

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

**Financial Statements**

**December 31, 2019**

**City of Eden Valley  
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**City of Eden Valley  
Elected Officials and Administration  
December 31, 2019**

<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, 2019, 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, 2019.

**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, 2019, 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, 2019, 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, 2019, in conformity with the regulatory basis of accounting discussed in Note 1.

### **Other Matters**

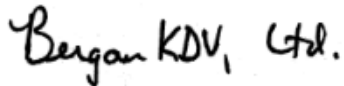
#### *Other Information*

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.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, 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.

A handwritten signature in dark ink that reads "Bergan KDV, Ltd." in a cursive, slightly slanted script.

St. Cloud, Minnesota  
March 20, 2020

## **REGULATORY BASIS FINANCIAL STATEMENTS**

**City of Eden Valley**  
**Statement of Balances Arising from Cash Transactions -**  
**Governmental Funds**  
**December 31, 2019**

		<u>Special Revenue</u>
	<u>General Fund</u>	<u>Business</u>
	<u>(100)</u>	<u>Incentives (220)</u>
<b>Assets</b>		
Cash and investments	\$ 1,027,147	\$ 480,879
Due from other funds	84,379	-
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$ 1,111,526</u></u>	<u><u>\$ 480,879</u></u>
<b>Liabilities and Cash Fund Balances</b>		
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ -</u>
Cash fund balances		
Restricted	-	-
Committed	-	480,879
Unassigned	<u>1,111,526</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>
Total cash fund balances	<u>1,111,526</u>	<u>480,879</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and cash fund balances	<u><u>\$ 1,111,526</u></u>	<u><u>\$ 480,879</u></u>



Capital Projects			
2018 Street Utility Projects Fund (418)	Friederichs Park Project Fund (451)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 719,691	\$ 2,227,717
-	-	-	84,379
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,691</u>	<u>\$ 2,312,096</u>
\$ 44,450	\$ 34,004	\$ 5,925	\$ 84,379
-	-	502,001	502,001
-	-	217,690	698,569
(44,450)	(34,004)	(5,925)	1,027,147
(44,450)	(34,004)	713,766	2,227,717
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,691</u>	<u>\$ 2,312,096</u>

**City of Eden Valley**  
**Statement of Cash Receipts, Disbursements, and**  
**Changes in Cash Fund Balances -**  
**Governmental Funds**  
**Year Ended December 31, 2019**

	Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund (100)	Business Incentives (220)	2018 Street Utility Projects Fund (418)	Friederichs Park Project Fund (451)		
<b>Receipts</b>						
General property taxes	\$ 498,101	\$ -	\$ -	\$ -	\$ 65,823	\$ 563,924
Tax increments	-	-	-	-	15,830	15,830
Special assessments	2,424	-	-	-	45,157	47,581
Licenses and permits	8,725	-	-	-	-	8,725
Intergovernmental	333,919	-	-	140,000	-	473,919
Charges for service	105,196	-	-	-	-	105,196
Fines and forfeitures	1,576	-	-	-	-	1,576
Investment earnings	64,398	5,218	424	942	15,401	86,383
Miscellaneous						
Refunds and reimbursements	45,101	1,103	-	-	-	46,204
Donations and contributions	480	-	-	25,875	115,600	141,955
Other	11,036	-	-	-	5,519	16,555
Total receipts	<u>1,070,956</u>	<u>6,321</u>	<u>424</u>	<u>166,817</u>	<u>263,330</u>	<u>1,507,848</u>
<b>Disbursements</b>						
Current						
General government	266,776	-	-	-	-	266,776
Public safety	353,380	-	-	-	3,162	356,542
Public works	197,244	-	115	-	-	197,359
Culture and recreation	33,610	-	-	296,888	73,674	404,172
Economic development	-	7,010	-	-	12,748	19,758
Debt service						
Principal	44,557	-	-	-	65,000	109,557
Interest and other charges	20,880	-	-	-	33,764	54,644
Capital outlay						
General government	80	-	-	-	-	80
Public safety	-	-	-	-	51,556	51,556
Public works	27,965	-	74,908	-	16,649	119,522
Total disbursements	<u>944,492</u>	<u>7,010</u>	<u>75,023</u>	<u>296,888</u>	<u>256,553</u>	<u>1,579,966</u>
Excess of receipts over (under) disbursements	126,464	(689)	(74,599)	(130,071)	6,777	(72,118)
<b>Other Financing Sources (Uses)</b>						
Transfers in	168,020	353,338	-	3,000	129,000	653,358
Transfers out	(29,000)	-	-	-	(3,000)	(32,000)
Total other financing sources (uses)	<u>139,020</u>	<u>353,338</u>	<u>-</u>	<u>3,000</u>	<u>126,000</u>	<u>621,358</u>
Net change in cash fund balances	265,484	352,649	(74,599)	(127,071)	132,777	549,240
<b>Cash Fund Balances</b>						
Beginning of year	<u>846,042</u>	<u>128,230</u>	<u>30,149</u>	<u>93,067</u>	<u>580,989</u>	<u>1,678,477</u>
End of year	<u>\$ 1,111,526</u>	<u>\$ 480,879</u>	<u>\$ (44,450)</u>	<u>\$ (34,004)</u>	<u>\$ 713,766</u>	<u>\$ 2,227,717</u>

