

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

Basis Financial Statements

December 31, 2024

**City of Eden Valley
Enterprise Funds
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**City of Eden Valley
Enterprise Funds
Elected Officials and Administration
December 31, 2024**

| <u>Elected Officials</u> | <u>Position</u> | <u>Term Expires</u> |
|---------------------------|----------------------|---------------------|
| Brent Bengtson | Mayor | December 31, 2024 |
| Pat Becker | Council Member | December 31, 2024 |
| Troy Huschle | Council Member | December 31, 2024 |
| Anne Fischhaber | Council Member | December 31, 2026 |
| Michael Kleven | Council Member | December 31, 2026 |
| <u>Administration</u> | | |
| Cindy Anderson | City Clerk/Treasurer | Appointed |

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Water and Sewer Enterprise Funds (Enterprise Funds) of City of Eden Valley, Minnesota, as of and for the year ended December 31, 2024, and the related notes to basic financial statements, as listed in the Table of Contents.

In our opinion the accompanying financial statements present fairly, in all material respects, the respective financial position of the Enterprise Funds of the City of Eden Valley, Minnesota, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Eden Valley, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to in the first paragraph present only Enterprise Funds and do not purport to, and do not present fairly, the financial position of the City as of December 31, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Eden Valley's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Eden Valley's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Eden Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Eden Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Required Supplementary Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2025, on our consideration of the City of Eden Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
April 2, 2025

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BASIC FINANCIAL STATEMENTS

City of Eden Valley
Enterprise Funds
Statement of Net Position - Proprietary Funds
December 31, 2024

| | Water (510) | Sewer (520) | Total |
|--|---------------------|---------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and investments (including cash equivalents) | \$ 1,290,396 | \$ 377,619 | \$ 1,668,015 |
| Special assessments receivable | | | |
| Delinquent | 534 | 992 | 1,526 |
| Deferred | 1,002 | 2,073 | 3,075 |
| Accounts receivable | 44,079 | 23,141 | 67,220 |
| Lease receivable | - | 22,000 | 22,000 |
| Due from other governments | 38 | 35 | 73 |
| Prepaid expenses | 9,657 | 9,710 | 19,367 |
| Total current assets | <u>1,345,706</u> | <u>435,570</u> | <u>1,781,276</u> |
| Noncurrent assets | | | |
| Capital assets not being depreciated | | | |
| Land and land improvements | 12,399 | 230,739 | 243,138 |
| Construction in progress | 59,950 | - | 59,950 |
| Capital assets being depreciated | | | |
| Buildings | 19,247 | 136,127 | 155,374 |
| Systems and other improvements | 4,710,380 | 6,755,537 | 11,465,917 |
| Furniture, machinery, and equipment | 72,468 | 27,083 | 99,551 |
| Total capital assets | <u>4,874,444</u> | <u>7,149,486</u> | <u>12,023,930</u> |
| Less accumulated depreciation | <u>(1,271,319)</u> | <u>(3,459,467)</u> | <u>(4,730,786)</u> |
| Net capital assets | <u>3,603,125</u> | <u>3,690,019</u> | <u>7,293,144</u> |
| Total assets | <u>4,948,831</u> | <u>4,125,589</u> | <u>9,074,420</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows of resources related to pension activity | 5,189 | 3,446 | 8,635 |
| Total assets and deferred outflows of resources | <u>\$ 4,954,020</u> | <u>\$ 4,129,035</u> | <u>\$ 9,083,055</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts/Contracts payable | \$ 18,108 | \$ 884 | \$ 18,992 |
| Salaries and benefits payable | 440 | 294 | 734 |
| Interest payable | 4,315 | 9,140 | 13,455 |
| Compensated absences payable - current | 6,671 | 4,550 | 11,221 |
| PFA loans payable - due within one year | 82,000 | 173,000 | 255,000 |
| G.O. revenue note payable - due within one year | 6,500 | 6,500 | 13,000 |
| Total current liabilities | <u>118,034</u> | <u>194,368</u> | <u>312,402</u> |
| Noncurrent liabilities | | | |
| PFA loans payable - due within more than one year | 1,887,317 | 2,301,999 | 4,189,316 |
| Net pension liability | 27,602 | 18,332 | 45,934 |
| Total noncurrent liabilities | <u>1,914,919</u> | <u>2,320,331</u> | <u>4,235,250</u> |
| Total liabilities | <u>2,032,953</u> | <u>2,514,699</u> | <u>4,547,652</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows of resources related to pension activity | 22,607 | 15,014 | 37,621 |
| Net Position | | | |
| Net investment in capital assets | 1,627,308 | 1,230,520 | 2,857,828 |
| Restricted | 81,328 | - | 81,328 |
| Unrestricted | 1,189,824 | 368,802 | 1,558,626 |
| Total net position | <u>2,898,460</u> | <u>1,599,322</u> | <u>4,497,782</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 4,954,020</u> | <u>\$ 4,129,035</u> | <u>\$ 9,083,055</u> |

