\$ -
Other governmental funds	<u>-</u>	<u>817</u>
Total	<u><u>\$ 817</u></u>	<u><u>\$ 817</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, 2018, interfund transfers were included in the following funds:

	<u>Transfers In Nonmajor Governmental Funds</u>
Transfers out	
General Fund	\$ 29,000
Nonmajor governmental funds	<u>20,988</u>
Total	<u><u>\$ 49,988</u></u>

The purpose of the transfers was for debt service payments, future capital purchases, to close a fund, and in accordance with fire contract agreements.

**NOTE 5 – LONG-TERM PAYABLE**

The City currently has a long-term payable to the Sauk River Watershed District for \$9,000. 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 6 – 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 2018A	2018	3.8%	\$ 145,000	2029	\$ 145,000	\$ -
G.O. Improvement Bonds of 2013B	2013	1.40% - 4.00%	1,050,000	2035	930,000	45,000
Total G.O. Bonds, including Refunding Bonds					1,075,000	45,000
USDA Rural Development Loan	2009	4.50%	400,000	2049	287,718	5,318
G.O. Equipment Certificate	2013	3.25%	175,000	2023	80,000	20,000
Total Governmental Activities Liabilities					1,442,718	70,318
Enterprise Funds						
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
Total Enterprise Fund Bonds					2,968,405	334,162
Total all long-term liabilities					\$ 4,411,123	\$ 404,480

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, 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 23 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 the page 23 represents the entire note liability of \$799,239. The remaining balance is expected to be drawn in 2019.

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

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**A. Bonds Payable (Continued)**

The following is a summary of bonds payable transactions of the City for the year ended 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
G.O. special assessment bonds	\$ 995,000	\$ 145,000	\$ (65,000)	\$ 1,075,000
G.O. revenue bonds	213,000	-	(51,000)	162,000
USDA rural development loan	329,414	-	(41,696)	287,718
Equipment certificates	100,000	-	(20,000)	80,000
PFA forgivable grant	697,316	-	-	697,316
PFA G.O. revenue notes/loans	1,651,000	533,089	(232,000)	1,952,089
G.O. utility revenue note	180,000	-	(23,000)	157,000
	<u>\$ 4,165,730</u>	<u>\$ 678,089</u>	<u>\$ (432,696)</u>	<u>\$ 4,411,123</u>
Total long-term liabilities	<u>\$ 4,165,730</u>	<u>\$ 678,089</u>	<u>\$ (432,696)</u>	<u>\$ 4,411,123</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
2019	\$ 45,000	\$ 35,279	\$ 80,279	\$ 8,793	\$ 12,947	\$ 21,740
2020	55,000	35,175	90,175	9,188	12,552	21,740
2021	58,000	33,782	91,782	9,602	12,138	21,740
2022	58,000	32,230	90,230	10,034	11,706	21,740
2023	59,000	30,581	89,581	10,485	11,255	21,740
2024-2028	338,000	121,110	459,110	59,944	48,756	108,700
2029-2033	322,000	59,823	381,823	74,701	33,999	108,700
2034-2038	140,000	5,600	145,600	93,091	15,609	108,700
2,039	-	-	-	11,880	535	12,415
Total	<u>\$ 1,075,000</u>	<u>\$ 353,580</u>	<u>\$ 1,428,580</u>	<u>\$ 287,718</u>	<u>\$ 159,497</u>	<u>\$ 447,215</u>



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

**NOTE 6 – 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
2019	\$ 53,000	\$ 4,212	\$ 57,212	\$ 259,162	\$ 32,346	\$ 291,508
2020	54,000	2,834	56,834	287,000	29,407	316,407
2021	55,000	1,430	56,430	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
Total	<u>\$ 162,000</u>	<u>\$ 8,476</u>	<u>\$ 170,476</u>	<u>\$ 2,391,162</u>	<u>\$ 229,620</u>	<u>\$ 2,620,782</u>

  

Year Ended December 31,	G.O. Equipment Certificate			G.O. Utility Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	25,000	1,581	26,581
2024-2025	-	-	-	39,000	1,073	40,073
Total	<u>\$ 80,000</u>	<u>\$ 6,500</u>	<u>\$ 86,500</u>	<u>\$ 157,000</u>	<u>\$ 15,538</u>	<u>\$ 172,538</u>

