

**CITY OF ELKO NEW MARKET  
CITY COUNCIL WORK SESSION AGENDA  
CITY OF ELKO NEW MARKET  
601 MAIN STREET  
ELKO NEW MARKET, MINNESOTA  
THURSDAY, JULY 23, 2020**

**6:00 PM**

**The City Administrator has determined it is not practical or prudent to conduct an in-person City Council meeting due to the local state of emergency and social distancing guidelines. Accordingly, City Council will participate in this meeting via an electronic meeting and the City Council meeting will be conducted under Minnesota Statutes section 13D.021 at the date and time stated above. To the extent practical, members of the public may attend the meeting by utilizing this link:**

<https://us02web.zoom.us/j/83043410960>

- 1. Call to Order**
- 2. Presentations**
- 3. Reports**
- 4. General Discussion**
  - a. 2021 Budget Goals and Priorities Discussion
- 5. Reports (Cont'd)**
  - a. Reports from the Business Agenda may be presented if time permits
- 6. Adjournment**



# STAFF MEMORANDUM

<b>SUBJECT:</b>	2021 Budget Goals and Priorities
<b>MEETING DATE:</b>	July 23, 2020
<b>PREPARED BY:</b>	Thomas Terry, City Administrator
<b>REQUESTED ACTION:</b>	Direction to Staff

## COMMUNITY VISION:

- A mature growing freestanding suburb of the Twin Cities Metropolitan Area, preserving historic landmarks and small town character while providing suburban amenities and services, as well as full range of employment, housing, business, service, social, technology infrastructure and recreational opportunities for citizens and visitors
- Promote a diverse commercial base including light industrial and facilitating planned redevelopment which will be aesthetically pleasing with architectural standards that promotes quality development
- Provide a full range of municipal services to its residents. The City will allocate sufficient resources to meet the growing needs of the community
- A comprehensive park and trails system that will have sufficient facilities, play fields and open space to meet the needs of residents
- An effective and efficient transportation system, including access to the greater metropolitan area, transit opportunities, and improved connectivity to the interstate
- Provide community oriented local government and be financially sound, engaging in long-term financial planning to provide municipal services without undue burden on tax payers

## 5 YEAR GOALS:

- Diverse tax base, employment opportunities, additional businesses and services, promote high quality broad spectrum of residential development
- Advance "shovel ready" status of areas guided for commercial and industrial development
- Acquisition of land for public purposes, position City to take advantage of land acquisition opportunities
- Enhance quality of life through parks, trails, recreational programming and cultural events
- The development of residential lots and an increase in residential building permit activity

## COMMUNITY ORIENTED LOCAL GOVERNMENT:

- Community Involvement
- Organizational Improvement
- Problem Solving
- Performance Measurement
- Professionalism

**BACKGROUND**

The purpose of the workshop is to provide background information and discuss factors impacting the 2021 budget, seek Council input on goals and priorities within the 2021 budget, as well as provide direction on the maximum tax impact assumption for preparing the draft budget. These parameters will be used in preparing the draft 2021 Budget.

In preparation for the workshop, Councilmembers should be prepared to answer the following key questions:

1. What goals would you like to accomplish within the 2021 budget? *Examples: increase financial flexibility, increase level of police service, increase recreational programming, purchase specific equipment, land acquisition or facility improvements, etc.*
2. How would you rank or prioritize your goals for the 2021 budget? *Examples: increased financial flexibility is more important than increasing the level of police service, hiring a police officer is more important than expanding recreational programming, etc.*
3. What is the acceptable maximum average estimated tax impact for the 2021 budget? *Examples: no more than 5% increase in tax impact, increase in tax impact should not exceed inflation, no increase in tax impact, 1% decrease in tax impact, etc.*

Things that we know:

The City Council directed a \$20,000 annual incremental increase for 318 Debt Service Fund. Additionally, the Council has discussed the potential need for additional debt levy for recent capital projects and purchases due to the limitations of the Capital Project Fund to fully cover the debt service.

As part of the goals and priorities discussion for the 2021 budget, Council has directed Staff to assume the position of a new Police Officer. The estimated annual expense is \$83,714.33 for salary, benefits and other ancillary costs (training, etc.). The estimated impact to the General Fund is provided below. Estimated potential budget impact for this position is 4.3%.

		Police Officer
Full-time Employee	101-42000-101	\$64,639.42
PERA	101-42000-121	\$3,393.57
FICA & Medicare	101-42000-122	\$3,461.44
ER Paid Insurance	101-42000-131	8,129.90
Training & Conferences	101-42400-332	1,000.00
Travel Expense	101-42400-331	-
Uniforms		3,000.00
Weapon		
Dues and Subscriptions	101-42400-433	90.00
Fuel		
		<b>83,714.33</b>

In addition, Staff has discussed with Council the need for additional levy to service the debt not covered by the Capital Projects Fund.

Other potential impacts:

The City will be renegotiating the fire contracts with Cedar Lake Township and New Market Township this year. There is a potential formula change to the Fire Department allocation with Cedar Lake Township and New Market Township. At this point we know the increase would be \$4,765 with normal changes based on the current formula. If the formula is modified to exclude I-35 calls it would reduce the call load for New Market Township resulting in an increase of \$11,372 for Elko New Market. Also, the City will be renegotiating the Memorandum of Understanding with the Fire Relief Association regarding the fire pension contribution. Furthermore, the reserves in the Fire Fund have been depleted, so there will need to be a discussion about budgeting for a contingency. The City's Fiscal Policies state that the City will maintain reserves in its Fire Fund at the minimum level required to provide adequate working capital for current expenditures needs of 35%. Discussion will be required related to what the plan and strategy will be for rebuilding the reserves. Staff would recommend that we budget for reserves consistent with the City's fiscal policies of \$10,645.

The City is currently undergoing a Classification and Compensation Study. These results when received could mean potential increases for employees. This will need to be discussed when the City receives the results and more information is available.

Again, the intent of this workshop is to initiate the discussion regarding the goals, priorities and tax impact parameters for the purpose of preparing the draft 2020 budget. This workshop is focused on providing background information and answering Council questions. It is intended to serve as the starting point for the discussion. Again, Council direction on goals, priorities and tax impact parameters are not final and used for the purpose of preparing a draft budget that will be reviewed by the City Council at a subsequent meeting.

Please contact the City Administrator with any questions regarding the matter in this memorandum (952-461-2777).

**CITY OF ELKO NEW MARKET  
CITY COUNCIL AGENDA  
ELKO NEW MARKET CITY HALL  
601 MAIN STREET  
ELKO NEW MARKET, MINNESOTA 55054  
THURSDAY, JULY 23, 2020**

**BUSINESS MEETING  
7:00 PM**

The City Administrator has determined it is not practical or prudent to conduct an in-person City Council meeting due to the local state of emergency and social distancing guidelines. Accordingly, City Council will participate in this meeting via an electronic meeting and the City Council meeting will be conducted under Minnesota Statutes section 13D.021 at the date and time stated above. To the extent practical, members of the public may attend the meeting by utilizing this link:

<https://us02web.zoom.us/j/83043410960>

**1. Call to Order**

**2. Pledge of Allegiance**

**3. Adopt/Approve Agenda**

**4. Presentations, Proclamations and Acknowledgements (PP&A)**

- a. Audit of 2019 Fiscal Year

**5. Public Comment**

*Individuals may address the Council about any item not contained on the regular agenda. The Council may limit the time allotted to each individual speaker. A maximum of 15 minutes will be allotted for Public Comment. If the full 15 minutes are not needed for Public Comment, the City Council will continue with the agenda. The City Council will not normally take any official action on items discussed during Public Comment, with the exception of referral to staff or commission for future report.*

**6. Consent Agenda**

*All matters listed under consent agenda are considered routine by the City Council and will be acted on by one motion in the order listed below. There may be an explanation, but no separate discussion on these items. If discussion is desired, that item will be removed from the consent agenda and considered separately.*

- a. Approve July 9, 2020 Minutes of the City Council Meeting
- b. Approve Payment of Claims and Electronic Transfer of Funds
- c. Adopt Resolution 20-38 Approving Independent Auditors' Report for the City of Elko New Market
- d. Adopt Resolution 20-39 Approving Transfer of Funds

**7. Public Hearings**

**8. General Business**

## **9. Reports**

- a. Administration
  - i. Council Meeting Format
  - ii. Discussion Regarding the Reduction of On-Sale Liquor Licensing Fees
- b. Public Works
- c. Fire Department
- d. Engineering
- e. Community Development
- f. Parks Department
  - i. Draft Parks & Recreation Commission Minutes of July 14, 2020 Meeting
- g. Community & Civic Events Committee (CCEC)
- h. Other Committee and Board Reports
  - i. Legislative Policy Committee Updates
  - ii. Scott County Association for Leadership and Efficiency (SCALE)
    - Executive Committee
    - Service Delivery Committee
    - Unified Transit Plan Steering Committee
  - iii. Minnesota Valley Transit Authority (MVTA)
  - iv. I35 Solutions Alliance
  - v. Chamber of Commerce

## **10. Discussion by Council**

## **11. Adjournment**

**1) CALL TO ORDER**

The meeting was called to order by Mayor Julius at 5:30 p.m.

Members Present: Mayor Julius, Councilmembers: Timmerman, Berg, Seepersaud and Novak

Members Absent: None

Also Present: City Administrator/Clerk Terry, Police Chief Juell, Community Development Specialist Christianson, City Planner Sevening, Assistant City Administrator Nagel, City Attorney Poehler, Public Works Superintendent Schweich, Deputy Clerk Jirak and City Engineer Revering

**2) PRESENTATIONS**

None.

**3) REPORTS**

None.

**4) GENERAL DISCUSSION**

Vision, Goals and Priority Policy Discussion Topics

City Administrator/Clerk Terry and City Planner Sevening gave a presentation on the purpose and process for reviewing the City's vision and priority goals and asked the Council to prioritize future policy discussion topics.

Council Directed Staff to make the following changes to the vision:

- Councilmember Novak clarified that the Vision Statement should have the word "tax" base included.
- Councilmembers reviewed and updated the list for identified issues.

Council directed Staff to make the following changes to the priority goals:

- Councilmembers directed reordering of the goals for better flow.
- Councilmembers directed the elimination of two goals which included:
  1. The acquisition of land for public purposes, including, but not limited to public utilities, library, parks and interchange rights-of-way. Position the City to take advantage of opportunities to acquire land for public purposes.
  2. Implement an asset management system for the long-term management, maintenance, and budgeting of municipal infrastructure.

The Council reviewed the list of policy discussion topics presented in the Staff memorandum. After Council discussion, nine topics were placed on the list for prioritization for discussion over the next 12-18 months:

- Asset Management System
- Public Communications
- Farmers Market

- Regional Presence and Influence
- Met Council SAC Surcharge
- Transit
- Community Park
- Health and Human Services (with Scott County)
- Local Business Resources

**5) REPORTS (Continued)**

No reports from the Business Agenda were presented.

**6) ADJOURNMENT**

The Work Session was adjourned at 6:57 p.m. for the City Council Business Meeting and resumed at 7:42 p.m. The Work Session was adjourned at 8:40 p.m.

# City Council Business Meeting

## JULY 9, 2020

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# MINUTES

### 1) CALL TO ORDER

The meeting was called to order by Mayor Julius at 7:00 p.m.

Members Present: Mayor Julius, Councilmembers: Timmerman, Berg, Seepersaud and Novak

Members Absent: None

Also Present: City Administrator/Clerk Terry, Police Chief Juell, Community Development Specialist Christianson, City Planner Sevening, Assistant City Administrator Nagel, City Attorney Poehler, Public Works Superintendent Schweich, Deputy Clerk Jirak and City Engineer Revering

### 2) PLEDGE OF ALLEGIANCE

Mayor Julius led the Council and audience in the Pledge of Allegiance.

### 3) ADOPT/APPROVE AGENDA

**MOTION** by Councilmember Timmerman, second by Councilmember Novak to approve the agenda.

**APIF, MOTION CARRIED**

### 4) PRESENTATION, PROCLAMATIONS AND ACKNOWLEDGEMENTS (PP&A)

None.

### 5) PUBLIC COMMENT

None.

### 6) CONSENT AGENDA

**MOTION** by Councilmember Timmerman, second by Councilmember Seepersaud to approve Consent Agenda.

- a. Approve June 25, 2020 Minutes of the City Council Meeting
- b. Approve Payment of Claims and Electronic Transfer of Funds
- c. Approve Plans and Specifications and Authorize Mayor to Sign Contract Webster Wetland Restoration
- d. Approve Plans and Specifications and Authorize Advertising for Bids - Rowena Park Outdoor Hockey Rink
- e. Authorize City Administrator to Sign and Submit CRF Certification Form to the State of Minnesota

**APIF, MOTION CARRIED**

### 7) PUBLIC HEARINGS

None

## 8) GENERAL BUSINESS

None

## 9) REPORTS

### a) Administration

#### Public Meeting Format

City Administrator/Clerk Terry advised the Council that there were no new changes with regards to guidelines from Governor Walz. Council directed keep current format of the City Council and other meetings as is.

#### Legislative Policy Committee Assignments

City Administrator/Clerk Terry asked the Council to discuss which meetings each councilmember will be attending. Councilmember Novak will be attending Municipal Finance Committee for Metro Cities and Fiscal Futures Committee for the League of MN Cities. Councilmember Berg will be attending Housing and Economic Development Committee and Transportation and General Government Committee for Metro Cities and Local Economies Committee for the League of MN Cities.

### b) Public Works

Monthly report included in Council Packet.