**City of Eden Valley**  
**Statement of Balances Arising from Cash Transactions -**  
**Proprietary Funds**  
**December 31, 2019**

		Enterprise Funds		
		Water (510)	Sewer (520)	Total
<b>Assets</b>				
	Cash and investments	\$ 434,544	\$ 359,727	\$ 794,271
<b>Net Cash Position</b>				
	Unrestricted	\$ 434,544	\$ 359,727	\$ 794,271

**City of Eden Valley**  
**Statement of Receipts, Disbursements, and**  
**Changes in Net Cash Position - Proprietary Funds**  
**December 31, 2019**

	Enterprise Funds			
	Water (510)	Sewer (520)	Senior Housing (530)	Total
Operating receipts				
Charges for services	\$ 390,440	\$ 199,680	\$ 107,957	\$ 698,077
Connection fees	4,298	-	-	4,298
Miscellaneous operating revenues	9,916	6,241	-	16,157
Total operating receipts	<u>404,654</u>	<u>205,921</u>	<u>107,957</u>	<u>718,532</u>
Operating disbursements				
Salaries and benefits	71,354	43,101	7,641	122,096
Operating supplies	13,586	1,870	3,258	18,714
Repairs and maintenance	60,321	17,753	17,112	95,186
Professional services	14,925	12,166	19,371	46,462
Utilities	20,038	13,547	14,030	47,615
Miscellaneous expenses	14,003	11,468	19,963	45,434
Total operating disbursements	<u>194,227</u>	<u>99,905</u>	<u>81,375</u>	<u>375,507</u>
Excess of operating receipts over operating disbursements	210,427	106,016	26,582	343,025
Nonoperating receipts (disbursements)				
Investment income	13,773	7,616	426	21,815
Intergovernmental	75,559	-	-	75,559
Other	1,224	9,695	5,212	16,131
Sale of capital assets			725,470	725,470
Interest expense	(16,133)	(17,917)	(4,220)	(38,270)
Capital outlay	<u>(45,833)</u>	<u>(154,914)</u>	<u>-</u>	<u>(200,747)</u>
Total nonoperating receipts (disbursements)	<u>28,590</u>	<u>(155,520)</u>	<u>726,888</u>	<u>599,958</u>
Net income (loss) before debt principal and transfers	239,017	(49,504)	753,470	942,983
Debt principal	(196,923)	(84,239)	(162,000)	(443,162)
Bond issuance	47,869	142,488	-	190,357
Transfers out	<u>-</u>	<u>-</u>	<u>(621,358)</u>	<u>(621,358)</u>
Change in net cash position	89,963	8,745	(29,888)	68,820
Net cash position				
Beginning of year	<u>344,581</u>	<u>350,982</u>	<u>29,888</u>	<u>725,451</u>
End of year	<u>\$ 434,544</u>	<u>\$ 359,727</u>	<u>\$ -</u>	<u>\$ 794,271</u>