See notes to basic financial statements.

City of Eden Valley
Enterprise Funds
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2024

| | Water (510) | Sewer (520) | Total |
|---|---------------------|---------------------|---------------------|
| Operating Revenues | | | |
| Charges for services | \$ 441,649 | \$ 280,260 | \$ 721,909 |
| Connection fees | 4,515 | - | 4,515 |
| Total operating revenues | <u>446,164</u> | <u>280,260</u> | <u>726,424</u> |
| Operating Expenses | | | |
| Salaries and benefits | 105,692 | 77,622 | 183,314 |
| Operating supplies | 18,122 | 12,427 | 30,549 |
| Repairs and maintenance | 5,363 | 10,804 | 16,167 |
| Professional services | 25,487 | 38,418 | 63,905 |
| Utilities | 21,373 | 13,184 | 34,557 |
| Depreciation | 100,636 | 119,738 | 220,374 |
| Miscellaneous expenses | 8,887 | 5,915 | 14,802 |
| Total operating expenses | <u>285,560</u> | <u>278,108</u> | <u>563,668</u> |
| Operating income | 160,604 | 2,152 | 162,756 |
| Nonoperating Revenues (Expenses) | | | |
| Investment income | 57,772 | 23,033 | 80,805 |
| Miscellaneous revenue | 1,248 | 36,778 | 38,026 |
| Interest expense | (13,565) | (28,875) | (42,440) |
| Other | (1) | (2,141) | (2,142) |
| Gain on disposal of capital assets | - | 345 | 345 |
| Total nonoperating revenues (expenses) | <u>45,454</u> | <u>29,140</u> | <u>74,594</u> |
| Change in net position | 206,058 | 31,292 | 237,350 |
| Net Position | | | |
| Beginning of year | <u>2,692,402</u> | <u>1,568,030</u> | <u>4,260,432</u> |
| End of year | <u>\$ 2,898,460</u> | <u>\$ 1,599,322</u> | <u>\$ 4,497,782</u> |

City of Eden Valley
Enterprise Funds
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2024

| | Water (510) | Sewer (520) | Total |
|--|---------------------|-------------------|---------------------|
| Cash Flows - Operating Activities | | | |
| Receipts from customers and users | \$ 446,051 | \$ 279,234 | \$ 725,285 |
| Payments to suppliers | (82,079) | (83,617) | (165,696) |
| Payments to employees | (102,749) | (74,895) | (177,644) |
| Net cash flows - operating activities | <u>261,223</u> | <u>120,722</u> | <u>381,945</u> |
| Cash Flows - Noncapital Financing Activities | | | |
| Miscellaneous revenue | <u>1,248</u> | <u>17,778</u> | <u>19,026</u> |
| Cash Flows - Capital and Related Financing Activities | | | |
| Principal paid on debt | (95,000) | (183,000) | (278,000) |
| Interest paid on debt | (13,987) | (29,714) | (43,701) |
| Acquisition of capital assets | (47,123) | (31,105) | (78,228) |
| Net cash flows - capital and related financing activities | <u>(156,110)</u> | <u>(243,819)</u> | <u>(399,929)</u> |
| Cash Flows - Investing Activities | | | |
| Interest and dividends received | <u>57,772</u> | <u>23,033</u> | <u>80,805</u> |
| Net change in cash and cash equivalents | 164,133 | (82,286) | 81,847 |
| Cash and Cash Equivalents | | | |
| Beginning of year | <u>1,126,263</u> | <u>459,905</u> | <u>1,586,168</u> |
| End of year | <u>\$ 1,290,396</u> | <u>\$ 377,619</u> | <u>\$ 1,668,015</u> |
| Reconciliation of Operating Income (Loss) | | | |
| to Net Cash Flows - Operating Activities | | | |
| Operating income | \$ 160,604 | \$ 2,152 | \$ 162,756 |
| Adjustments to reconcile operating income (loss) | | | |
| to net cash flows - operating activities | | | |
| Depreciation expense | 100,636 | 119,738 | 220,374 |
| Net pension liability expense | 3,083 | 3,490 | 6,573 |
| Accounts receivable | (1,060) | (1,702) | (2,762) |
| Special assessments receivable | 985 | 711 | 1,696 |
| Due from other governments | (38) | (35) | (73) |
| Prepaid items | (2,706) | (1,092) | (3,798) |
| Accounts payable | 490 | (1,468) | (978) |
| Salaries payable | (1,187) | (1,443) | (2,630) |
| Compensated absences payable | 416 | 371 | 787 |
| Total adjustments | <u>100,619</u> | <u>118,570</u> | <u>219,189</u> |
| Net cash flows - operating activities | <u>\$ 261,223</u> | <u>\$ 120,722</u> | <u>\$ 381,945</u> |