Public Works Superintendent Schweich updated the Council on the timeline for the roundabout construction. Sewer and water are done, grading should be taking place next week and curbing should be going in around the 27<sup>th</sup>.

### c) Police Department

Monthly report included in Council Packet.

Police Chief Juell provided an update to the Council on the following items:

- Special Vehicle permits.
- Updated Officer Brentan Carkhoff will be moving into final phase of training.
- Continuing COVID protocol.
- PD Addition progress is on schedule.
- Care package delivered from New Market Bank.
- Cancellation of Night to Unite.

City Administrator/Clerk Terry presented an aerial video of the Police Department construction project to date.

### d) Fire Department

None

### e) Engineering

None

### f) Community Development

Community Development Specialist Christianson updated council on Community Development activities.

City Administrator/Clerk Terry inquired about holding a joint meeting with the Planning Commission and the City Council on Housing Strategies. Council would like to meet jointly, if possible. A July 28 meeting is scheduled.

- g) Parks Department  
Monthly Parks and Recreation update included in Council Packet.

City Administrator/Clerk Terry updated the Council on the Veteran's Memorial at Wagner Park completed for a Scouts project. Council was forwarded pictures of the completed project.

- h) Community & Civic Events Committee (CCEC)  
None.

- i) Other Committee and Board Reports

Scott County Association for Leadership and Efficiency (SCALE)

None. Next meeting will be held remotely in August.

- Executive Committee – None.
- Service Delivery Committee - City Administrator/Clerk Terry gave a brief update on the last Service Delivery Committee Meeting which included discussion on Cares Act.
- Unified Transit Plan Steering Committee – None.

Minnesota Valley Transit Authority (MVTA)

None. Next meeting will be held on July 29<sup>th</sup>.

I35 Solutions Alliance Councilmember

Councilmember Berg updated the Council on the I-35 meeting held this morning which included passing the budget proposal and revising the Joint Powers Agreement that is done once a decade.

Chamber of Commerce

None.

**7) DISCUSSION BY COUNCIL**

None.

**8) ADJOURNMENT**

**MOTION** by Councilmember Novak, second by Councilmember Timmerman to adjourn the meeting at 7:42 p.m. **APIF, MOTION CARRIED**

Respectfully submitted by

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Lynda Jirak, Deputy Clerk



# STAFF MEMORANDUM

<b>SUBJECT:</b>	Presentation of Elko New Market Claims and Electronic Transfer of Funds
<b>MEETING DATE:</b>	July 23, 2020
<b>PREPARED BY:</b>	Stephanie Fredrickson, Administrative Assistant
<b>REQUESTED ACTION:</b>	Approve Payment of Current Claims

## COMMUNITY VISION:

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## 5 YEAR GOALS:

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## COMMUNITY ORIENTED LOCAL GOVERNMENT:

- Community Involvement
- Organizational Improvement
- Problem Solving
- Performance Measurement
- Professionalism

**BACKGROUND**

Each City Council meeting the Administrative Assistant presents for approval the Elko New Market Claims and Electronic Transfer of Funds.

A detail listing of work performed is being provided below for invoices by Consultants of City of Elko New Market. The invoices below are included for payment on the attached Check Summary Register.

Bolton & Menk, Inc.	<u>Amount</u>
• <u>CSAH 2/91 Roundabout</u>	<u>\$36,340.78</u>
Total	\$36,340.78

In addition, please find attached pay request #2 for Greystone Construction Company in the amount of \$313,717.55.

**BUDGET IMPACT:**

Budgeted

Attachments:

- Pay Request #2 – Greystone Construction Company
- Check Summary Register

LEO A DALY

PLANNING  
ARCHITECTURE  
ENGINEERING  
INTERIORS

ABU DHABI  
ATLANTA  
AUSTIN  
BEIJING  
CHICAGO  
COLLEGE STATION  
CORPUS CHRISTI  
DALLAS  
DAMMAM  
DOHA  
FORT WORTH  
HONG KONG  
HOUSTON  
LANSING  
LAS VEGAS  
LOS ANGELES  
MIAMI  
MILPITAS  
MINNEAPOLIS  
OAKLAND  
OMAHA  
ORANGE  
RIYADH  
SAN ANTONIO  
SAN MARCOS  
TAMPA  
WACO  
WASHINGTON DC  
WEST PALM BEACH

July 10, 2020

Tom Terry, City Administrator  
City of Elko New Market  
601 Main Street, P.O. Box 99  
Elko New Market, MN 55020  
[tterry@ci.enm.mn.us](mailto:tterry@ci.enm.mn.us)

Re: Elko New Market Police Department Addition  
Greystone Construction Payment Application #2 - Work through 06-30-2020

Dear Mr. Terry,

Leo A Daly has reviewed the attached Greystone Construction payment application #2, dated 07/01/2020, for the Elko New Market Police Department Addition project and find that the values are in line with the construction progress to date, and suggest payment be authorized.

Thank you and please contact me with any questions.

Sincerely,



Matthew Keenan  
Designer/Construction Administrator



# INVOICE

Invoice ID: 28134  
Invoice Date: 07/06/2020

Customer ID: CITYOFELKO

To:  
City of Elko New Market  
601 Main Street  
Elko New Market, MN 55054

Job Location:  
BG20-9290  
ENM Police & Fire Add  
601 Main Street  
Elko New Market, MN 55054

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<u>Description</u>		<u>Amount</u>
Work Completed to Date	582,554.00	
Less Previous Certificates	239,708.75	
Less Previous Retainage	12,616.25	
Amount This Invoice		330,229.00

Amount Billed \$330,229.00

Retainage Held 16,511.45

Amount Due \$313,717.55

# APPLICATION AND CERTIFICATION FOR PAYMENT

AIA DOCUMENT G702

PAGE ONE OF 2 PAGES

**TO OWNER:**  
 City of Elko New Market  
 601 Main Street  
 Elko New Market, MN 55020

**PROJECT:**  
 ENM Police & Fire  
 601 Main Street  
 Elko New Market

**APPLICATION NO:** 2  
**APP. DATE:** 07/01/20  
**PERIOD TO:** 06/30/20

**Distribution to:**  
 OWNER  
 ARCHITECT  
 CONTRACTOR

**FROM CONTRACTOR:**  
 Greystone Construction Company  
 500 S. Marschall Road, Suite#300  
 Shakopee, MN 55379

**VIA ARCHITECT:**  
 Architect Name  
 Architect Address  
 Architect Address

**PROJECT NOS:** BG20-9290

**CONTRACT FOR:**

**CONTRACT DATE:**

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$	<u>1,732,035.00</u>
2. Net change by Change Orders	\$	<u>23,923.00</u>
3. CONTRACT SUM TO DATE (Line 1 ± 2)	\$	<u>1,755,958.00</u>
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$	<u>582,554.00</u>
5. RETAINAGE:		
a. <u>5</u> % of Completed Work (Column D + E on G703)	\$	<u>29,127.70</u>
b. _____ % of Stored Material (Column F on G703)	\$	_____
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$	<u>29,127.70</u>
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$	<u>553,426.30</u>
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$	<u>239,708.75</u>
8. CURRENT PAYMENT DUE	\$	<u><del>313,717.55</del></u>
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$	<u>1,202,531.70</u>

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

**CONTRACTOR:** Greystone Construction Company

By:  Date: July 1, 2020

State of: MN County of: Scott  
 Subscribed and sworn to before me this 1 day of July, 2020  
 Notary Public:  
 My Commission expires: January 31, 2020

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... \$ 313,717.55

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

**ARCHITECT:**  
 By:  Designer Date: 07/10/2020

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	\$23,923.00	
Total approved this Month		
<b>TOTALS</b>	\$23,923.00	\$0.00
<b>NET CHANGES by Change Order</b>	\$23,923.00	

# CONTINUATION SHEET

AIA DOCUMENT G703

PAGE 2 OF 2 PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing Contractor's signed certification is attached.

APPLICATION NO: 2  
APPLICATION DATE: 07/01/20

In tabulations below, amounts are stated to the nearest dollar.

**ENM Police & Fire**

PERIOD TO: 06/30/20

Use Column I on Contracts where variable retainage for line items may apply.

ARCHITECT'S PROJECT NO: BG20-9290

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		H BALANCE TO FINISH (C - G)	I RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G ÷ C)		
1	Lock Box	\$510.00						\$510.00	
2	Fire Dept Connect Signage	\$255.00						\$255.00	
3	Payment and Performance Bond	\$15,545.00	\$15,545.00			\$15,545.00	100.00%		\$777.25
4	Special Inspections	\$13,187.00		\$4,873.00		\$4,873.00	36.95%	\$8,314.00	\$243.65
5	General Conditions	\$76,772.00	\$13,200.00	\$16,500.00		\$29,700.00	38.69%	\$47,072.00	\$1,485.00
6	Final Cleaning	\$2,206.00						\$2,206.00	
7	Surveying/Staking	\$6,550.00	\$1,500.00			\$1,500.00	22.90%	\$5,050.00	\$75.00
8	Cast-in-Place Concrete	\$117,117.00		\$66,000.00		\$66,000.00	56.35%	\$51,117.00	\$3,300.00
9	Pre-Cast Concrete	\$132,245.00		\$127,380.00		\$127,380.00	96.32%	\$4,865.00	\$6,369.00
10	Masonry	\$63,852.00		\$6,600.00		\$6,600.00	10.34%	\$57,252.00	\$330.00
11	Structural/Misc. Steel Fab/Erection	\$84,680.00		\$65,703.00		\$65,703.00	77.59%	\$18,977.00	\$3,285.15
12	Carpentry	\$54,846.00		\$3,500.00		\$3,500.00	6.38%	\$51,346.00	\$175.00
13	Membrane Roofing	\$58,672.00						\$58,672.00	
14	Insulation	\$6,166.00						\$6,166.00	
15	Caulking	\$8,716.00						\$8,716.00	
16	Doors & Hardware	\$75,523.00						\$75,523.00	
17	Overhead Door	\$25,460.00						\$25,460.00	
18	Glass & Glazing	\$14,280.00						\$14,280.00	
19	Drywall	\$79,898.00						\$79,898.00	
20	Tiling	\$5,065.00						\$5,065.00	
21	Acoustical Ceilings	\$13,464.00						\$13,464.00	
22	Carpet/Resilient Flooring	\$16,014.00						\$16,014.00	
23	Painting/Wall Covering	\$12,424.00						\$12,424.00	
24	Signage	\$1,777.00						\$1,777.00	
25	Display Cases	\$9,465.00	\$9,465.00			\$9,465.00	100.00%		\$473.25
26	Specialties	\$7,119.00						\$7,119.00	
27	Lockers	\$37,715.00						\$37,715.00	
28	Custom Casework/Countertops	\$48,565.00						\$48,565.00	
29	Showers	\$4,423.00						\$4,423.00	
30	Fire Protection	\$12,610.00						\$12,610.00	
31	Plumbing	\$87,900.00	\$3,850.00			\$3,850.00	4.38%	\$84,050.00	\$192.50
32	HVAC	\$135,915.00	\$22,000.00	\$17,000.00		\$39,000.00	28.69%	\$96,915.00	\$1,950.00

# CONTINUATION SHEET

AIA DOCUMENT G703

PAGE 2 OF 2 PAGES

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APPLICATION NO: 2  
APPLICATION DATE: 07/01/20

In tabulations below, amounts are stated to the nearest dollar.

ENM Police & Fire

PERIOD TO: 06/30/20

Use Column I on Contracts where variable retainage for line items may apply.

ARCHITECT'S PROJECT NO: BG20-9290

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		H BALANCE TO FINISH (C - G)	I RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G ÷ C)		
33	Electric	\$272,565.00	\$16,500.00			\$16,500.00	6.05%	\$256,065.00	\$825.00
34	Aggregate Piers	\$48,970.00	\$48,970.00			\$48,970.00	100.00%		\$2,448.50
35	Earthwork & Utilities	\$123,722.00	\$117,045.00	\$3,000.00		\$120,045.00	97.03%	\$3,677.00	\$6,002.25
36	Asphalt Parking Lot	\$34,645.00						\$34,645.00	
37	Curb, Gutter & Site Concrete	\$19,372.00						\$19,372.00	
38	Fencing	\$2,550.00						\$2,550.00	
39	Landscape Rock	\$1,275.00						\$1,275.00	
40									
41	Change Order #1	\$23,923.00	\$4,250.00	\$19,673.00		\$23,923.00	100.00%		\$1,196.15
42									
43									
44									
45									
<b>GRAND TOTALS</b>		\$1,755,958.00	\$252,325.00	\$330,229.00	\$0.00	\$582,554.00	33.18%	\$1,173,404.00	\$29,127.70

Users may obtain validation of this document by requesting of the license a completed AIA Document D401 - Certification of Document's Authenticity