**City of Eden Valley**  
**Statement of Cash Flows - Cash Basis -**  
**Proprietary Funds**  
**December 31, 2019**

	Water (510)	Sewer (520)	Senior Housing (530)	Total
<b>Cash Flows - Operating Activities</b>				
Receipts from customers	\$ 319,632	\$ 205,921	\$ 107,957	\$ 633,510
Payments to suppliers	(122,873)	(56,804)	(73,734)	(253,411)
Payments to employees	(71,354)	(43,101)	(7,641)	(122,096)
Net cash flows - operating activities	<u>125,405</u>	<u>106,016</u>	<u>26,582</u>	<u>258,003</u>
<b>Cash Flows - Noncapital</b>				
<b>Financing Activities</b>				
Miscellaneous revenue	1,224	9,695	5,212	16,131
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(621,358)</u>	<u>(621,358)</u>
Net cash flows - noncapital financing activities	<u>1,224</u>	<u>9,695</u>	<u>(616,146)</u>	<u>(605,227)</u>
<b>Cash Flows - Capital and Related</b>				
<b>Financing Activities</b>				
Loan repayment proceeds	80,000	-	-	80,000
Acquisition of capital assets	(45,833)	(154,914)	-	(200,747)
Proceeds from long-term debt	47,869	142,488	-	190,357
Grant proceeds	75,559	-	-	75,559
Principal paid on capital debt	(196,923)	(84,239)	(162,000)	(443,162)
Interest paid on capital debt	(11,111)	(17,917)	(4,220)	(33,248)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>725,470</u>	<u>725,470</u>
Net cash flows - capital and related financing activities	<u>(50,439)</u>	<u>(114,582)</u>	<u>559,250</u>	<u>394,229</u>
<b>Cash Flows - Investing Activities</b>				
Interest and dividends	<u>13,773</u>	<u>7,616</u>	<u>426</u>	<u>21,815</u>
Net change in cash and cash equivalents	89,963	8,745	(29,888)	68,820
<b>Cash and Cash Equivalents</b>				
Beginning of year	<u>344,581</u>	<u>350,982</u>	<u>29,888</u>	<u>725,451</u>
End of year	<u><u>\$ 434,544</u></u>	<u><u>\$ 359,727</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 794,271</u></u>

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

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

**1. Blended Component Unit**

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

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

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Description of Funds:**

**Major Governmental Funds:**

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

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

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

Friederichs Park Project Capital Projects Fund – This fund is a capital project fund and accounts for all of the activity related to the Friederichs Park 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. This fund was closed at December 31, 2019.

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.

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.



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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019, the total liability for unused vacation and sick pay was approximately \$29,237.

**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.
- 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.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 2019. Budgeted disbursement appropriations lapse at year-end.

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

**Deficit Fund Balances**

The following funds had deficit cash fund balances at December 31, 2019:

Major Funds		
2018 Street Utility Project Fund	\$	44,450
Friederichs Park Project Fund		34,004
Non-major Governmental Funds		
Valley Daze Celebration		1,082
Lions Park		4,843

**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, 2019, the City's bank balance was not exposed to custodial credit risk because the balance was insured through the FDIC with collateral pledged by the depository for amounts exceeding FDIC coverage.

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits (Continued)**

As of December 31, 2019, the City had deposits as follows:

Checking	\$ 405,065
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**B. Investments**

As of December 31, 2019, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			Ratings
		1 Year or Less	1-2 Years	3-5 Years	
Brokered certificate of deposits	\$ 1,453,155	\$ 200,784	\$ 291,339	\$ 961,032	N/A
Brokered money market	20,484	20,484	-	-	N/A
4M money market	1,142,984	1,142,984	-	-	N/A
Total investments	<u>\$ 2,616,623</u>	<u>\$ 1,364,252</u>	<u>\$ 291,339</u>	<u>\$ 961,032</u>	

Maturity	Maximum Investments
1 year or less	52 %
1-2 years	11
3-5 years	37

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

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

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

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

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

**B. Investments (Continued)**

Concentration of Credit Risk: This is the risk that limits the amount the City may invest in any one issuer. The City's investment policy states investments shall be diversified to minimize credit risk; specifically, no more than 5% of the investment portfolio will be invested in the securities of a single issuer. The City was exposed to this risk as the following brokered certificates of deposits exceeded 5% of total investments; Wells Fargo BK Sioux Falls CD, HSBC BK Lean VA CD, Ally BK Midvale UT CD, and Comenity Cap BK UT 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, 2019:

- Investments of \$1,453,157 are valued using a matrix pricing model (Level 2 inputs)

**C. Deposits and Investments**

Summary of cash deposits and investments as of December 31, 2019, were as follows:

Petty cash	\$ 300
Total deposits	405,065
Total investments	<u>2,616,623</u>
Total deposits and investments	<u><u>\$ 3,021,988</u></u>
Statement of Balances Arising from Cash Transactions - Governmental Funds	
Cash and investments	\$ 2,227,717
Statement of Balances Arising From Cash Transactions - Proprietary Funds	
Cash and investments	<u>794,271</u>
Total cash and investments	<u><u>\$ 3,021,988</u></u>

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

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Assets/Liabilities**

At December 31, 2019, due from/to other funds for the City were as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 84,379	\$ -
2018 Street Utility Projects Fund	-	44,450
Friederichs Park Project Fund	-	34,004
Other governmental funds	-	5,925
	<u>-</u>	<u>5,925</u>
Total	<u>\$ 84,379</u>	<u>\$ 84,379</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, 2019, interfund transfers were included in the following funds:

	Transfers In			
	General Fund	Business Incentives	Friederichs Park Project Fund	Nonmajor Governmental Funds
Transfers out				
General Fund	\$ -	\$ -	\$ -	\$ 29,000
Senior Housing	168,020	353,338	-	100,000
Nonmajor governmental funds	-	-	3,000	-
	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total	<u>\$ 168,020</u>	<u>\$ 353,338</u>	<u>\$ 3,000</u>	<u>\$ 129,000</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 \$6,000. 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**

	Issue Year	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
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	\$ 10,000
G.O. Improvement Bonds of 2013B	2013	1.40% - 4.00%	1,050,000	2035	885,000	45,000
Total G.O. Bonds, including Refunding Bonds					1,030,000	55,000
USDA Rural Development Loan	2009	4.50%	400,000	2049	246,161	5,807
G.O. Equipment Certificate	2013	3.25%	175,000	2023	60,000	20,000
Total Governmental Activities Liabilities					1,336,161	80,807
Enterprise Funds						
PFA G.O. Water Revenue Note/DWRF Loan	1999	3.16%	1,881,057	2020	126,000	126,000
PFA G.O. Water Revenue Note/DWRF Loan	2000	2.32%	644,890	2021	79,000	39,000
PFA G.O. Water Revenue Note/DWRF Loan	2009	1.00%	286,461	2029	151,000	14,000
PFA G.O. Sewer Revenue Note/CWRF Loan	2009	1.74%	660,457	2029	354,000	33,000
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	127,000	8,000
PFA G.O. Sewer Revenue Note/CWRF Loan	2013	1.46%	470,625	2033	346,000	22,000
G.O. Sewer Revenue Note, Series 2017A	2017	2.75%	90,000	2025	67,500	11,500
G.O. Water Revenue Note, Series 2017A	2017	2.75%	90,000	2025	67,500	11,500
PFA G.O. Water Revenue Note/DWRF Loan	2018	1.00%	172,923	2038	89,081	8,000
PFA G.O. Sewer Revenue Note/CWRF Loan	2018	1.00%	799,239	2038	611,203	37,000
Total Enterprise Fund Bonds					2,715,600	310,000
Total all long-term liabilities					\$ 4,051,761	\$ 390,807

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, 2019, 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, 2019, the City had only expended \$ 93,004 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 2020.

On August 9, 2018, the City issued a \$799,239 G.O. Sewer Revenue Note through the Minnesota PFA. At December 31, 2019, the City had only expended \$630,442 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 2020.

**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 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
G.O. special assessment bonds	\$ 1,075,000	\$ -	\$ (45,000)	\$ 1,030,000
G.O. revenue bonds	162,000	-	(162,000)	-
USDA rural development loan	287,718	-	(41,557)	246,161
Equipment certificates	80,000	-	(20,000)	60,000
PFA forgivable grant	697,316	-	-	697,316
PFA G.O. revenue notes/loans	1,952,089	190,357	(259,162)	1,883,284
G.O. utility revenue note	157,000	-	(22,000)	135,000
	<u>\$ 4,411,123</u>	<u>\$ 190,357</u>	<u>\$ (549,719)</u>	<u>\$ 4,051,761</u>
Total long-term liabilities	<u>\$ 4,411,123</u>	<u>\$ 190,357</u>	<u>\$ (549,719)</u>	<u>\$ 4,051,761</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
2020	\$ 55,000	\$ 35,175	\$ 90,175	\$ 10,663	\$ 11,077	\$ 21,740
2021	58,000	33,782	91,782	11,143	10,597	21,740
2022	58,000	32,230	90,230	11,644	10,096	21,740
2023	59,000	30,581	89,581	12,168	9,572	21,740
2024	65,000	28,645	93,645	12,716	9,024	21,740
2025-2029	345,000	109,488	454,488	72,693	36,007	108,700
2030-2034	320,000	47,000	367,000	90,589	18,111	108,700
2035-2036	70,000	1,400	71,400	24,545	1,281	25,826
	<u>\$ 1,030,000</u>	<u>\$ 318,301</u>	<u>\$ 1,348,301</u>	<u>\$ 246,161</u>	<u>\$ 105,765</u>	<u>\$ 351,926</u>
Total	<u>\$ 1,030,000</u>	<u>\$ 318,301</u>	<u>\$ 1,348,301</u>	<u>\$ 246,161</u>	<u>\$ 105,765</u>	<u>\$ 351,926</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,	PFA Note		
	Principal	Interest	Total
2020	\$ 287,000	\$ 23,563	\$ 310,563
2021	166,000	22,953	188,953
2022	127,000	20,396	147,396
2023	128,000	18,768	146,768
2024	130,000	17,109	147,109
2025-2029	678,000	59,805	737,805
2030-2034	400,000	23,406	423,406
2035-2038	216,000	5,430	221,430
Total	<u>\$ 2,132,000</u>	<u>\$ 191,430</u>	<u>\$ 2,323,430</u>

Year Ended December 31,	G.O. Equipment Certificate			G.O. Utility Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	26,000	894	26,894
2025	-	-	-	13,000	179	13,179
Total	<u>\$ 60,000</u>	<u>\$ 3,900</u>	<u>\$ 63,900</u>	<u>\$ 135,000</u>	<u>\$ 11,372</u>	<u>\$ 146,372</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.