See notes to basic financial statements.

**City of Eden Valley
Enterprise Funds
Notes to Basic 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 basic financial statements present the government entities for which the government is considered to be financially accountable.

The accounting policies of the enterprise funds activities conform to accounting principles generally accepted in the United States of America

B. Basis of Reporting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

Description of Funds:

Proprietary Funds:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position

1. Cash and Investments

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn.

2. Capital Assets

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

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

Capital assets of the City are depreciated using the straight-line method for 3 to 50 years depending on the classification. Capital assets not being depreciated include land and construction in progress.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Vacation and Sick Leave

The City compensates employees who either retire or terminate for their unused vacation time, and 50% of sick leave for this who have been employed for more than 15 years. As of December 31, 2024, the total liability for vacation and sick pay was \$11,221 in the Water and Sewer Funds.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

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

5. Long-Term Obligations

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

6. Net Position

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

E. Use of Estimates

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has adopted a deposit policy to address custodial credit risk for deposits that matches *Minnesota Statutes* requirement that deposits are collateralized at 110% of excess over Federal Deposit Insurance Corporation (FDIC) insurance. As of December 31, 2024, 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, 2024, the City had deposits as follows:

| | |
|--------------------------|------------|
| Checking | \$ 400,641 |
| Certificates of Deposits | 217,881 |
| Total Deposits | \$ 618,522 |

B. Investments

As of December 31, 2024, 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 | \$ 1,231,492 | \$ 165,295 | \$ 529,498 | \$ 536,699 | N/A |
| Brokered money market | 35,610 | 35,610 | - | - | N/A |
| 4M and 4M Plus funds | 2,878,531 | 2,878,531 | - | - | N/A |
| Total pooled investments | \$ 4,145,633 | \$ 3,079,436 | \$ 529,498 | \$ 536,699 | |

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
Enterprise Funds
Notes to Basic Financial Statements**

NOTE 2 - 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.

Custodial Credit Risk - Investments: 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, 2024:

- Investments of \$1,231,492 are valued using an IDC Market Closing Price 2 (Level 2 inputs) at RBC.

C. Deposits and Investments

Total deposits and investments are as follows:

| | | |
|------------------------------------|--------|-----------------------------|
| Petty cash | \$ | 300 |
| Total deposits | | 618,522 |
| Total investments | | <u>4,145,633</u> |
| Total deposits and investments | \$ | <u><u>4,764,455</u></u> |

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are classified in the December 31, 2024, financial statements as follows:

Statement of Balances Arising from Cash

Transactions - Governmental Funds

| | |
|----------------------|--------------|
| Cash and investments | \$ 3,096,440 |
|----------------------|--------------|

Statement of Net Position - Proprietary Funds

| | |
|-----------------------------------|-----------|
| Cash and investments - Water Fund | 1,290,396 |
|-----------------------------------|-----------|

| | |
|-----------------------------------|----------------|
| Cash and investments - Sewer Fund | <u>377,619</u> |
|-----------------------------------|----------------|

| | |
|-------|----------------------------|
| Total | <u><u>\$ 4,764,455</u></u> |
|-------|----------------------------|