**\*Check Summary Register©****July 23, 2020**

Name	Check Date	Check Amt	
<b>AUTOPAYS</b>			
Paid Chk# 006831	EVANTAGEPOINT TRANSFER	7/2/2020	\$565.00 ICMA- Kellie Stewart
Paid Chk# 006832	EVANTAGEPOINT TRANSFER	7/2/2020	\$245.00 ICMA- Steve Hotaling
Paid Chk# 006833	ESUN LIFE FINANCIAL	7/6/2020	\$1,457.61 Payroll Liability
Paid Chk# 006834	EHEALTH PARTNERS	7/6/2020	\$19,693.78 Payroll Liability-Medical Insurance
Paid Chk# 006835	EPERA	7/9/2020	\$10,184.08 Payroll Liability
Paid Chk# 006836	EMN DEPT OF REVENUE	7/9/2020	\$2,250.79 Payroll Liability
Paid Chk# 006837	EINTERNAL REVENUE SERVICE	7/9/2020	\$10,604.46 Payroll Liability
Paid Chk# 006838	EHEALTH EQUITY, INC.	7/10/2020	\$1,205.03 HSA- Steve Hotaling
Paid Chk# 006839	EVANTAGEPOINT TRANSFER	7/10/2020	\$565.00 ICMA- Kellie Stewart
Paid Chk# 006840	EVANTAGEPOINT TRANSFER	7/10/2020	\$245.00 ICMA- Steve Hotaling
Paid Chk# 006841	EMINNESOTA ENERGY RESOURCES	7/27/2020	\$7.55 26518 France Avenue
Paid Chk# 006842	EMINNESOTA ENERGY RESOURCES	7/23/2020	\$10.12 26518 France Avenue
Paid Chk# 006843	EXCEL ENERGY	7/23/2020	\$190.18 Lift Station / 10010 Ptarmigan
Paid Chk# 006844	EXCEL ENERGY	7/28/2020	\$3,894.31 25499 Natchez Ave - Water Treatment
Paid Chk# 006845	EXCEL ENERGY	7/23/2020	\$1,047.05 Wellhouse - 26460 France Ave
Paid Chk# 006846	EMN VALLEY ELECTRIC COMPANY	7/22/2020	\$1,473.09 Streetlights, Elko
Paid Chk# 006847	EMN VALLEY ELECTRIC COMPANY	7/9/2020	\$90.64 Glenborough Dr & Chowen
Paid Chk# 006848	EMN VALLEY ELECTRIC COMPANY	7/22/2020	\$35.28 27059 Beard Ave Lift Pump
Paid Chk# 006849	EMINNESOTA ENERGY RESOURCES	7/28/2020	\$26.85 110 J Roberts Way - Library
Paid Chk# 006850	ENUVERA COMMUNICATIONS, INC.	7/20/2020	\$328.58 Police Dept Phone/Fax
Paid Chk# 006851	ENUVERA COMMUNICATIONS, INC.	7/20/2020	\$128.74 Area Hall Phone
Paid Chk# 006852	EXCEL ENERGY	7/31/2020	\$370.85 Streetlights
Paid Chk# 006853	EPSN	7/6/2020	\$1,361.06 Webstore/Credit Card Processing
Paid Chk# 006854	EDAKOTA ELECTRIC ASSN	7/31/2020	\$132.68 Ptarmigan Drive Streetlights
Paid Chk# 006855	ENUVERA COMMUNICATIONS, INC.	7/20/2020	\$56.94 139503 - 25499 Natchez Ave
Paid Chk# 006856	ENUVERA COMMUNICATIONS, INC.	7/20/2020	\$179.32 937759 - 25499 Natchez Ave Bldg
Paid Chk# 006857	EMN VALLEY ELECTRIC COMPANY	7/22/2020	\$162.00 268X Xerxes Water Tower, Elko
TOTAL			\$56,510.99
<b>PRE-PAIDS</b>			
Paid Chk# 041178	CINTAS CORPORATION NO. 2	7/8/2020	\$31.91 PW - Uniforms
Paid Chk# 041179	UNITED STATES POSTAL SERVICE	7/8/2020	\$348.58 Primary Election Post Cards
Paid Chk# 041181	UNITED STATES POSTAL SERVICE	7/15/2020	\$300.39 June 2020 Utility Bills Postage
Paid Chk# 041182	DRIVER & VEHICLE SERVICES	7/17/2020	\$60.00 License plates for Fire Dept
Paid Chk# 041183	METROPOLITAN COUNCIL	7/21/2020	\$41,743.35 QTR 2 SAC Charges
TOTAL			\$42,484.23
<b>CHECK REGISTER</b>			
Paid Chk# 041184	ANCONA TITLE AND ESCROW	7/23/2020	\$43.07 Utility Billing Credit Refund
Paid Chk# 041185	BCA CJTE	7/23/2020	\$75.00 Online Training - Josh Gareis
Paid Chk# 041186	BerganKDV	7/23/2020	\$6,050.00 Yearly Audit
Paid Chk# 041187	BOLTON & MENK	7/23/2020	\$36,340.78 CSAH 2 / 91 Roundabout
Paid Chk# 041188	CINTAS CORPORATION NO. 2	7/23/2020	\$34.30 PW - Uniforms
Paid Chk# 041189	COMMERCIAL ASPHALT COMPANY	7/23/2020	\$1,261.32 PW - Streets
Paid Chk# 041190	DCA TITLE	7/23/2020	\$90.06 Utility Billing Credit Refund
Paid Chk# 041191	EMERGENCY RESPONSE SOLUTIONS	7/23/2020	\$776.36 FD - SCBA Alarm System
Paid Chk# 041192	FASTENAL COMPANY	7/23/2020	\$37.55 PW - Operating Supplies
Paid Chk# 041193	FLEET SERVICES &	7/23/2020	\$37.28 PW - Fleet Maint & Equip
Paid Chk# 041194	GOV'T FINANCE OFFICERS ASSN	7/23/2020	\$160.00 2020 Membership Dues - Kellie
Paid Chk# 041195	GOPHER STATE ONE CALL	7/23/2020	\$135.00 Locates
Paid Chk# 041196	GOVERNMENT FORMS AND SUPP	7/23/2020	\$216.93 Laser Checks Order
Paid Chk# 041197	GREYSTONE CONSTRUCTION	7/23/2020	\$313,717.55 Pay Req #2 - PD Addition thru
Paid Chk# 041198	IUOE LOCAL #49	7/23/2020	\$175.00 Membership Dues - Marty Deutsc
Paid Chk# 041199	JEFFERSON FIRE & SAFETY, INC.	7/23/2020	\$161.85 FD - Fire Hose
Paid Chk# 041200	JOHNSON TOWING INC	7/23/2020	\$215.00 PD - Towing Fees/2012 Ford
Paid Chk# 041201	KELLEY FUELS, INC.	7/23/2020	\$2,222.67 FD - Fuel
Paid Chk# 041202	LAKEVILLE SANITARY, INC.	7/23/2020	\$380.12 11038 - Police Station
Paid Chk# 041203	MACQUEEN EQUIPMENT	7/23/2020	\$398.55 PW - Fleet Maint & Equip
Paid Chk# 041204	METROPOLITAN COUNCIL	7/23/2020	\$42,601.95 Wastewater Svcs - Aug 2020
Paid Chk# 041205	MN DEPT OF HEALTH	7/23/2020	\$64.00 Water Supply Sys Op D Test - J
Paid Chk# 041206	MUNICIPAL INSPECTIONS, INC.	7/23/2020	\$9,457.21 Building Inspections
Paid Chk# 041207	NORTHWEST ASSOCIATED	7/23/2020	\$41.10 General Planning Consultant
Paid Chk# 041208	NAPA AUTO PARTS	7/23/2020	\$24.76 PW - Fleet Maint & Equip
Paid Chk# 041209	NORTHLAND PEST CONTROL	7/23/2020	\$21.25 Pest Control - Library
Paid Chk# 041210	NUVERA COMMUNICATIONS, INC.	7/23/2020	\$3,537.19 PD Station Remodel Expenses

**\*Check Summary Register©****July 23, 2020**

	<b>Name</b>	<b>Check Date</b>	<b>Check Amt</b>	
Paid Chk#	041211	PARTNERS TITLE	7/23/2020	\$48.98 Utility Billing Credit Refund
Paid Chk#	041212	PICKIT, ANGELA & DARREN	7/23/2020	\$76.91 Utility Billing Credit Refund
Paid Chk#	041213	PUTNAM, ASHLEY & BRIAN	7/23/2020	\$72.49 Utility Billing Credit Refund
Paid Chk#	041214	QUILL CORPORATION	7/23/2020	\$165.82 Operating Supplies
Paid Chk#	041215	R&R CLEANING CONTRACTORS, INC.	7/23/2020	\$81.70 Rugs
Paid Chk#	041216	SCHLOMKAS PORTABLE	7/23/2020	\$1,235.00 Portable Restrooms
Paid Chk#	041217	SCHMIDTKE, PAUL & ANGILA	7/23/2020	\$127.82 Utility Billing Credit Refund
Paid Chk#	041218	SCOTT COUNTY TREASURER	7/23/2020	\$540.00 MDT State Access/3 Units - 202
Paid Chk#	041219	SCOTT COUNTY ATTORNEY OFFICE	7/23/2020	\$1,390.88 Qtr 2 Fines - June 2020
Paid Chk#	041220	SCOTT COUNTY RECORDER	7/23/2020	\$138.00 F18-20 Fence Encroachment Agmt
Paid Chk#	041221	SRF CONSULTING GROUP, INC.	7/23/2020	\$422.43 2 / 91 Roundabout Right-of-Way
Paid Chk#	041222	STREICHER'S INC	7/23/2020	\$170.99 Vest Carrier/Brentan Carkhuff
Paid Chk#	041223	SUEL PRINTING COMPANY	7/23/2020	\$288.00 Legal Ads - Bids for Rowena Po
Paid Chk#	041224	TITLE SPECIALISTS, INC.	7/23/2020	\$30.69 Utility Billing Credit Refund
Paid Chk#	041225	TRADEMARK TITLE SERVICES, INC.	7/23/2020	\$145.43 Utility Billing Credit Refund
Paid Chk#	041226	TRAUB, DAVID & KERI	7/23/2020	\$6.57 Utility Billing Credit Refund
Paid Chk#	041227	VOIP NETWORKX	7/23/2020	\$2,442.13 VOIP Phones Install/Monthly Jan-Jun 2020
Paid Chk#	041228	WM. MUELLER & SON, INC.	7/23/2020	\$1,227.57 PW - Streets
TOTAL				\$426,887.26

**AUTOPAYS**

Paid Chk#	503392EBi-Weekly ACH	7/9/2020	\$36,178.96
TOTAL			\$36,178.96



# STAFF MEMORANDUM

<b>SUBJECT:</b>	2019 Audit Report
<b>MEETING DATE:</b>	July 23, 2020
<b>PREPARED BY:</b>	Kellie Stewart, Accountant
<b>REQUESTED ACTION:</b>	Adopt Resolution 20-38 Adopting Independent Auditors' Report for the City of Elko New Market

## COMMUNITY VISION:

- A mature growing freestanding suburb of the Twin Cities Metropolitan Area, preserving historic landmarks and small town character while providing suburban amenities and services, as well as full range of employment, housing, business, service, social, technology infrastructure and recreational opportunities for citizens and visitors
- Promote a diverse commercial base including light industrial and facilitating planned redevelopment which will be aesthetically pleasing with architectural standards that promotes quality development
- Provide a full range of municipal services to its residents. The City will allocate sufficient resources to meet the growing needs of the community
- A comprehensive park and trails system that will have sufficient facilities, play fields and open space to meet the needs of residents
- An effective and efficient transportation system, including access to the greater metropolitan area, transit opportunities, and improved connectivity to the interstate
- Provide community oriented local government and be financially sound, engaging in long-term financial planning to provide municipal services without undue burden on tax payers

## 5 YEAR GOALS:

- Diverse tax base, employment opportunities, additional businesses and services, promote high quality broad spectrum of residential development
- Advance "shovel ready" status of areas guided for commercial and industrial development
- Acquisition of land for public purposes, position City to take advantage of land acquisition opportunities
- Enhance quality of life through parks, trails, recreational programming and cultural events
- The development of residential lots and an increase in residential building permit activity

## COMMUNITY ORIENTED LOCAL GOVERNMENT:

- Community Involvement
- Organizational Improvement
- Problem Solving
- Performance Measurement
- Professionalism

## **BACKGROUND**

Each year the City of Elko New Market has an independent audit completed on the financial statements for the previous year.

## **DISCUSSION:**

Matt Mayer and Andrew Grice, Audit Partners with BerganKDV, will be giving the City Council a presentation on the 2019 Audited Financial Statements. After the presentation, Council will be asked to adopt Resolution 20-38 approving the 2019 Independent Auditor's Report, as part of the Consent Agenda.

## **Attachments:**

- Resolution 20-38 Adopting Independent Auditor's Report for the City of Elko New Market
- 2019 Communication Letter
- 2019 Audited Financial Statements

**CITY OF ELKO NEW MARKET  
SCOTT COUNTY, MINNESOTA**

**RESOLUTION NO. 20-38**

**ADOPTING INDEPENDENT AUDITORS' REPORT FOR THE CITY OF ELKO NEW  
MARKET**

**WHEREAS**, the City retained BerganKDV, to complete an independent audit on the City of Elko's financial statements for the year ended December 31, 2019;

**WHEREAS**, the auditors concluded that the City's 2019 general purpose financial statements fairly presented, in all material respects, the financial position of the City and the results of both its operations and cash flows of its proprietary funds for the year;

**WHEREAS**, the auditors' report also included suggestions for improvement on accounting procedures and internal accounting control measures;

**WHEREAS**, the City is fully committed to ensuring accurate and reliable financial reporting procedures;

**NOW THEREFORE BE IT RESOLVED** that the auditors' report is adopted by the council in its entirety.

**ADOPTED**, by the City Council of Elko New Market this 23<sup>rd</sup> day of July 2020.

\_\_\_\_\_  
Joe Julius, Mayor

ATTEST:

\_\_\_\_\_  
Thomas Terry, City Administrator/Clerk

**City of Elko New Market  
Scott County, Minnesota**

**Communications Letter**

**December 31, 2019**



**City of Elko New Market  
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## Report on Matters Identified as a Result of the Audit of the Financial Statements

Honorable Mayor Management and Members  
of the City Council  
City of Elko New Market  
Elko New Market, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Elko New Market, Minnesota, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weaknesses identified are stated within this letter.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The City's written responses to the material weaknesses identified in our audit have not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated July 10, 2020, on such statement

This communication is intended solely for the information and use of the Members of the City Council and management and others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Bergan KDV Ltd .*

Minneapolis, Minnesota  
July 10, 2020

## **City of Elko New Market Material Weaknesses**

### **Improve Segregation of Accounting Duties**

The City had a lack of segregation of accounting duties. In order to have appropriate segregation, the performance of the following duties would need to be completed by different employees: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions, and financial information and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

As part of this year's audit, we reviewed the City's documentation of its internal control over significant areas including: cash receipts, cash disbursements, capital assets, payroll, and utility billing. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Some of the areas in which we noticed a lack of segregation or an overlap in duties are as follows:

#### **Utility Billing Process**

The Administrative Assistant updates and maintains all areas of the utility billing system including adding and removing customers, updating rates, adjusting accounts, processing refunds, loading meter reads, processing utility bills, and generating reports.