The General Fund is responsible for the liquidation of the G.O. Equipment Certificate and the USDA Rural Development Loan, and the 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 7 – RECEIVABLES**

**A. Notes Receivable**

Notes, loans, and lease receivables at December 31, 2018, are as follows:

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%

\$ 8,799

**B. Long-Term Receivable**

Loans receivable at December 31, 2018, 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 6. The balance at December 31, 2018, was \$182,500, and \$78,000 was collected on the receivable in 2018.

**NOTE 8 – 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	Lions Park	2018 Street Utility Project	2012 MN HWY Improvement	Nonmajor Governmental Fund	Total
Restricted							
Henfling Trust	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,248	\$ 15,248
Police Forfeiture	-	-	-	-	-	3,162	3,162
Housing Rehabilitation	-	-	-	-	-	13,112	13,112
Tax Increment Financing	-	-	-	-	-	57,906	57,906
Park Development	-	-	-	-	-	53,065	53,065
Debt Service	-	-	-	-	214,174	-	214,174
Capital Projects	-	-	-	30,149	-	-	30,149
Committed							
Economic Development	-	128,230	-	-	-	-	128,230
Valley Daze Celebration	-	-	-	-	-	198	198
Community Development	-	-	-	-	-	7,081	7,081
Athletic Field Improvements	-	-	-	-	-	566	566
Capital Projects	-	-	-	-	-	310,361	310,361
Unassigned	<u>846,042</u>	<u>-</u>	<u>(817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>845,225</u>
Total	<u>\$ 846,042</u>	<u>\$ 128,230</u>	<u>\$ (817)</u>	<u>\$ 30,149</u>	<u>\$ 214,174</u>	<u>\$ 460,699</u>	<u>\$ 1,678,477</u>

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

**NOTE 9 – 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 10 – PENSION PLANS**

**Public Employees' Retirement Association**

**A. Plan Description**

All full-time and certain part-time employees of the City of Any Town 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, fire-fighters 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 10 – 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 members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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](http://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 6.5%, of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.8% of their annual covered salary in 2018. In 2018, the City of Eden Valley was required to contribute the following percentages of annual covered payroll: 7.5% for Coordinated Plan members, 16.2% for Police and Fire Plan members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2018, 2017 and 2016 were \$17,858, \$16,258, and \$15,590, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2018, 2017, and 2016 were \$16,810, \$16,370, and \$15,164, respectively.

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

**NOTE 10 – 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 2018 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 460	\$ 460	5.0%	5.0%	5.0%

Total contributions made by the City for the volunteer rescue squad during fiscal year 2018 were:

Contribution Amount		Percentage of Covered Payroll		Total Required Rate
Employee	Employer	Employee	Employer	
\$ 9,182	\$ 11,400	106.4%	133.0%	At least 7.5%

**NOTE 11 – 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.

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

**NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)**

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.

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.

**NOTE 12 – 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 13 - 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, 2018, the City generated \$27,484 in tax increment revenue and made no payments to developers. There were no payments due to developers at December 31, 2018.

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

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**City of Eden Valley**  
**Schedule of Receipts, Disbursements, and Changes**  
**in Cash Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Receipts</b>			
Taxes			
Property taxes	\$ 480,000	\$ 507,540	\$ 27,540
Special assessments	-	300	300
Licenses and permits	8,700	8,850	150
Intergovernmental			
State grants and aids			
Local government aid	297,606	297,606	-
Market value credit	-	835	835
Police and fire relief aid	29,000	30,883	1,883
PERA aid	703	703	-
Other aids and grants	15,300	13,021	(2,279)
Total intergovernmental	342,609	343,048	439
Charges for services			
General government	14,400	13,994	(406)
Public safety			
Public safety fire protection	68,550	69,706	1,156
Total charges for services	82,950	83,700	750
Fines and forfeitures	1,650	1,738	88
Investment earnings	10,000	5,012	(4,988)
Miscellaneous revenue			
Refunds and reimbursements	36,220	35,081	(1,139)
Donations and contributions	6,250	1,492	(4,758)
Other	23,400	12,743	(10,657)
Total miscellaneous revenue	65,870	49,316	(16,554)
Total receipts	991,779	999,504	7,725
<b>Disbursements</b>			
General government			
Mayor and council			
Current	29,130	22,766	(6,364)
Clerk/treasurer			
Current	116,900	131,172	14,272