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-----------------|---------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 243,138 | \$ - | \$ - | \$ 243,138 |
| Construction in progress | - | 59,950 | - | 59,950 |
| Total capital assets not Being depreciated | <u>243,138</u> | <u>59,950</u> | <u>-</u> | <u>303,088</u> |
| Capital assets being depreciated | | | | |
| Buildings | 155,374 | - | - | 155,374 |
| Distribution systems | 11,439,880 | 31,105 | 5,068 | 11,465,917 |
| Equipment | 99,551 | - | - | 99,551 |
| Total capital assets being depreciated | <u>11,694,805</u> | <u>31,105</u> | <u>5,068</u> | <u>11,720,842</u> |
| Less accumulated depreciation for | | | | |
| Buildings | 150,234 | 1,713 | - | 151,947 |
| Distribution systems | 4,273,668 | 207,258 | 2,413 | 4,478,513 |
| Equipment | 88,923 | 11,403 | - | 100,326 |
| Total accumulated depreciation | <u>4,512,825</u> | <u>220,374</u> | <u>2,413</u> | <u>4,730,786</u> |
| Total capital assets being depreciated, net | <u>7,181,980</u> | <u>(189,269)</u> | <u>2,655</u> | <u>6,990,056</u> |
| Capital assets, net | <u>\$ 7,425,118</u> | <u>\$ (129,319)</u> | <u>\$ 2,655</u> | <u>\$ 7,293,144</u> |

Depreciation expense was charged to the following funds:

| | |
|---------------------------------------|-------------------|
| Water | \$ 100,636 |
| Sewer | <u>119,738</u> |
| Total depreciation - enterprise funds | <u>\$ 220,374</u> |

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

NOTE 4 - LONG-TERM DEBT

A. Components of Long-Term Liabilities

The following is a summary of bonds payable transactions of the Enterprise Funds for the year ended December 31, 2024.

| | Issue Year | Interest Rate | Original Issue | Final Maturity | Principal Outstanding | Due Within One Year |
|---|---------------|------------------|-------------------|-------------------|--------------------------|------------------------|
| Long-term liabilities | | | | | | |
| PFA G.O. Drinking Water Revenue Note | 2009 | 1.00% | \$ 286,461 | 2029 | \$ 77,000 | \$ 15,000 |
| PFA G.O. Clean Water Sewer Revenue Note | 2009 | 1.74% | 660,457 | 2029 | 185,000 | 36,000 |
| PFA Drinking Water Forgivable Grant | 2013 | 0.00% | 697,316 | 2033 | 697,316 | - |
| PFA G.O. Drinking Water Revenue Note | 2013 | 1.00% | 174,329 | 2033 | 83,000 | 9,000 |
| PFA G.O. Clean Water Sewer Revenue Note | 2013 | 1.46% | 470,625 | 2033 | 231,000 | 24,000 |
| G.O. Sewer Revenue Note, Series 2017A | 2017 | 2.75% | 90,000 | 2025 | 6,500 | 6,500 |
| G.O. Water Revenue Note, Series 2017A | 2017 | 2.75% | 90,000 | 2025 | 6,500 | 6,500 |
| PFA G.O. Drinking Water Revenue Note | 2018 | 1.00% | 172,923 | 2038 | 94,000 | 6,000 |
| PFA G.O. Clean Water Sewer Revenue Note | 2018 | 1.00% | 799,239 | 2038 | 505,000 | 34,000 |
| G.O. Drinking Water State Revenue Note | 2021 | 1.00% | 1,285,832 | 2042 | 1,018,000 | 52,000 |
| G.O. Clean Water State Revenue Note | 2021 | 1.00% | 1,925,380 | 2042 | 1,554,000 | 79,000 |
| Compensated absences | | | | | <u>11,221</u> | <u>11,221</u> |
| Total long-term liabilities | | | | | <u>\$ 4,468,537</u> | <u>\$ 279,221</u> |

On September 11, 2013, the City received a PFA Drinking Water Forgivable Grant that is required to be repaid by the City if conditions of the agreement are not met. At December 31, 2024, 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, 2024, the City had only expended \$131,924 of this PFA Drinking Water Revolving Loan. This was the final draw on this note and the amortization schedule included on page 19 represents the final note liability of \$131,924.

On August 9, 2018, the City issued a \$799,239 G.O. Sewer Revenue Note through the Minnesota PFA. At December 31, 2024, the City had only expended \$697,495 of this PFA Clean Water Revolving Loan. This was the final draw on this note and the amortization schedule included on page 19 represents the final note liability of \$697,495.