#### **Cash Receipts**

The Administrative Assistant collects payments, enters payments into point of sale system, prepares the deposit slips, and makes deposits at the bank.

#### **Cash Reconciliation, Financial Reporting and System Access**

The Accountant can take payments, process transactions, reconciles bank and investments accounts and generates journal entries. The Accountant initiates, processes, reconciles, and posts journal entries related to capital assets, property taxes, special assessments, long-term debt, and reconciles all balance sheet items for year-end financial reporting. The Accountant generates quarterly financial reports and generates monthly reports for department heads. The Accountant has full access to all areas of the accounting system.

## **City of Elko New Market Material Weaknesses**

### **Improve Segregation of Accounting Duties (Continued)**

We recommend the City closely review the design and implementation of internal control activities to identify mitigating controls or ways to further segregate accounting duties. In addition, management should look to develop more approval, verification, and supervision controls of key activities to help mitigate some of the risks identified above.

#### **City's Response:**

Due to the limited number of staff, it is not feasible to fully segregate all accounting duties. The City has adopted accounting procedures that provide for internal control that segregate accounting duties. The City will continue to implement and improve follow through with the internal control plan. The City also intends to continue to develop more approval, verification, and supervision controls of key activities to help mitigate identified risks.

### **Material Audit Adjustments**

During the course of our audit, we proposed material audit adjustment that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

In order to ensure the financial statements were free from material misstatement, audit adjustments were required in the following areas:

- Cash and investments
- Bonds payable
- Loan payable
- PFA notes payable
- Capital assets and depreciation expense
- Deferred special assessments receivable and deferred inflows of resources

#### **City's Response:**

The City will annually review all the activity in the areas noted above to ensure items are properly recorded.

## **City of Elko New Market Required Communication**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019, and have issued our report dated July 10, 2020. Professional standards require that we advise you of the following matters related to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Our Responsibility in Relation to *Government Auditing Standards***

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## **City of Elko New Market Required Communication**

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

## **City of Elko New Market Required Communication**

### **Qualitative Aspects of Significant Accounting Practices (Continued)**

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements detected as a result of audit procedures was corrected by management.

- Cash and investments were initially improperly stated due to activity included that did not pertain to the current year.
- Bonds payable was not properly adjusted for current year activity.
- Loan payable was not properly adjusted for current year activity.
- PFA notes payable was not properly adjusted for current year activity.
- Capital assets, accumulated depreciation, and depreciation expense were not properly adjusted for current year activity.
- Deferred special assessments receivable and deferred inflows of resources were not properly adjusted for current year activity.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

## **City of Elko New Market Required Communication**

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

### **Other Information in Documents Containing Audited Financial Statements**

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **City of Elko New Market Financial Analysis**

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

### **GENERAL FUND REVENUES**

The pie charts on the following page represent the General Fund revenues by type for 2019 and 2018. Total revenues increased \$110,255 from 2018 to 2019, or 4.9%.

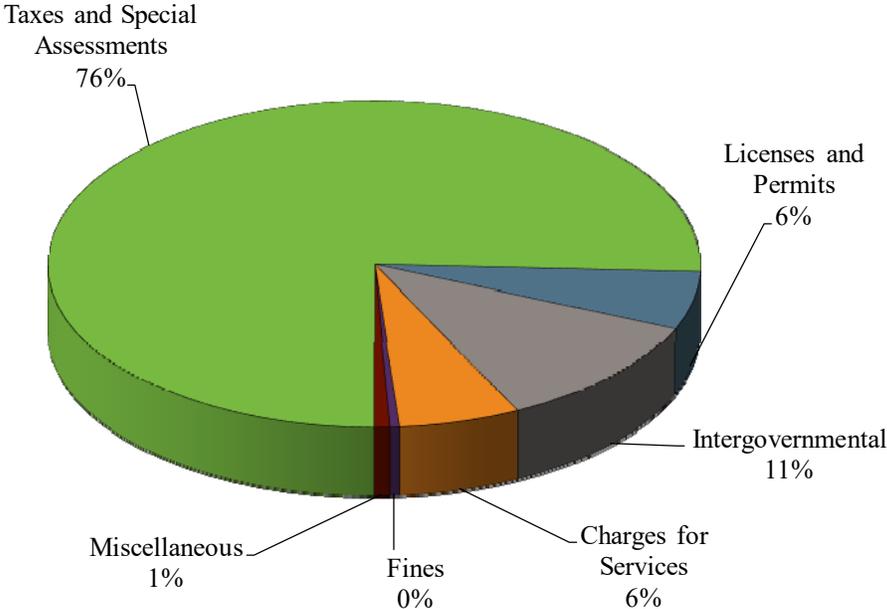
The majority of the increase occurred in the category of taxes and special assessments. Taxes and special assessments increased \$123,812 or 7.4%, due to an increase in the amount levied and collected in 2019. This increase was offset by a decrease in intergovernmental revenue of \$31,489 due to receiving a small city assistance grant in 2018 that wasn't issued again in 2019.

All other revenue categories remained relatively consistent when comparing 2019 to 2018.

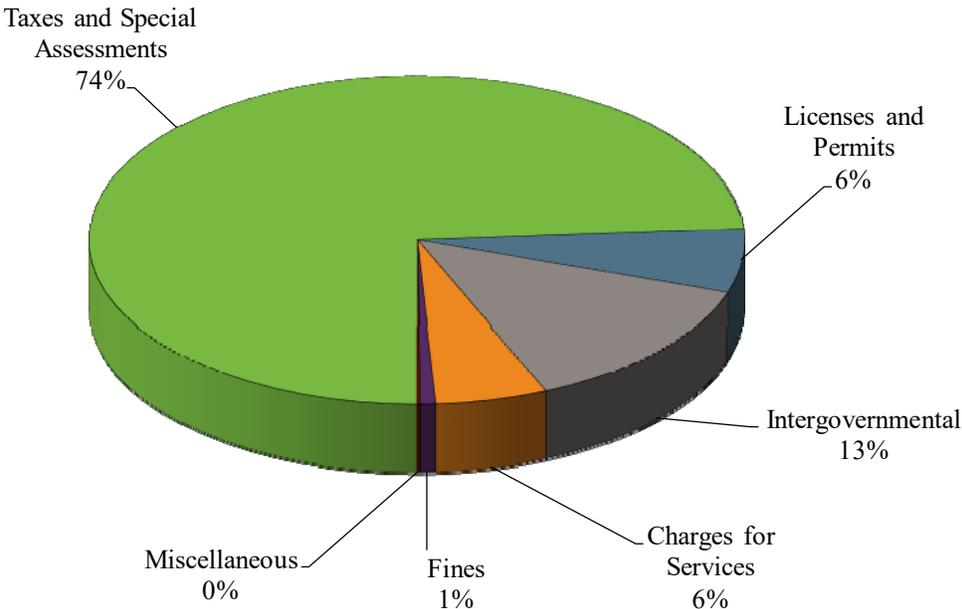
**City of Elko New Market  
Financial Analysis**

**GENERAL FUND REVENUES (CONTINUED)**

**2019 General Fund Revenues**



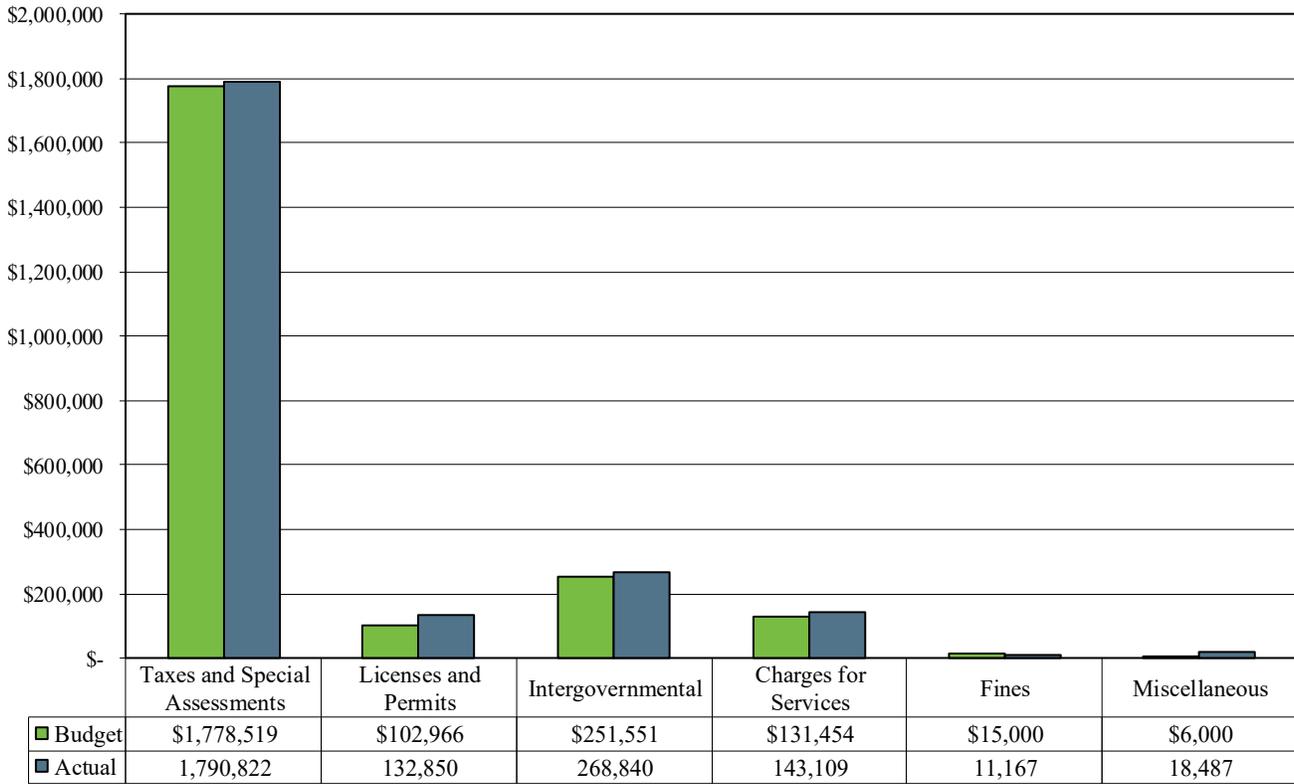
**2018 General Fund Revenues**



**City of Elko New Market  
Financial Analysis**

**GENERAL FUND REVENUES BUDGET TO ACTUAL**

**2019 General Fund Revenues  
Budget to Actual**



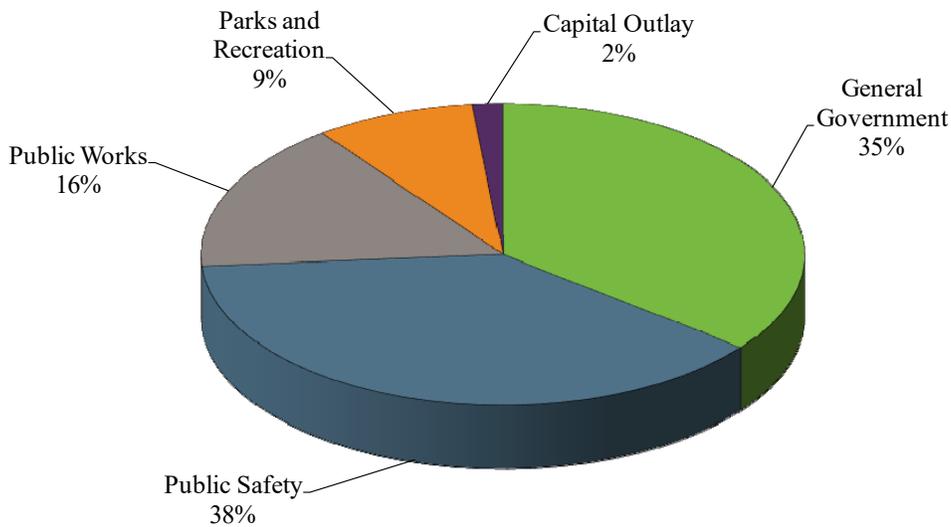
The City Council approved a total 2019 General Fund revenue budget of \$2,285,490. Actual revenues for 2019 totaled \$2,365,275 or \$79,785 (3.5%), more than the budgeted amount. The most significant variance occurred in the category of licenses and permits which was \$29,884 over budget due to conservative budgeting for building permits. All other revenue categories were closely in line with budgeted amounts.