**NOTE 7 – RECEIVABLES**

**A. Notes Receivable**

Notes, loans, and lease receivables at December 31, 2019, 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%

\$ 7,946

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

**NOTE 7 – RECEIVABLES (CONTINUED)**

**B. Long-Term Receivable**

Loans receivable at December 31, 2019, 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, 2019, was \$102,500, and \$80,000 was collected on the receivable in 2019.

**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	2018 Street Utility Project	Friederichs Park Project	Nonmajor Governmental Fund	Total
Restricted						
Henfling Trust	\$ -	\$ -	\$ -	\$ -	\$ 16,542	\$ 16,542
Housing Rehabilitation	-	-	-	-	13,319	13,319
Tax Increment Financing	-	-	-	-	72,361	72,361
Park Development	-	-	-	-	142,010	142,010
Debt Service	-	-	-	-	257,769	257,769
Committed						
Economic Development	-	480,879	-	-	-	480,879
Athletic Field Improvements	-	-	-	-	1,263	1,263
Capital Projects	-	-	-	-	216,427	216,427
Unassigned	1,111,526	-	(44,450)	(34,004)	(5,925)	1,027,147
Total	<u>\$1,111,526</u>	<u>\$ 480,879</u>	<u>\$ (44,450)</u>	<u>\$ (34,004)</u>	<u>\$ 713,766</u>	<u>\$ 2,227,717</u>

**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, 2019, 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.

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

**NOTE 10 – PENSION PLANS**

**Public Employees' Retirement Association**

**A. Plan Description**

All full-time and certain part-time employees of the City of Eden Valley are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), and the Public Employees Police and Fire Plan (accounted for in the 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 either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after 5 years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50% after 10 years up to 100% after 20 years. The defined retirement plan benefits are based on a member's highest average salary for any five 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 Plan member is 1.2 % for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

For all General Employee 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. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

Normal retirement age is 55 for Police and Fire plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit.

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

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association**

**A. Plan Description (Continued)**

A full unreduced pension is earned when Police and Fire plan members meet the following conditions:

Age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees and Police and Fire Plans. 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. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.3% of their annual covered salary in 2019. In 2019, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.5% for Coordinated Plan members, and 16.95% for Police and Fire Plan members.

The City's contributions to the Public Employees Fund for the years ending December 31, 2019, 2018, and 2017 were \$15,760, \$17,858, and \$16,258, respectively. The City's contributions to the Police & Fire Fund for the years ending December 31, 2019, 2018, and 2017 were \$17,884, \$16,810, and \$16,370, respectively.

**Public Employees Defined Contribution Plan**

Four Council Members and 20 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.

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

**NOTE 10 – PENSION PLANS (CONTINUED)**

**Public Employees Defined Contribution Plan (Continued)**

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 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 412	\$ 412	5.0%	5.0%	5.0%

Total contributions made by the City for the volunteer rescue squad during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Total Required Rate
Employee	Employer	Employee	Employer	
\$ 10,097	\$ 12,535	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.

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

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

**NOTE 12 – COMMITMENTS**

The City has entered into contracts with R.L. Larson Excavating Inc. for the 2018 Street Utility Improvement Project. The remaining commitment on these contracts is \$230,680.

**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, 2019, the City generated \$15,830 in tax increment revenue and made no payments to developers. There were no payments due to developers at December 31, 2019.

**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, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Receipts</b>			
Taxes			
Property taxes	\$ 500,000	\$ 498,101	\$ (1,899)
Special assessments	-	2,424	2,424
Licenses and permits	10,700	8,725	(1,975)
Intergovernmental			
State grants and aids			
Local government aid	298,390	298,390	-
Market value credit	-	802	802
Police and fire relief aid	29,000	31,792	2,792
PERA aid	703	703	-
Other aids and grants	2,500	2,232	(268)
Total intergovernmental	330,593	333,919	3,326
Charges for services			
General government	15,750	18,591	2,841
Public safety fire protection	83,140	86,455	3,315
Public works	-	150	150
Total charges for services	98,890	105,196	6,306
Fines and forfeitures	1,750	1,576	(174)
Investment earnings	10,000	64,398	54,398
Miscellaneous revenue			
Refunds and reimbursements	33,970	45,101	11,131
Donations and contributions	1,000	480	(520)
Other	14,400	11,036	(3,364)
Total miscellaneous revenue	49,370	56,617	7,247
Total receipts	1,001,303	1,070,956	69,653
<b>Disbursements</b>			
General government			
Mayor and council			
Current	22,695	19,450	(3,245)
Clerk/treasurer			
Current	102,825	96,226	(6,599)
Capital outlay	-	80	80