On September 16, 2021, the City issued a \$1,925,380 G.O. Clean Water Revenue Note through the Minnesota PFA. At December 31, 2024, the City had only expended \$1,748,608 of this PFA Clean Water Revolving Loan. This was the final draw on this note and the amortization schedule included on page 19 represents the final note liability of \$1,748,608.

On September 16, 2021, the City issued a \$1,285,832 G.O. Drinking Water Revenue Note through the Minnesota PFA. At December 31, 2024, the City had only expended \$1,150,135 of this PFA Drinking Water Revolving Loan. This was the final draw on this note and the amortization schedule included on page 19 represents the final note liability of \$1,150,135.

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

NOTE 4 - LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The Water Fund is responsible for payment of the PFA Drinking Water Revenue Notes, the Sewer Fund is responsible for payment of the PFA Clean Water Revenue Notes.

The following is a summary of bonds payable transactions of the business-type activities for the year ended December 31, 2024.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------------------|----------------------|------------------|---------------------|---------------------|
| Business-type activities | | | | |
| PFA G.O. forgivable grant | \$ 697,316 | \$ - | \$ - | \$ 697,316 |
| PFA G.O. revenue notes/loan grant | 3,999,000 | - | (252,000) | 3,747,000 |
| G.O. utility revenue note | 39,000 | - | (26,000) | 13,000 |
| Compensated absences | 10,434 | 11,221 | (10,434) | 11,221 |
| | <u>\$ 4,745,750</u> | <u>\$ 11,221</u> | <u>\$ (288,434)</u> | <u>\$ 4,468,537</u> |
| Total long-term liabilities | | | | |

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

| Year Ending December 31, | Notes from Direct Borrowing | | |
|-----------------------------|-----------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2025 | \$ 255,000 | \$ 40,301 | \$ 295,301 |
| 2026 | 258,000 | 37,341 | 295,341 |
| 2027 | 260,000 | 34,330 | 294,330 |
| 2028 | 265,000 | 31,309 | 296,309 |
| 2029 | 267,000 | 28,214 | 295,214 |
| 2030-2034 | 1,062,000 | 102,486 | 1,164,486 |
| 2035-2039 | 919,000 | 50,190 | 969,190 |
| 2040-2042 | 461,000 | 9,480 | 470,480 |
| | <u>\$ 3,747,000</u> | <u>\$ 333,651</u> | <u>\$ 4,080,651</u> |
| Total | | | |

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

NOTE 4 - LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

| <u>Year Ending December 31,</u> | <u>G.O. Utility Revenue Note</u> | | |
|-------------------------------------|----------------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2025 | \$ 13,000 | \$ 179 | \$ 13,179 |
| Total | <u>\$ 13,000</u> | <u>\$ 179</u> | <u>\$ 13,179</u> |

NOTE 5 - PENSION PLANS

Public Employees' Retirement Association

The Water and Sewer Funds typically liquidate the Liability related to the pensions.

A. Plan Description

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

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month unless the employee meets exclusion criteria.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is vested, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

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

NOTE 5 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or a age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.5% for General Plan members. The City's Enterprise Fund contributions to the General Employees Fund for the year ended December 31, 2024, were \$7,875. The City's contributions were equal to the required contributions as set by state statute.

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

NOTE 5 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$45,934 for its Enterprise Funds proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,188.

| | |
|--|-------------------------|
| Enterprise Funds' proportionate share of the net pension liability | \$ 45,934 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | <u>1,188</u> |
| Total | <u><u>\$ 47,122</u></u> |

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the Enterprise Funds' proportionate share was 0.00124% at the end of the measurement period and 0.00111% for the beginning of the period.