# City of Elko New Market Financial Analysis

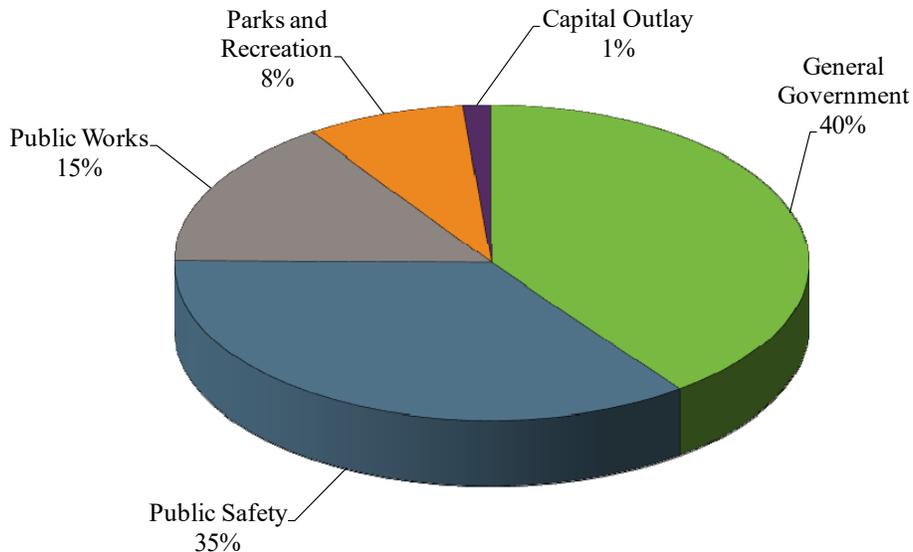
## GENERAL FUND EXPENDITURES

The following charts represent the General Fund expenditures by function for 2019 and 2018. In total, expenditures increased by \$49,551 from 2018 to 2019. Public safety expenditures increased \$73,390 due to additional salary and benefit expenditures in 2019. General government expenditures decreased \$62,605 with lower engineering, accounting, and consulting fees compared to the prior year. The remaining allocation of expenditures remained relatively consistent from 2018 to 2019.

**2019 General Fund Expenditures**

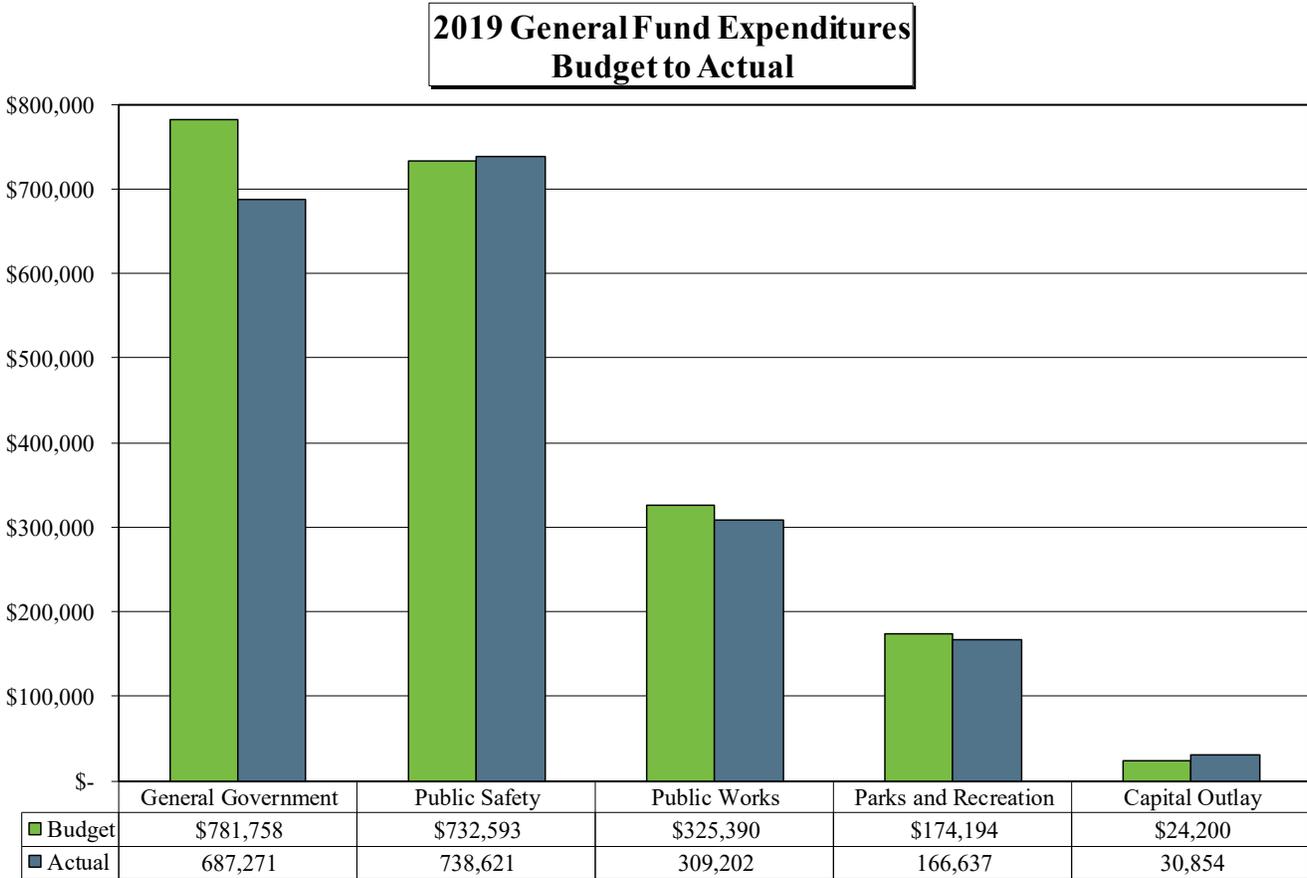


**2018 General Fund Expenditures**



**City of Elko New Market  
Financial Analysis**

**GENERAL FUND EXPENDITURES BUDGET TO ACTUAL**

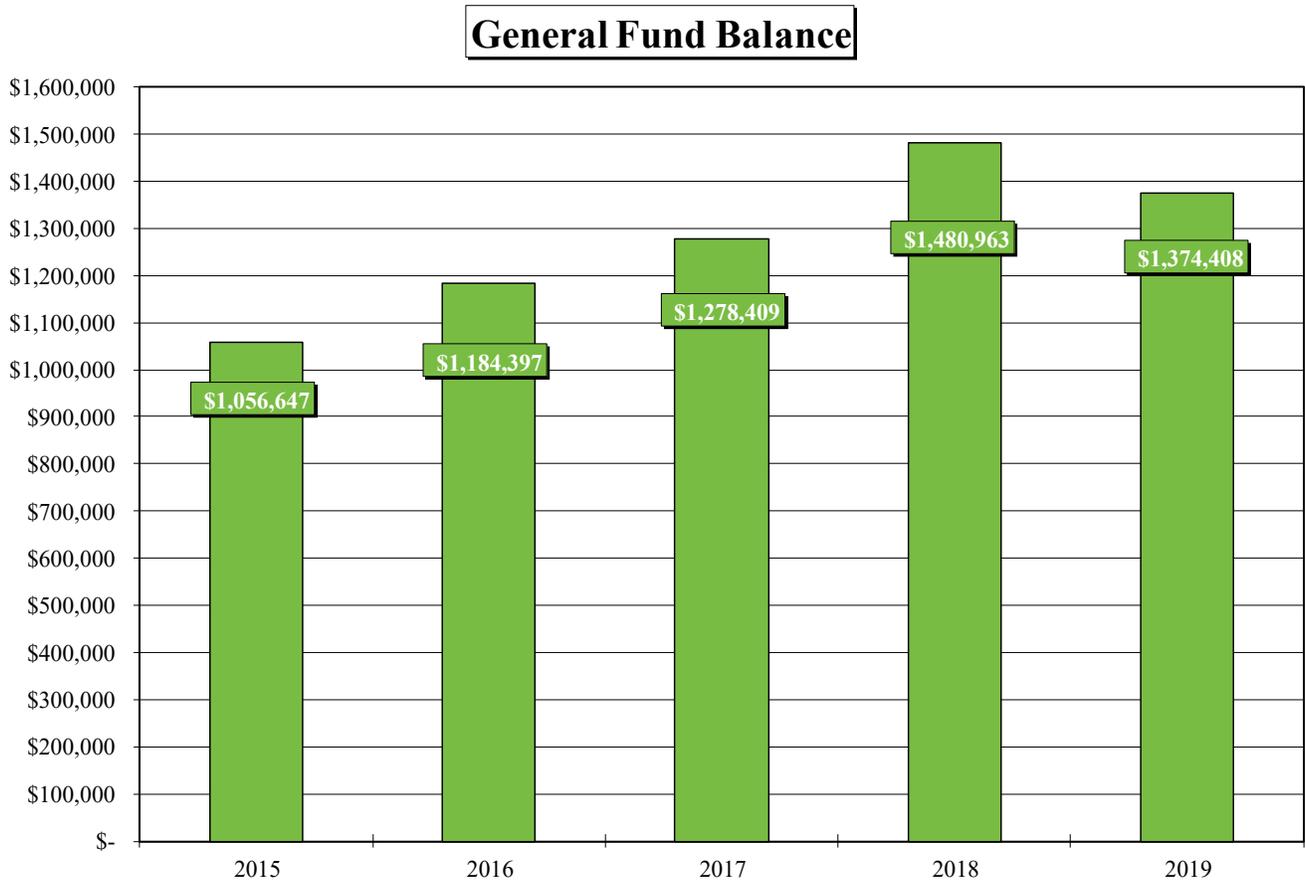


The City Council approved a total 2019 General Fund expenditures budget of \$2,038,135. Actual expenditures for 2019 totaled \$1,932,585 or \$105,550 (5.2%) less than the budgeted amount. The most significant variance occurred in general government where expenditures were \$94,487 lower than budget due to engineering, accounting, consulting, and legal fees being lower than anticipated. All other categories were close to budgeted amounts.

## City of Elko New Market Financial Analysis

### GENERAL FUND BALANCE

The graph below shows the General Fund balance trend for the past five years. After increasing each of the previous four years presented, the fund balance decreased \$106,555, or 7.2%, from December 31, 2018 to December 31, 2019. General Fund balance amounted to \$1,374,408 at 2019 year-end, which represents 71.1% of 2019 actual General Fund expenditures.

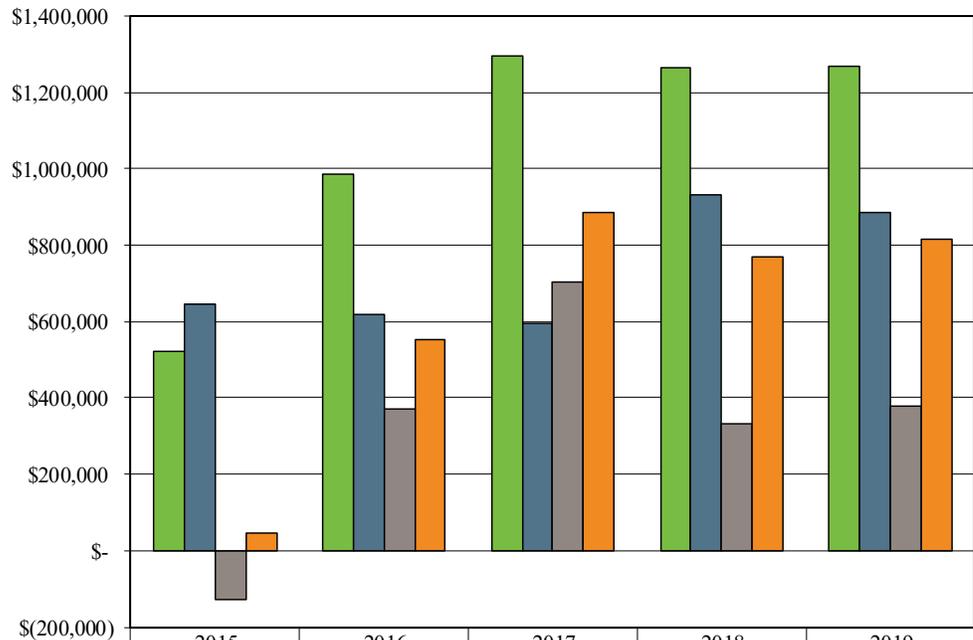


**City of Elko New Market  
Financial Analysis**

**WATER ENTERPRISE FUND OPERATING REVENUES AND EXPENSES**

Below is a table outlining the operating revenues and expenses for the Water Enterprise Fund for the past five years. In 2019, operating revenues increased by \$2,580, or 0.2%. Operating expenses decreased \$46,031, or 4.9%, in 2019 due primarily to a decrease in repairs and maintenance along with lower expenses in the fund for accounting and engineering fees. The overall operations resulted in an increase in operating income of \$48,611 compared to 2018.