**City of Eden Valley**  
**Schedule of Receipts, Disbursements, and Changes**  
**in Cash Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Disbursements (Continued)</b>			
General government (continued)			
Elections			
Current	\$ 2,500	\$ 1,780	\$ (720)
Assessor			
Current	6,700	6,582	(118)
Audit and accounting			
Current	12,000	12,116	116
Legal			
Current	10,000	448	(9,552)
Planning and zoning			
Current	9,750	7,649	(2,101)
Other general government			
Current	173,255	122,525	(50,730)
Total general government	<u>339,725</u>	<u>266,856</u>	<u>(72,869)</u>
Public safety			
Police protection			
Current	186,505	184,137	(2,368)
Fire			
Current	151,460	154,325	2,865
Building inspection			
Current	10,800	7,139	(3,661)
Animal Control			
Current	440	-	(440)
Civil defense			
Current	4,505	7,779	3,274
Total public safety	<u>353,710</u>	<u>353,380</u>	<u>(330)</u>
Public works			
Streets and general maintenance			
Current	143,140	115,846	(27,294)
Capital outlay	9,000	27,965	18,965
Snow removal			
Current	31,265	51,238	19,973
Street lighting			
Current	27,205	25,581	(1,624)
Sanitation			
Current	8,010	4,579	(3,431)
Total public works	<u>218,620</u>	<u>225,209</u>	<u>6,589</u>

**City of Eden Valley**  
**Schedule of Receipts, Disbursements, and Changes**  
**in Cash Fund Balances - Budget and Actual -**  
**General Fund**  
**Year Ended December 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Disbursements (Continued)</b>			
Culture and recreation			
Parks			
Current	\$ 59,125	\$ 33,610	\$ (25,515)
Total culture and recreation	<u>59,125</u>	<u>33,610</u>	<u>(25,515)</u>
Debt service			
Certificate of indebtedness repayments			
Loan principal	45,000	44,557	(443)
Loan interest	15,845	20,880	5,035
Total debt service	<u>60,845</u>	<u>65,437</u>	<u>4,592</u>
Total disbursements	<u>1,032,025</u>	<u>944,492</u>	<u>(87,533)</u>
Excess of receipts over (under) disbursements	(30,722)	126,464	157,186
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	168,020	168,020
Transfers out	<u>(29,000)</u>	<u>(29,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(29,000)</u>	<u>139,020</u>	<u>168,020</u>
Net change in cash fund balances	<u>\$ (59,722)</u>	265,484	<u>\$ 325,206</u>
<b>Cash Fund Balances</b>			
Beginning of year		<u>846,042</u>	
End of year		<u>\$ 1,111,526</u>	

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**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, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Receipts</b>			
Investment earnings	\$ 2,000	\$ 5,218	\$ 3,218
Miscellaneous revenues			
Refunds and reimbursements	1,254	1,103	(151)
Total receipts	<u>3,254</u>	<u>6,321</u>	<u>3,067</u>
<b>Disbursements</b>			
Economic development			
Current	<u>74,985</u>	<u>7,010</u>	<u>(67,975)</u>
Excess of receipts over (under) disbursements	(71,731)	(689)	71,042
<b>Other financing sources</b>			
Transfers In	<u>-</u>	<u>353,338</u>	<u>353,338</u>
Net change in cash fund balances	<u><u>\$ (71,731)</u></u>	352,649	<u><u>\$ 424,380</u></u>
<b>Cash Fund Balances</b>			
Beginning of year		<u>128,230</u>	
End of year		<u><u>\$ 480,879</u></u>	

**City of Eden Valley  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019**

	Special Revenue		
	Housing Rehabilitation (225)	Art & Lorrain Henfling Trust (271)	TIF Districts (240, 245, 250 and 280)
<b>Assets</b>			
Cash and investments	<u>\$ 13,319</u>	<u>\$ 16,542</u>	<u>\$ 72,361</u>
<b>Liabilities and Cash Fund Balances</b>			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash fund balances			
Restricted	13,319	16,542	72,361
Committed	-	-	-
Unassigned	-	-	-
Total cash fund balances	<u>13,319</u>	<u>16,542</u>	<u>72,361</u>
Total liabilities and cash fund balances	<u>\$ 13,319</u>	<u>\$ 16,542</u>	<u>\$ 72,361</u>