**City of Eden Valley**  
**Schedule of Receipts, Disbursements, and Changes**  
**in Cash Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Disbursements (Continued)</b>			
General government (continued)			
Elections			
Current	\$ 7,805	\$ 7,735	\$ (70)
Assessor			
Current	6,700	6,582	(118)
Audit and accounting			
Current	12,000	11,850	(150)
Legal			
Current	10,000	4,074	(5,926)
Planning and zoning			
Current	10,255	9,510	(745)
Other general government			
Current	102,970	97,925	(5,045)
Total general government	<u>295,760</u>	<u>291,614</u>	<u>(4,146)</u>
Public safety			
Police protection			
Current	173,667	180,131	6,464
Fire			
Current	147,460	120,584	(26,876)
Building inspection			
Current	10,300	14,642	4,342
Animal Control			
Current	440	-	(440)
Civil defense			
Current	4,505	2,011	(2,494)
Total public safety	<u>336,372</u>	<u>317,368</u>	<u>(19,004)</u>
Public works			
Streets and general maintenance			
Current	140,705	110,350	(30,355)
Capital outlay	9,000	7,875	(1,125)
Snow removal			
Current	31,265	26,296	(4,969)
Street lighting			
Current	26,205	25,733	(472)
Sanitation			
Current	8,010	4,394	(3,616)
Total public works	<u>215,185</u>	<u>174,648</u>	<u>(40,537)</u>

**City of Eden Valley**  
**Schedule of Receipts, Disbursements, and Changes**  
**in Cash Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Disbursements (Continued)</b>			
Culture and recreation			
Parks			
Current	\$ 46,960	\$ 34,245	\$ (12,715)
Total culture and recreation	<u>46,960</u>	<u>34,245</u>	<u>(12,715)</u>
Debt service			
Certificate of indebtedness repayments			
Loan principal	44,320	44,916	596
Loan interest	16,530	15,929	(601)
Total debt service	<u>60,850</u>	<u>60,845</u>	<u>(5)</u>
Total disbursements	<u>955,127</u>	<u>878,720</u>	<u>(76,407)</u>
Excess of receipts over disbursements	36,652	120,784	84,132
<b>Other Financing Sources (Uses)</b>			
Insurance proceeds	-	843	843
Transfers out	(29,000)	(29,000)	-
Total other financing sources (uses)	<u>(29,000)</u>	<u>(28,157)</u>	<u>843</u>
Net change in cash fund balances	<u>\$ 7,652</u>	92,627	<u>\$ 84,975</u>
<b>Cash Fund Balances</b>			
Beginning of year		<u>753,415</u>	
End of year		<u>\$ 846,042</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, 2018**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
<b>Receipts</b>			
Investment earnings	\$ 1,800	\$ 1,845	\$ 45
Miscellaneous revenues			
Refunds and reimbursements	7,665	7,662	(3)
Other	-	50	50
Total miscellaneous	<u>7,665</u>	<u>7,712</u>	<u>47</u>
Total receipts	<u>9,465</u>	<u>9,557</u>	<u>92</u>
<b>Disbursements</b>			
Economic development			
Current	<u>74,960</u>	<u>25,935</u>	<u>(49,025)</u>
Receipts over (under) disbursements	<u><u>\$ (65,495)</u></u>	<u>(16,378)</u>	<u><u>\$ 49,117</u></u>
<b>Cash Fund Balances</b>			
Beginning of year		<u>144,608</u>	
End of year		<u><u>\$ 128,230</u></u>	