**Water Fund**



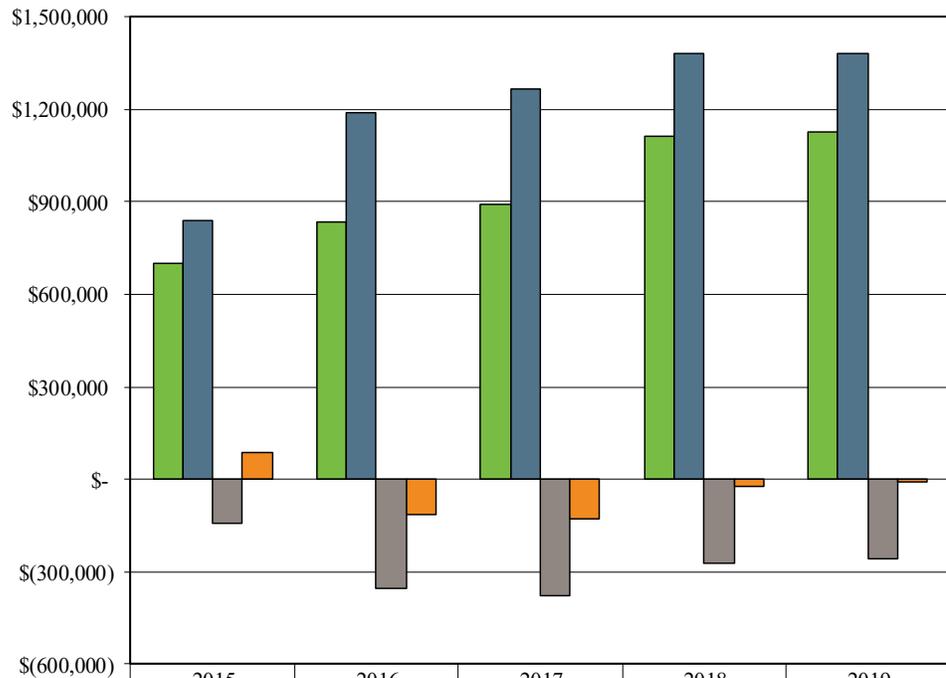
	2015	2016	2017	2018	2019
■ Operating Revenues	\$520,589	\$987,188	\$1,295,726	\$1,264,086	\$1,266,666
■ Operating Expenses	647,346	616,694	593,501	932,181	886,150
■ Operating Income (Loss) with Depreciation	(126,757)	370,494	702,225	331,905	380,516
■ Operating Income (Loss) without Depreciation	44,406	552,929	885,668	768,238	815,302

**City of Elko New Market  
Financial Analysis**

**SEWER ENTERPRISE FUND OPERATING REVENUES AND EXPENSES**

Below is a table outlining the operating revenues and expenses for the Sewer Enterprise Fund for the past five years. In 2019, operating revenues increased by \$13,629, or 1.2%. Operating expenses decreased \$683, or 0.1%, in 2019 and were consistent with the prior year.

**Sewer Fund**

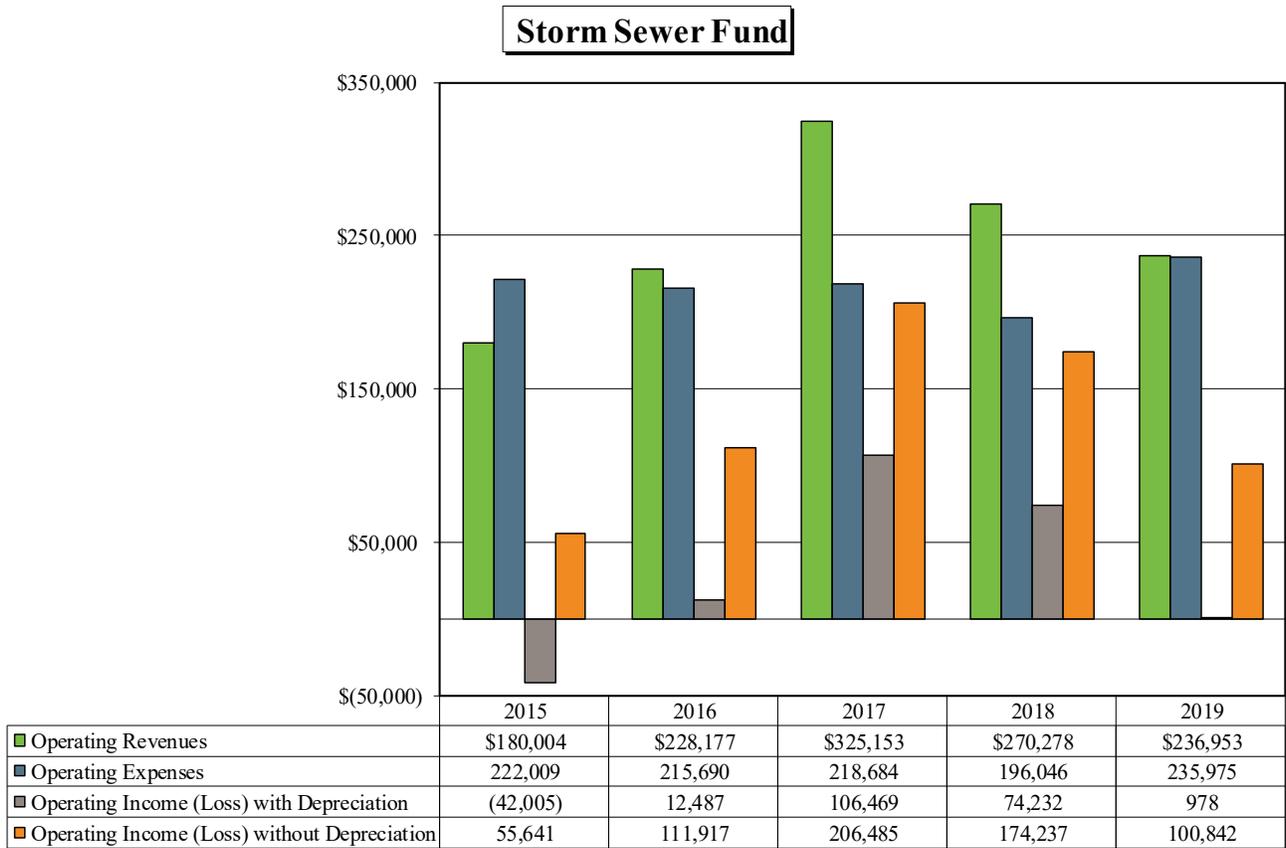


	2015	2016	2017	2018	2019
■ Operating Revenues	\$700,662	\$834,683	\$890,434	\$1,111,062	\$1,124,691
■ Operating Expenses	841,050	1,187,095	1,266,788	1,380,776	1,380,093
■ Operating Income (Loss) with Depreciation	(140,388)	(352,412)	(376,354)	(269,714)	(255,402)
■ Operating Income (Loss) without Depreciation	88,433	(111,574)	(129,350)	(22,414)	(7,279)

**City of Elko New Market  
Financial Analysis**

**STORM SEWER ENTERPRISE FUND OPERATING REVENUES AND EXPENSES**

Below is a table outlining the operating revenues and expenses for the Storm Sewer Enterprise Fund for the past five years. From 2018 to 2019 operating revenues decreased \$33,325, or 12.3% due to fewer storm water access charges and hookup fees along with a decrease in the number of users in 2019. Operating expenses increased \$39,929 or 20.4% due primarily to additional repair, maintenance, and improvement costs along with an increase in engineering fees.



## **City of Elko New Market Emerging Issue**

### **Executive Summary**

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

### **ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

**City of Elko New Market  
Emerging Issue**

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – *LEASES*  
(CONTINUED)**

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**City of Elko New Market  
Scott County, Minnesota**

**Financial Statements**

**December 31, 2019**



**City of Elko New Market  
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**City of Elko New Market  
Elected Officials and Administration  
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Joe Julius	Mayor	December 31, 2020
Josh Berg	Council Member	December 31, 2022
Kate Timmerman	Council Member	December 31, 2022
Amanda Novak	Council Member	December 31, 2020
Dawn Seepersaud	Council Member	December 31, 2020
<u>Administration</u>		
Thomas Terry	City Administrator	
Mark Nagel	Assistant City Administrator	
Lynda Jirak	Deputy Clerk	
Renee Christianson	Community Development Specialist	
Kellie Stewart	Accountant	
Stephanie Fredrickson	Administrative Assistant	

## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Elko New Market  
Elko New Market, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elko New Market, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

## **Opinions**

In our opinion, the financial statements referred in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elko New Market, Minnesota, as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund and the Fire Department Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Implementation of GASB 84**

As discussed in Note 12 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and 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 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elko New Market's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 July 10, 2020, on our consideration of the City of Elko New Market'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 Elko New Market's internal control over financial reporting and compliance.

*Bergan KDV Ltd.*

Minneapolis, Minnesota  
July 10, 2020

## **City of Elko New Market Management Discussion and Analysis**

As management of the City of Elko New Market (the "City"), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

All amounts, unless otherwise indicated, are expressed in dollars.

### **FINANCIAL HIGHLIGHTS**

- With the consolidation of the Cities of Elko and New Market effective January 1, 2007, this is the twelfth year of financial statements for the City. Prior to 2007, separate financial statements were prepared for the City of Elko, the City of New Market, and the Elko New Market Joint Sewer Board.
- The City established fiscal policies in 2009 to provide a framework for guiding the responsible use of municipal resources and contribute the City's overall financial health. The policies addressed revenues, cash management and investments, reserves, operating budget, capital budget, debt management, accounting and financial reporting and purchasing. The policies were updated annually 2011 through 2019.
- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,911,489 (net position). Of this amount \$2,665,898 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The fund balances for governmental funds decreased by \$550,747. The net position associated with governmental activities increased by \$405,932. The decrease in fund balance was primarily due to excess expenditures compared to revenues relating to capital projects. The increase in net position was primarily due to principal bond payments made during the year.
- As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$1,355,991, equivalent to 66.5% of the 2019 General Fund approved operating budget. This is a decrease of \$109,820 from the end of the 2018 fiscal year. The difference is due to the increase in transfers out to other funds and higher expenditures with the Public Safety function overall.
- The City's total debt decreased by \$912,494 during the current fiscal year. The City issued \$10,357,038 for a PFA General Obligation Drinking Water Revenue Note Series 2013 in order to fund a water treatment facility, rehabilitate a water storage tower, and add an additional well. The City's outstanding debt related to this debt issuance decreased from \$8,608,000 to \$8,109,000 in 2019. The net pension liability decreased by \$3,479 during 2019. Net pension liability is related to public employee retirement and is not expected to impact future expenditures.
- The Water Fund had an operating income of \$380,516. This is due to charges for services for water usage and permit and hookup fees exceeding the operating expenses of the fund during 2019. The Fund had an increase of net position in the amount of \$459,952 due to special assessments which are not considered an operating revenue.

## **City of Elko New Market Management Discussion and Analysis**

### **FINANCIAL HIGHLIGHTS (CONTINUED)**

- The Sewer Fund recognized an operating loss of \$255,402. This is primarily due to \$245,356 in depreciation expense. The Fund had an increase of net position in the amount of \$59,944 due to special assessments which are not considered an operating revenue.
- The Storm Sewer Fund had an operating income of \$978. The Fund also had an increase of net position in the amount of \$107,526 due to special assessment revenue which are not considered an operating revenue.
- The balance of the 2019 Pavement Rehab Project Fund decreased during the current fiscal year by \$536,546 for an ending balance of (\$564,360). The Fund will receive proceeds from the 2020A G.O. Bond issuance to fund project costs.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City basic financial statements. The City basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and parks and recreation. The business-type activities of the City include water, sanitary sewer, and storm sewer.

The government-wide financial statements include only the City itself (known as the primary government). The City reports the Elko New Market Economic Development Authority (EDA) as a blended component unit. The City has no other component units.

## **City of Elko New Market Management Discussion and Analysis**

### **FINANCIAL HIGHLIGHTS (CONTINUED)**

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City adopts an annual appropriated budget for its General Fund and all special revenue funds.

#### **Proprietary Funds**

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer, and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water, sanitary sewer, and storm drainage, all of which are considered to be major funds of the City.

#### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The City's net position that is unrestricted is 9.9% of the total. By far, the largest portion of the City's net position (84.2%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Government-Wide Financial Analysis (Continued)**

At the end of the current fiscal year, the City was able to report a positive balance in its net position for the government as a whole, as well as its separate governmental and business-type activities.