Special Revenue			
Valley Daze Celebration (260)	Park Dedication (265)	Hawks Athletic Field (290)	Lions Park (295)
<u>\$ -</u>	<u>\$ 142,010</u>	<u>\$ 1,263</u>	<u>\$ -</u>
<u>\$ 1,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,843</u>
-	142,010	-	-
-	-	1,263	-
(1,082)	-	-	(4,843)
<u>(1,082)</u>	<u>142,010</u>	<u>1,263</u>	<u>(4,843)</u>
<u>\$ -</u>	<u>\$ 142,010</u>	<u>\$ 1,263</u>	<u>\$ -</u>

**City of Eden Valley  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019**

	Debt Service		Capital Projects
	2012 MN HWY 22 Improvement (320)	2018 Improvement Bonds (340)	Capital Improvement (410)
<b>Assets</b>			
Cash and investments	<u>\$ 220,976</u>	<u>\$ 36,793</u>	<u>\$ 17,188</u>
<b>Liabilities and Cash</b>			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash fund balances			
Restricted	220,976	36,793	-
Committed	-	-	17,188
Unassigned	-	-	-
Total cash fund balances	<u>220,976</u>	<u>36,793</u>	<u>17,188</u>
Total liabilities and cash fund balances	<u>\$ 220,976</u>	<u>\$ 36,793</u>	<u>\$ 17,188</u>



Capital Projects				
Police Equipment (421)	Streets & Parks Equipment (431)	Fire and Rescue Equipment (470 and 475)	Stormwater Maintenance (432)	Total Governmental Funds
<u>\$ 21,944</u>	<u>\$ 64,196</u>	<u>\$ 85,667</u>	<u>\$ 27,432</u>	<u>\$ 719,691</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,925</u>
-	-	-	-	502,001
21,944	64,196	85,667	27,432	217,690
-	-	-	-	(5,925)
<u>21,944</u>	<u>64,196</u>	<u>85,667</u>	<u>27,432</u>	<u>713,766</u>
<u>\$ 21,944</u>	<u>\$ 64,196</u>	<u>\$ 85,667</u>	<u>\$ 27,432</u>	<u>\$ 719,691</u>

**City of Eden Valley**  
**Combining Statement of Cash Receipts, Disbursements,**  
**and Changes in Cash Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**

	Special Revenue		
	Police Forfeiture (210)	Housing Rehabilitation (225)	Art & Lorrain Henfling Trust (271)
<b>Receipts</b>			
General property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Investment earnings	-	207	297
Miscellaneous			
Donations and contributions	-	-	5,000
Other	-	-	-
Total receipts	<u>-</u>	<u>207</u>	<u>5,297</u>
<b>Disbursements</b>			
Current			
Public safety	3,162	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
Public safety	-	-	4,003
Public works	-	-	-
Total disbursements	<u>3,162</u>	<u>-</u>	<u>4,003</u>
Excess of receipts over (under) disbursements	(3,162)	207	1,294
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	(3,162)	207	1,294
<b>Cash Fund Balances</b>			
Beginning of year	<u>3,162</u>	<u>13,112</u>	<u>15,248</u>
End of year	<u>\$ -</u>	<u>\$ 13,319</u>	<u>\$ 16,542</u>

Special Revenue

TIF Districts (240, 245, 250 and 280)	Valley Daze Celebration (260)	Park Dedication (265)	Healthy Communities (230)	Hawks Athletic Field (290)	Lions Park (295)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15,830	-	-	-	-	-
-	-	-	-	-	-
973	-	210	-	-	-
-	23,800	-	800	32,000	2,000
-	-	-	5,519	-	-
16,803	23,800	210	6,319	32,000	2,000
-	-	-	-	-	-
-	25,080	11,265	-	31,303	6,026
2,348	-	-	10,400	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,348	25,080	11,265	10,400	31,303	6,026
14,455	(1,280)	(11,055)	(4,081)	697	(4,026)
-	-	100,000	-	-	-
-	-	-	(3,000)	-	-
-	-	100,000	(3,000)	-	-
14,455	(1,280)	88,945	(7,081)	697	(4,026)
57,906	198	53,065	7,081	566	(817)
\$ 72,361	\$ (1,082)	\$ 142,010	\$ -	\$ 1,263	\$ (4,843)