**City of Edan Valley**  
**Meeker and Stearns County, Minnesota**  
**Schedule of Receipts, Disbursements and Changes**  
**In Cash Fund Balances-Budget & Actual-**  
**Lions Park**  
**For the Year Ended December 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Receipts</b>			
Miscellaneous revenues			
Donations and contributions	\$ 8,500	\$ 8,000	\$ (500)
Total receipts	<u>8,500</u>	<u>8,000</u>	<u>(500)</u>
<b>Disbursements</b>			
Culture and recreation			
Parks			
Current	7,320	7,284	(36)
Total disbursements	<u>7,320</u>	<u>7,284</u>	<u>(36)</u>
Receipts over (under) disbursements	<u>\$ 1,180</u>	716	<u>\$ (464)</u>
<b>Cash Fund Balances</b>			
Beginning of year		<u>(1,533)</u>	
End of year		<u>\$ (817)</u>	

**City of Eden Valley  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2018**

		Special Revenue			
		Police Forfeiture (210)	Housing Rehabilitation (225)	Art & Lorrain Henfling Trust (271)	TIF Districts (240, 245, 250 and 280)
<b>Assets</b>					
Cash and investments		\$ 3,162	\$ 13,112	\$ 15,248	\$ 57,906
<b>Cash Fund Balances</b>					
Restricted		3,162	13,112	15,248	57,906
Committed		-	-	-	-
Total cash fund balances		\$ 3,162	\$ 13,112	\$ 15,248	\$ 57,906

Special Revenue			
Valley Daze Celebration (260)	Park Dedication (265)	Healthy Communities (230)	Hawks Athletic Field (290)
<u>\$ 198</u>	<u>\$ 53,065</u>	<u>\$ 7,081</u>	<u>\$ 566</u>
-	53,065	-	-
198	-	7,081	566
<u>\$ 198</u>	<u>\$ 53,065</u>	<u>\$ 7,081</u>	<u>\$ 566</u>

**City of Eden Valley  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2018**

	Capital Projects			
	Capital Improvement (410)	Police Equipment (421)	Streets & Parks Equipment (431)	Friederichs Park Project Fund (451)
<b>Assets</b>				
Cash and investments	<u>\$ 32,516</u>	<u>\$ 21,524</u>	<u>\$ 49,642</u>	<u>\$ 93,067</u>
<b>Fund Balances</b>				
Restricted	-	-	-	-
Committed	<u>32,516</u>	<u>21,524</u>	<u>49,642</u>	<u>93,067</u>
Total cash fund balances	<u>\$ 32,516</u>	<u>\$ 21,524</u>	<u>\$ 49,642</u>	<u>\$ 93,067</u>



Capital Projects		
Fire and Rescue Equipment (470 and 475)	Stormwater Maintenance (432)	Total Governmental Funds
<u>\$ 91,591</u>	<u>\$ 22,021</u>	<u>\$ 460,699</u>
-	-	142,493
<u>91,591</u>	<u>22,021</u>	<u>318,206</u>
<u>\$ 91,591</u>	<u>\$ 22,021</u>	<u>\$ 460,699</u>

**City of Eden Valley**  
**Combining Statement of Cash Receipts, Disbursements,**  
**and Changes in Cash Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2018**

	Special Revenue		
	Police Forfeiture (210)	Housing Rehabilitation (225)	Art & Lorrain Henfling Trust (271)
<b>Receipts</b>			
General property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	4,517	-	-
Investment earnings	-	172	207
Miscellaneous			
Donations and contributions	-	-	5,000
Other	-	-	-
Total receipts	<u>4,517</u>	<u>172</u>	<u>5,207</u>
<b>Disbursements</b>			
Current			
Public safety	1,355	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	-
Public works	-	-	-
Total disbursements	<u>1,355</u>	<u>-</u>	<u>-</u>
Excess of receipts over (under) disbursements	3,162	172	5,207
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Asset	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	3,162	172	5,207
<b>Cash Fund Balances</b>			
Beginning of year	<u>-</u>	<u>12,940</u>	<u>10,041</u>
End of year	<u>\$ 3,162</u>	<u>\$ 13,112</u>	<u>\$ 15,248</u>