**The City's Net Position**

	Government Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 5,098,101	\$ 5,334,814	\$ 1,214,414	\$ 495,496	\$ 6,312,515	\$ 5,830,310
Net pension asset	888,482	529,649	-	-	888,482	529,649
Capital assets	10,648,099	10,436,690	26,050,482	26,694,922	36,698,581	37,131,612
Total assets	<u>16,634,682</u>	<u>16,301,153</u>	<u>27,264,896</u>	<u>27,190,418</u>	<u>43,899,578</u>	<u>43,491,571</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources related to	<u>597,878</u>	<u>745,736</u>	<u>35,734</u>	<u>63,614</u>	<u>633,612</u>	<u>809,350</u>
Total assets and deferred outflows of	<u>\$ 17,232,560</u>	<u>\$ 17,046,889</u>	<u>\$ 27,300,630</u>	<u>\$ 27,254,032</u>	<u>\$ 44,533,190</u>	<u>\$ 44,300,921</u>
<b>Liabilities</b>						
Current and other liabilities	\$ 827,368	\$ 696,675	\$ 1,124,997	\$ 1,004,161	\$ 1,952,365	\$ 1,700,836
Net pension liability	640,738	645,446	257,994	256,765	898,732	902,211
Long term liabilities	2,939,885	3,363,301	9,980,299	10,666,831	12,920,184	14,030,132
Total liabilities	<u>4,407,991</u>	<u>4,705,422</u>	<u>11,363,290</u>	<u>11,927,757</u>	<u>15,771,281</u>	<u>16,633,179</u>
<b>Deferred Inflows of Resources</b>						
Deferred inflows of resources related to	<u>805,338</u>	<u>728,168</u>	<u>45,082</u>	<u>61,439</u>	<u>850,420</u>	<u>789,607</u>
<b>Net Position</b>						
Net investment in capital assets	7,355,694	6,639,560	16,242,183	16,130,613	23,597,877	22,770,173
Restricted	1,647,714	1,351,777	-	-	1,647,714	1,351,777
Unrestricted	3,015,823	3,621,962	(349,925)	(865,777)	2,665,898	2,756,185
Total net position	<u>12,019,231</u>	<u>11,613,299</u>	<u>15,892,258</u>	<u>15,264,836</u>	<u>27,911,489</u>	<u>26,878,135</u>
Total liabilities, deferred inflows of and net position	<u>\$ 17,232,560</u>	<u>\$ 17,046,889</u>	<u>\$ 27,300,630</u>	<u>\$ 27,254,032</u>	<u>\$ 44,533,190</u>	<u>\$ 44,300,921</u>

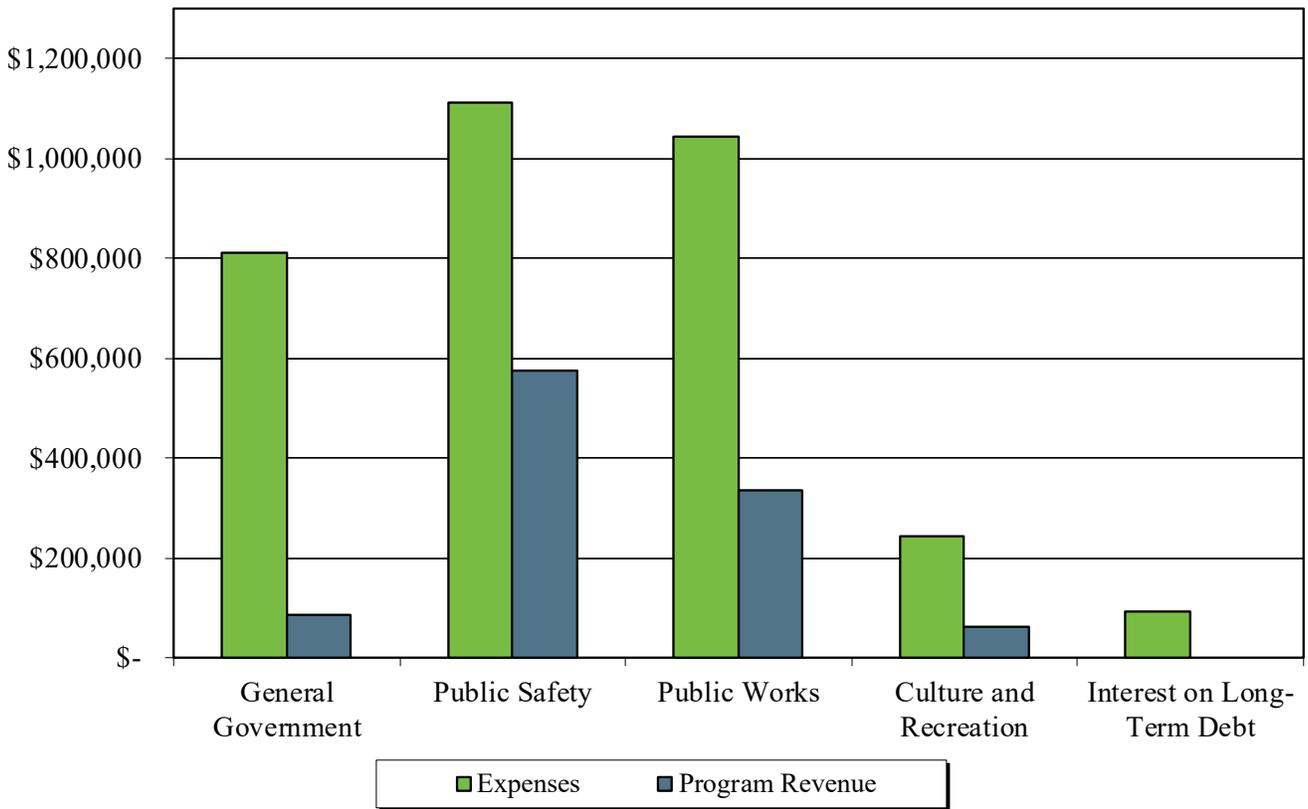
**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Governmental Activities**

Governmental activities increased the City's net position by \$405,932. This was the result of general revenues of \$2,652,644, program revenues of \$1,057,218, and expenses of \$3,303,930.

**Expenses and Program Revenues - Governmental Activities**

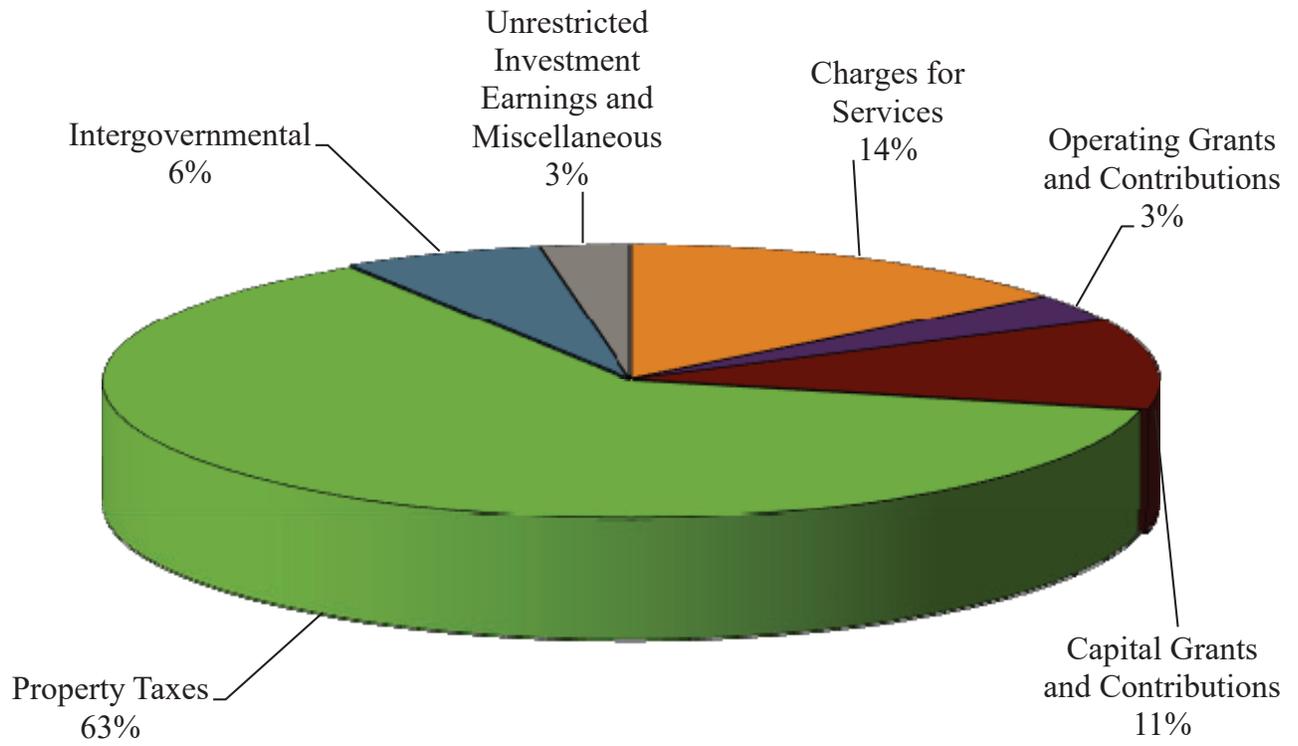


**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Governmental Activities (Continued)**

**Revenues by Source - Governmental Activities**

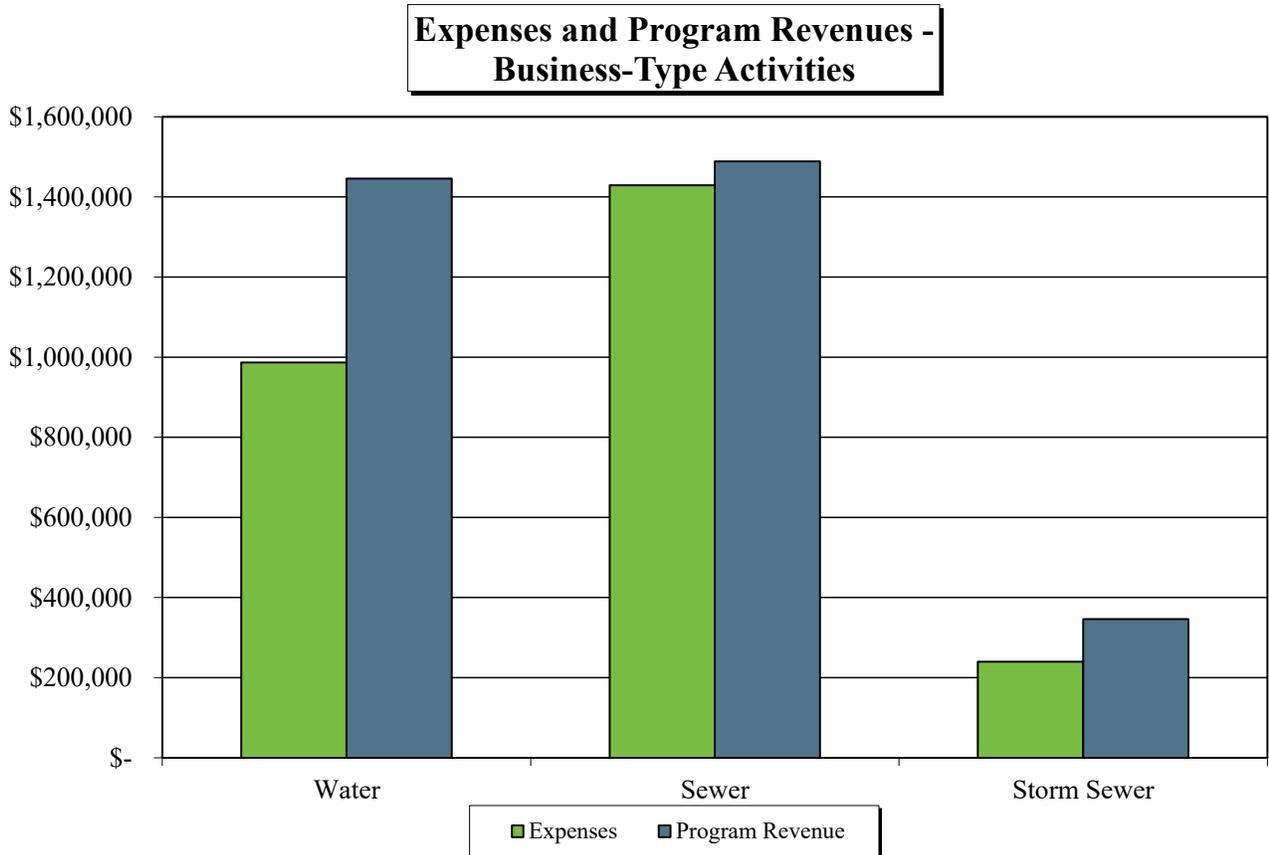


**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Business-Type Activities**

Business-type activities increased the City's net position by \$627,422. This was the result of general revenues of \$2,433, program revenues of \$3,280,467, and expenses of \$2,655,478.