**City of Eden Valley**  
**Combining Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**

	Debt Service		Capital Projects
	2012 MN HWY 22 Improvement (320)	2018 Improvement Bonds (340)	Capital Improvement (410)
<b>Receipts</b>			
General property taxes	\$ 61,057	\$ 4,536	\$ 230
Tax increments	-	-	-
Special assessments	12,183	32,257	717
Investment earnings	9,726	-	374
Miscellaneous			
Donations and contributions	-	-	-
Other	-	-	-
Total receipts	<u>82,966</u>	<u>36,793</u>	<u>1,321</u>
<b>Disbursements</b>			
Current			
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal	45,000	-	-
Interest and other charges	31,164	-	-
Capital outlay			
Public safety	-	-	-
Public works	-	-	16,649
Total disbursements	<u>76,164</u>	<u>-</u>	<u>16,649</u>
Excess of receipts over (under) disbursements	6,802	36,793	(15,328)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	6,802	36,793	(15,328)
<b>Cash Fund Balances</b>			
Beginning of year	<u>214,174</u>	<u>-</u>	<u>32,516</u>
End of year	<u>\$ 220,976</u>	<u>\$ 36,793</u>	<u>\$ 17,188</u>

Capital Projects					
HWY 22 Project (430)	Police Equipment (421)	Streets & Parks Equipment (431)	Fire and Rescue Equipment (470 and 475)	Stormwater Maintenance (432)	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,823
-	-	-	-	-	15,830
-	-	-	-	-	45,157
-	420	554	2,229	411	15,401
-	-	-	52,000	-	115,600
-	-	-	-	-	5,519
-	420	554	54,229	411	263,330
-	-	-	-	-	3,162
-	-	-	-	-	73,674
-	-	-	-	-	12,748
-	-	-	20,000	-	65,000
-	-	-	2,600	-	33,764
-	-	-	47,553	-	51,556
-	-	-	-	-	16,649
-	-	-	70,153	-	256,553
-	420	554	(15,924)	411	6,777
-	-	14,000	10,000	5,000	129,000
-	-	-	-	-	(3,000)
-	-	14,000	10,000	5,000	126,000
-	420	14,554	(5,924)	5,411	132,777
-	21,524	49,642	91,591	22,021	580,989
<u>\$ -</u>	<u>\$ 21,944</u>	<u>\$ 64,196</u>	<u>\$ 85,667</u>	<u>\$ 27,432</u>	<u>\$ 713,766</u>

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## **SUPPLEMENTARY INFORMATION**

**City of Eden Valley**  
**Schedule of Accounts Receivable**  
**December 31, 2019**

<u>Fund</u>	<u>Source of Revenue</u>	<u>Purpose</u>	<u>Amount</u>
2012 MN HWY 22 Improvement Debt Service	Stearns County	January tax settlement	\$ 560
2012 MN HWY 22 Improvement Debt Service	Meeker County	January tax settlement	388
Lions Park	EVW Lions	Lions Park	4,000
Capital Improvement	Stearns County	January tax settlement	5
General	Arvig	Franchise fees	2,852
General	Stearns County	January tax settlement	4,268
General	Meeker County	Fines	167
General	Meeker County	January tax settlement	3,268
Sewer	Various	Utility billing	16,853
Water	Eden Valley Food Shelf	WAC Charge	1,000
Water	Eden Valley Food Shelf	Meter	200
Water	Thielen Excavating	Bulk Water Sales	285
Water	TDI Cable	Bulk Water Sales	159
Water	City of Watkins	Water sales	10,510
Water	Various	Utility billing	21,568
Total			<u>\$ 66,083</u>



**City of Eden Valley**  
**Schedule of Accounts Payable and Contingent Liabilities**  
**December 31, 2019**

<u>Fund</u>	<u>Vendor Name</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Arvig	Supplies	\$ 155
General	Comdata	Supplies	595
General	Crystal Pastien	Painting	150
General	Customized Fire Rescue Training	Training	600
General	Eden Valley Lumber	City hall construction	14,304
General	Jack's Oil Distributing	Gas & supplies	734
General	KRD	Services	10
General	Kimball Parts	Supplies	38
General	Landscaping Plus	Snow removal	900
General	Meeker County Sheriff	Radio charges	900
General	Meeker County Court Services	Services	110
General	Rinke Noonan	Legal	656
General	Toms Carpet Kingdom	Supplies	3,751
General	Judy Thielen	Services	200
General	Vicki Peschon	Services	280
General	West Central Communications	Speakers	121
Business Incentives	Ehlers	Bond services	750
Capital Improvements	R.L. Larson Excavating	Retainage	4,132
Water	Bayerl Water Resource	Services	3,497
Water	Comdata	Supplies	8
Water	City of Watkins	Treatment plant	1,986
Water	Ertl Hardware	Supplies	21
Water	Gopher State One-Call	Services	3
Water	R.L. Larson Excavating	Retainage	24,234
Sewer	Gopher State One-Call	Services	3
Sewer	R.L. Larson Excavating	Retainage	26,215
Total			<u>\$ 84,353</u>