Special Revenue

TIF Districts (240, 245, 250 and 280)	Valley Daze Celebration (260)	Park Dedication (265)	Healthy Communities (230)	Hawks Athletic Field (290)
\$ -	\$ -	\$ -	\$ -	\$ -
27,484	-	-	-	-
-	-	-	-	-
-	-	-	200	-
-	-	-	-	-
656	-	1,102	-	-
-	21,550	-	3,770	10,000
-	-	10	36,066	-
<u>28,140</u>	<u>21,550</u>	<u>1,112</u>	<u>40,036</u>	<u>10,000</u>
-	-	-	-	-
-	21,550	-	-	10,332
311	-	-	42,955	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>311</u>	<u>21,550</u>	<u>-</u>	<u>42,955</u>	<u>10,332</u>
27,829	-	1,112	(2,919)	(332)
-	-	-	-	-
-	-	-	-	-
<u>(2,965)</u>	<u>-</u>	<u>-</u>	<u>(6,850)</u>	<u>-</u>
<u>(2,965)</u>	<u>-</u>	<u>-</u>	<u>(6,850)</u>	<u>-</u>
24,864	-	1,112	(9,769)	(332)
<u>33,042</u>	<u>198</u>	<u>51,953</u>	<u>16,850</u>	<u>898</u>
<u>\$ 57,906</u>	<u>\$ 198</u>	<u>\$ 53,065</u>	<u>\$ 7,081</u>	<u>\$ 566</u>

**City of Eden Valley**  
**Combining Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2018**

	Debt Service		Capital Projects
	2007 Improvement Bonds (330)	2003 Improvement Bonds (310)	Capital Improvement (410)
<b>Receipts</b>			
General property taxes	\$ 129	\$ 1	\$ 2,808
Tax increments	-	-	-
Special assessments	-	3,084	3,751
Intergovernmental	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	92	-	237
Miscellaneous			
Donations and contributions	-	-	-
Other	-	-	-
Total receipts	<u>221</u>	<u>3,085</u>	<u>6,796</u>
<b>Disbursements</b>			
Current			
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	25,000	-	-
Interest and other charges	538	-	-
Capital outlay			
Public safety	-	-	-
Public works	-	-	-
Total disbursements	<u>25,538</u>	<u>-</u>	<u>-</u>
Excess of receipts over (under) disbursements	(25,317)	3,085	6,796
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Asset	-	-	-
Transfers in	-	-	12,245
Transfers out	(6,703)	(4,470)	-
Total other financing sources (uses)	<u>(6,703)</u>	<u>(4,470)</u>	<u>12,245</u>
Net change in cash fund balances	(32,020)	(1,385)	19,041
<b>Cash Fund Balances</b>			
Beginning of year	<u>32,020</u>	<u>1,385</u>	<u>13,475</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,516</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,938
-	-	-	-	-	-	27,484
-	-	-	-	-	-	6,835
-	-	-	-	-	-	200
-	-	-	-	-	-	4,517
-	341	834	644	1,821	308	6,414
-	-	-	109,498	40,000	-	189,818
-	-	-	30	-	-	36,106
-	341	834	110,172	41,821	308	274,312
-	-	-	-	16,302	-	17,657
-	-	-	33,458	-	-	65,340
-	-	-	-	-	-	43,266
-	-	-	-	20,000	-	45,000
-	-	-	-	3,250	-	3,788
-	-	-	-	40,032	-	40,032
-	-	20,500	-	-	-	20,500
-	-	20,500	33,458	79,584	-	235,583
-	341	(19,666)	76,714	(37,763)	308	38,729
-	-	-	-	8,901	-	8,901
1,893	-	14,000	6,850	10,000	5,000	49,988
-	-	-	-	-	-	(20,988)
1,893	-	14,000	6,850	18,901	5,000	37,901
1,893	341	(5,666)	83,564	(18,862)	5,308	76,630
(1,893)	21,183	55,308	9,503	110,453	16,713	384,069
\$ -	\$ 21,524	\$ 49,642	\$ 93,067	\$ 91,591	\$ 22,021	\$ 460,699

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## **SUPPLEMENTARY INFORMATION**