For the year ended December 31, 2024, the Enterprise Funds' recognized pension expense of \$16,593 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the Enterprise Funds recognized \$32 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Enterprise Funds recognized \$2,113 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

NOTE 5 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2024, the Enterprise Funds reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the sources below:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 4,447 | \$ - |
| Changes in actuarial assumptions | 251 | 18,438 |
| Net difference between projected and actual investment earnings | - | 13,087 |
| Changes in proportion | - | 6,096 |
| Contributions paid to PERA subsequent to the measurement date | 3,937 | - |
| Total | \$ 8,635 | \$ 37,621 |

The \$3,937 reported as deferred outflows of resources related to pensions resulting from the Enterprise Funds' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | Pension Expense Amount |
|-----------------------------|------------------------------|
| 2025 | \$ (17,838) |
| 2026 | (4,371) |
| 2027 | (7,193) |
| 2028 | (3,521) |
| Total | \$ (32,923) |

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

NOTE 5 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 33.5 % | 5.10 % |
| International equity | 16.5 | 5.30 |
| Fixed income | 25.0 | 0.75 |
| Private markets | 25.0 | 5.90 |
| Total | <u>100.0 %</u> | |

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% was within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

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

NOTE 5 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: Increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 5 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate (6%) | Current Discount Rate (7%) | 1% Increase in Discount Rate (8%) |
|---|---|----------------------------------|---|
| Enterprise Funds' proprionate share of the General Employees Fund net pension liability | \$ 100,325 | \$ 45,934 | \$ 1,191 |

I. Pension Plan Fiduciary Net Position

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

NOTE 6 - LEASE RECEIVABLE

The City leases land for agricultural use. The lease with Ru-be Dairy commenced on January 1, 2024, for 3 years with annual rent of \$11,000. As of December 31, 2024, the city has a lease receivable of \$22,000.

NOTE 7 - RISK MANAGEMENT

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

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

NOTE 7 - RISK MANAGEMENT (CONTINUED)

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, 2024, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

NOTE 8 - NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 102, *Certain Risk Disclosures*. The disclosures required by this Statement will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. This Statement will be effective for the year ending December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities. This Statement will be effective for the year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending December 31, 2026.

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REQUIRED SUPPLEMENTARY INFORMATION

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

| Fiscal Year Ended June 30, | City's Proportionate Share (Percentage) of the Net Pension Liability (Asset) | City's Proportionate Share (Amount) of the Net Pension Liability (Asset) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City | City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City | City's Covered- Employee Payroll | City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|----------------------------------|---|---|--|--|--|---|--|
| 2015 | 0.0010% | \$ 52,865 | \$ - | \$ 52,865 | \$ 59,516 | 88.82% | 78.19% |
| 2016 | 0.0012% | 96,261 | 1,281 | 97,542 | 74,470 | 129.26% | 68.91% |
| 2017 | 0.0014% | 88,452 | 1,117 | 89,569 | 89,690 | 98.62% | 75.90% |
| 2018 | 0.0013% | 69,966 | 2,288 | 72,254 | 85,577 | 81.76% | 79.53% |
| 2019 | 0.0011% | 61,183 | 1,900 | 63,083 | 78,403 | 78.04% | 80.23% |
| 2020 | 0.0011% | 62,654 | 1,935 | 64,589 | 74,535 | 84.06% | 79.06% |
| 2021 | 0.0010% | 43,392 | 1,327 | 44,719 | 72,925 | 59.50% | 87.00% |
| 2022 | 0.0011% | 87,854 | 2,583 | 90,437 | 84,050 | 104.53% | 76.67% |
| 2023 | 0.0011% | 62,154 | 1,723 | 63,877 | 87,557 | 70.99% | 86.47% |
| 2024 | 0.0012% | 45,934 | 1,188 | 47,122 | 105,160 | 43.68% | 89.08% |

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

| Fiscal Year Ended December 31, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | City's Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|--------------------------------------|---|---|--|--|---|
| 2015 | \$ 4,460 | \$ 4,460 | \$ - | \$ 59,467 | 7.5% |
| 2016 | 5,962 | 5,962 | - | 79,493 | 7.5% |
| 2017 | 6,826 | 6,826 | - | 91,013 | 7.5% |
| 2018 | 6,624 | 6,624 | - | 88,320 | 7.5% |
| 2019 | 5,285 | 5,285 | - | 70,467 | 7.5% |
| 2020 | 5,635 | 5,635 | - | 75,133 | 7.5% |
| 2021 | 5,661 | 5,661 | - | 75,480 | 7.5% |
| 2022 | 6,151 | 6,151 | - | 82,013 | 7.5% |
| 2023 | 6,506 | 6,506 | - | 86,747 | 7.5% |
| 2024 | 7,875 | 7,875 | - | 105,000 | 7.5% |

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

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: Increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.

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

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

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

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.