**City of Eden Valley**  
**Schedule of Accounts Receivable**  
**December 31, 2018**

<u>Fund</u>	<u>Source of Revenue</u>	<u>Purpose</u>	<u>Amount</u>
2012 MN HWY 22 Improvement	Stearns County	January tax settlement	\$ 193
2012 MN HWY 22 Improvement	Meeker County	January tax settlement	1,003
General	Arvig	Franchise fees	3,410
General	Stearns County	January tax settlement	1,708
General	Meeker County	January tax settlement	7,422
General	Meeker County	Fines	87
General	ISD 463	Eagles kids	200
Sewer	Meeker County	January tax settlement	789
Sewer	Various	Utility billing	15,888
Water	Stearns County	Utility billing	146
Water	City of Watkins	Water sales	9,765
Water	Various	Utility billing	20,310
			<u>20,310</u>
Total			<u><u>\$ 60,921</u></u>



**City of Eden Valley**  
**Schedule of Accounts Payable and Contingent Liabilities**  
**December 31, 2018**

<u>Fund</u>	<u>Vendor Name</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	AFSCME	Dues	\$ 291
General	American Legal Publishing	Ordinance pages	1,116
General	Ameripride	Rental	196
General	Center Point	Gas	1,153
General	Central McGowan Inc.	Rental	7
General	Comdata	Supplies	126
General	Customized Fire Rescue Training	Training	550
General	Eden Valley Lumber	Supplies	169
General	Galls LLC	Supplies	25
General	Darrin Hondl	Zoning admin services	2,750
General	Etterman Enterprises	Supplies	231
General	Jack's Oil Distributing	Gas & supplies	487
General	KRD	Services	40
General	Kimball Parts	Supplies	41
General	Landscaping Plus	Snow removal	360
General	Marco	Copier lease	154
General	Meeker Coop	Electric	100
General	Meeker County Court Services	Services	130
General	Meyer Auto Sales	Repairs	27
General	MN Dept of Admin	Squad lease	157
General	Nohner Electric	Services	54
General	Office Depot	Supplies	75
General	Paynesville Press	Advertising	176
General	Bob Peschon	Service	200
General	Rinke Noonan	Legal	1,139
General	Michael Ripley	Zoning meetings	60
General	Schlenner Wenner	Prep census report	105
General	Thielen Excavating	Snow removal	3,890
General	Thielen Machine and Welding	Services and supplies	156
General	Judy Thielen	Services and supplies	240
General	Thunder Valley	Repairs	60
General	Verizon	Phone	371
General	Voss Plumbing and Heating	Services	111
General	West Central Sanitation	Services	632
General	City Utilities - Water/Sewer	City utilities	214
General	Xcel	Electric	1,760
Healthy Communities	Eden Valley Lumber	Repairs/supplies	18
Hawks Athletic Field	City Utilities - Water/Sewer	City utilities	54
Hawks Athletic Field	Center Point	Gas	147
2018 Street Utility Project	Bolton & Menk, Inc.	Engineering	31,444
2018 Street Utility Project	RL Larson Excavating, Inc.	Contracted Services	44,164
Water	City of Watkins	Treatment plant	1,403
Water	Gopher State One-Call	Service	5
Water	Pace	Credit card fees	10
Water	UC Lab	Testing	109
Water	Meeker Coop	Electric	446

**City of Eden Valley**  
**Schedule of Accounts Payable and Contingent Liabilities**  
**December 31, 2018**

<u>Fund</u>	<u>Vendor Name</u>	<u>Item and Purpose</u>	<u>Amount</u>
Water	Center Point	Gas	\$ 310
Sewer	Gopher State One-Call	Service	5
Sewer	Nohner Electric	Services	122
Sewer	Pace	Credit card fees	10
Senior Housing	Juanita Arens	Service	450
Senior Housing	Eden Valley Lumber	Repairs/supplies	12
Senior Housing	Erkens Water	Supplies	30
Senior Housing	Hutchinson Leader	Advertising	57
Senior Housing	David Moe	Deposit refund	550
Senior Housing	Meeker County Court Services	Services	110
Senior Housing	Paynesville Press	Advertising	63
Senior Housing	West Central Sanitation	Services	86
Senior Housing	City Utilities - Water/Sewer	City utilities	550
Senior Housing	Center Point	Gas	620
Total			<u><u>\$ 98,128</u></u>