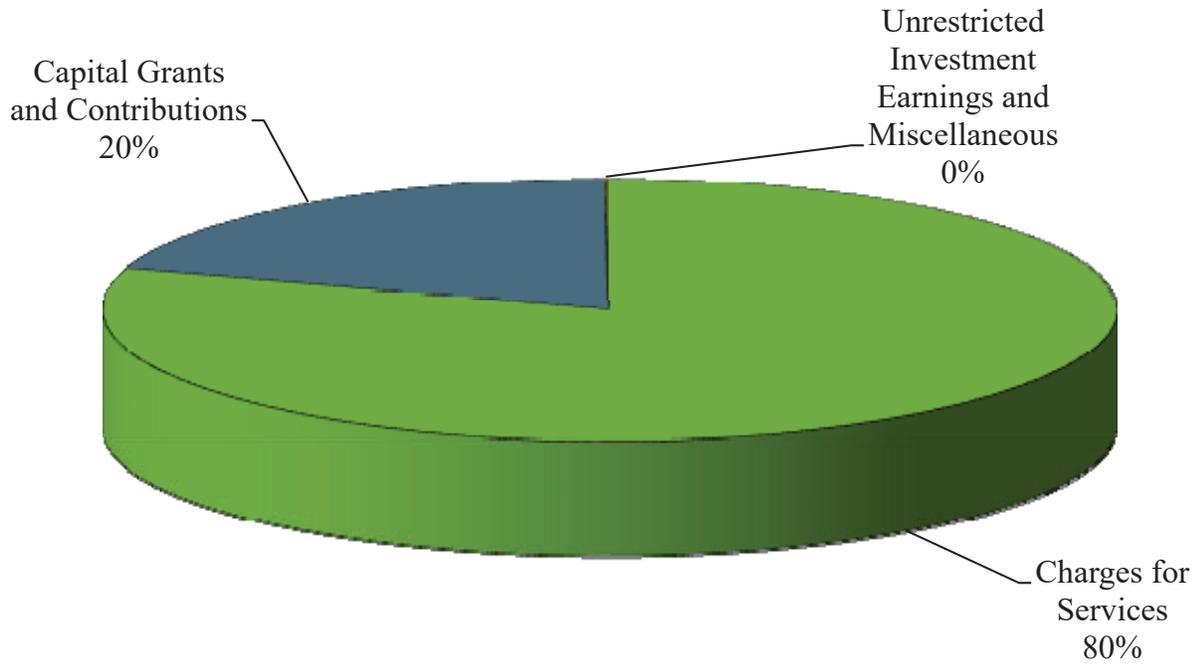


**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**Governmental Activities (Continued)**

**Revenues by Source - Business-Type Activities**



**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

**The City's Change in Net Position**

	Government Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 535,634	\$ 551,815	\$ 2,624,827	\$ 2,639,522	\$ 3,160,461	\$ 3,191,337
Operating grants and contributions	149,426	228,164	-	-	149,426	228,164
Capital grants and contributions	372,158	222,759	655,640	(1,169)	1,027,798	221,590
General revenues						
Property taxes	2,322,971	2,169,048	-	-	2,322,971	2,169,048
Intergovernmental	227,602	226,283	-	-	227,602	226,283
Other general revenue	83,416	104,903	884	5,538	84,300	110,441
Gain on sale of capital assets	-	-	-	-	-	-
Investment earnings	18,655	14,722	1,549	862	20,204	15,584
Total revenues	<u>3,709,862</u>	<u>3,517,694</u>	<u>3,282,900</u>	<u>2,644,753</u>	<u>6,992,762</u>	<u>6,162,447</u>
<b>Expenses</b>						
General government	809,949	936,216	-	-	809,949	936,216
Public safety	1,113,576	1,256,746	-	-	1,113,576	1,256,746
Public works	1,042,453	781,409	-	-	1,042,453	781,409
Culture and recreation	244,651	258,759	-	-	244,651	258,759
Interest on long-term debt	93,301	108,372	-	-	93,301	108,372
Water	-	-	986,274	1,041,282	986,274	1,041,282
Sewer	-	-	1,429,377	1,401,198	1,429,377	1,401,198
Storm sewer	-	-	239,827	201,777	239,827	201,777
Total expenses	<u>3,303,930</u>	<u>3,341,502</u>	<u>2,655,478</u>	<u>2,644,257</u>	<u>5,959,408</u>	<u>5,985,759</u>
Change in net position	405,932	176,192	627,422	496	1,033,354	176,688
January 1	<u>11,613,299</u>	<u>11,437,107</u>	<u>15,264,836</u>	<u>15,264,340</u>	<u>26,878,135</u>	<u>26,701,447</u>
December 31	<u>\$ 12,019,231</u>	<u>\$ 11,613,299</u>	<u>\$ 15,892,258</u>	<u>\$ 15,264,836</u>	<u>\$ 27,911,489</u>	<u>\$ 26,878,135</u>

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

**Governmental Funds**

The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$3,580,342, a decrease of \$550,747 from the prior year fund balance. The decrease in fund balance was primarily due to excess expenditures compared to revenues relating to capital projects.

The General Fund is the chief operating fund of the City. At the end of the 2019 fiscal year, the unassigned fund balance of the General Fund was \$1,355,991. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to fund expenditures. The unassigned fund balance represents 66.5% of total 2019 General Fund budgeted expenditures.

**City of Elko New Market  
Management Discussion and Analysis**

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

The City's General Fund balance decreased by \$106,555 in 2019. The difference is due to the increase in transfers out to other funds and higher expenditures with the Public Safety function overall.

Significant revenue variances from final budget to actual where actual was over budget include:

- Licenses and permits in the amount of \$29,884 due to higher than expected building activity.

Significant expenditure variances from final budget to actual where actual was under budget include:

- General Government in the amount of \$94,487 due to lower than anticipated engineering, accounting, consulting, and legal fees expenses.

Overall, General Fund actual expenditures were under the final approved budget by \$105,550 and the excess of revenues over budgeted amounts was \$79,785.

**FINANCIAL ANALYSIS OF PROPRIETARY FUNDS**

**Proprietary Funds**

The City proprietary funds provide the same type of information found in the government-wide financial statements.

Total operating revenues exceeded operating expenses by \$380,516 in the Water Fund. At year end, the unrestricted net position of the Water Fund amounted to \$439,411.

The Sewer Fund had a net operating loss of \$255,402. This is primarily due to \$245,356 in depreciation expense. The unrestricted net position of the sewer fund amounted to (\$1,090,924).

The Storm Sewer Fund had a net operating income of \$978. The unrestricted net position of the Storm Sewer Fund amounted to \$301,588.

Total unrestricted net position of the proprietary funds were (\$349,925) at the end of 2019.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There are no differences between the original budget and the final amended budget during 2019. Variances from General Fund budget are summarized as follows:

- Licenses and permits in the amount of \$29,884 due to higher than expected building activity.
- General Government in the amount of \$94,487 due to lower than anticipated engineering, accounting, consulting, and legal fees expenses.

As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$1,355,991, equivalent to 66.5% of the 2019 General Fund approved operating budget. This is a decrease of \$109,820 from the end of the 2018 fiscal year. The difference is due to the increase in transfers out to other funds and higher expenditures with the Public Safety function overall.

**City of Elko New Market  
Management Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The City investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounted to \$36,698,581 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment and infrastructure.

Major capital asset events during the fiscal year included the following:

- The City purchased several new and replacement pieces of equipment, including a utility tractor, mower, and four new trucks.
- The City began work on the 2019 Pavement Rehab, Police Station Remodel, and Standby Generation projects.

**The City's Capital Assets**

	Government Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,007,777	\$ 1,007,777	\$ -	\$ -	\$ 1,007,777	\$ 1,007,777
Construction in progress	632,033	-	187,380	187,380	819,413	187,380
Building	1,362,351	1,410,143	-	-	1,362,351	1,410,143
Machinery and equipment	1,530,858	1,572,924	21,076	43,036	1,551,934	1,615,960
Improvements	976,803	1,039,702	-	-	976,803	1,039,702
Infrastructure	5,138,277	5,406,144	-	-	5,138,277	5,406,144
Water main and system	-	-	15,424,610	15,854,475	15,424,610	15,854,475
Sanitary sewer main and system	-	-	7,005,871	7,102,074	7,005,871	7,102,074
Storm sewer system	-	-	3,411,545	3,507,957	3,411,545	3,507,957
Net capital assets	<u>\$ 10,648,099</u>	<u>\$ 10,436,690</u>	<u>\$ 26,050,482</u>	<u>\$ 26,694,922</u>	<u>\$ 36,698,581</u>	<u>\$ 37,131,612</u>

	Government Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. bonds and notes	\$ 3,355,953	\$ 3,797,130	\$ 9,138,299	\$ 9,784,309	\$ 12,494,252	\$ 13,581,439
G.O. revenue bonds	-	-	670,000	780,000	670,000	780,000
Loans	-	-	1,136,974	852,281	1,136,974	852,281
Total	<u>\$ 3,355,953</u>	<u>\$ 3,797,130</u>	<u>\$ 10,945,273</u>	<u>\$ 11,416,590</u>	<u>\$ 14,301,226</u>	<u>\$ 15,213,720</u>

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonds and notes outstanding of \$13,164,252 and loans payable of \$1,136,974. The total bonds, notes, and loans decreased by \$912,494 during the 2019 fiscal year. City's debt related to the debt issuance of PFA General Obligation Drinking Water Revenue Note Series 2013 decreased from \$8,608,000 to \$8,109,000 in 2019.

In April of 2010, the City's credit rating by Moody's Investment Service was upgraded to "A1" from "A3". This rating was reaffirmed for issuance of debt in 2011 and again in 2012. In November of 2013, the City was assigned a credit rating of "AA+" by Standard & Poor's Ratings Services.

**City of Elko New Market  
Management Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**The City's Outstanding Debt**

	Government Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. bonds and notes	\$ 3,355,953	\$ 3,797,130	\$ 9,138,299	\$ 9,784,309	\$ 12,494,252	\$ 13,581,439
G.O. revenue bonds	-	-	670,000	780,000	670,000	780,000
Loans	-	-	1,136,974	852,281	1,136,974	852,281
Total	<u>\$ 3,355,953</u>	<u>\$ 3,797,130</u>	<u>\$ 10,945,273</u>	<u>\$ 11,416,590</u>	<u>\$ 14,301,226</u>	<u>\$ 15,213,720</u>

**NEXT YEARS BUDGETS AND RATES**

The City considered the following factors in preparing the City's budget for the 2020 fiscal year.

- The City is expecting a similar level of development activity to 2019 in 2020. However, the 2020 budget is based on conservative assumptions regarding development activity, a modest increase from the 2019 budget assumptions. This is reflected in projected revenue and expenditures.
- The City Council assumes the receipt of Local Government Aid and a 75% transfer from the General Fund to the Capital Improvement Funds.
- The City Council annually completes a fee analysis for the proprietary funds and intends to continue to amend the fee structure, as necessary, to address any projected disparities between revenues and expenses.
- The City Council annually updates its Capital Improvement Plan, which includes major capital projects and purchase for the next five years. The Plan assists the City in its long-term financial planning. The Plan identifies costs, projected debt service, and funding sources.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Elko New Market, 601 Main Street, P.O. Box 99, Elko New Market, Minnesota 55020.

## **BASIC FINANCIAL STATEMENTS**

**City of Elko New Market  
Statement of Net Position  
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 3,097,700	\$ 409,962	\$ 3,507,662
Receivables			
Property tax receivable	30,740	-	30,740
Accounts receivable	75,636	193,831	269,467
Due from other governments	151,468	207,172	358,640
Due from other funds (internal balances)	443,048	(443,048)	-
Interfund loan receivable (internal balances)	63,389	(63,389)	-
Special assessments receivable			
Current	674	1,087	1,761
Delinquent	1,184	23,621	24,805
Deferred	1,195,058	866,335	2,061,393
Land held for resale	13,689	-	13,689
Prepaid items	25,515	18,843	44,358
Net pension asset - Fire Relief Association	888,482	-	888,482
Capital assets not being depreciated			
Land	1,007,777	-	1,007,777
Construction in progress	632,033	187,380	819,413
Capital assets net of accumulated depreciation			
Buildings	1,362,351	-	1,362,351
Machinery and equipment	1,530,858	21,076	1,551,934
Improvements	976,803	-	976,803
Infrastructure	5,138,277	-	5,138,277
Sewer and water improvements	-	25,842,026	25,842,026
Total assets	<u>16,634,682</u>	<u>27,264,896</u>	<u>43,899,578</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pensions	<u>597,878</u>	<u>35,734</u>	<u>633,612</u>
Total assets and deferred outflows of resources	<u>\$ 17,232,560</u>	<u>\$ 27,300,630</u>	<u>\$ 44,533,190</u>
<b>Liabilities</b>			
Accounts payable	\$ 88,571	\$ 43,145	\$ 131,716
Deposits payable	139,015	-	139,015
Due to other governments	13,688	2,091	15,779
Salaries and benefits payable	55,370	21,460	76,830
Interest payable	38,619	56,857	95,476
Net pension liability	640,738	257,994	898,732
Bond principal payable			
Due within one year	426,886	255,144	682,030
Due in more than one year	2,929,067	1,444,155	4,373,222
Notes from direct borrowing			
Payable within one year	-	227,440	227,440
Due in more than one year	-	909,534	909,534
PFA notes from direct borrowing			
Payable within one year	-	504,000	504,000
Payable after one year	-	7,605,000	7,605,000
Compensated absences payable			
Payable within one year	65,219	14,860	80,079
Payable after one year	10,818	21,610	32,428
Total liabilities	<u>4,407,991</u>	<u>11,363,290</u>	<u>15,771,281</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pensions	<u>805,338</u>	<u>45,082</u>	<u>850,420</u>
<b>Net Position</b>			
Net investment in capital assets	7,355,694	16,242,183	23,597,877
Restricted for			
Debt service	1,480,631	-	1,480,631
Other	167,083	-	167,083
Unrestricted	3,015,823	(349,925)	2,665,898
Total net position	<u>12,019,231</u>	<u>15,892,258</u>	<u>27,911,489</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,232,560</u>	<u>\$ 27,300,630</u>	<u>\$ 44,533,190</u>

See notes to financial statements.

**City of Elko New Market  
Statement of Activities  
Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
General government	\$ 809,949	\$ 64,586	\$ 21,035	\$ -	\$ (724,328)	\$ -	\$ (724,328)
Public safety	1,113,576	321,652	125,901	126,468	(539,555)	-	(539,555)
Public works	1,042,453	89,904	-	245,690	(706,859)	-	(706,859)
Parks and recreation	244,651	59,492	2,490	-	(182,669)	-	(182,669)
Interest on long-term debt	93,301	-	-	-	(93,301)	-	(93,301)
Total governmental activities	<u>3,303,930</u>	<u>535,634</u>	<u>149,426</u>	<u>372,158</u>	<u>(2,246,712)</u>	<u>-</u>	<u>(2,246,712)</u>
<b>Business-type activities</b>							
Water	986,274	1,266,224	-	179,182	-	459,132	459,132
Sewer	1,429,377	1,124,249	-	364,630	-	59,502	59,502
Storm sewer	239,827	234,354	-	111,828	-	106,355	106,355
Total business-type activities	<u>2,655,478</u>	<u>2,624,827</u>	<u>-</u>	<u>655,640</u>	<u>-</u>	<u>624,989</u>	<u>624,989</u>
<b>Total governmental and business-type activities</b>	<u>\$ 5,959,408</u>	<u>\$ 3,160,461</u>	<u>\$ 149,426</u>	<u>\$ 1,027,798</u>	<u>(2,246,712)</u>	<u>624,989</u>	<u>(1,621,723)</u>
<b>General revenues</b>							
Property taxes					2,322,971	-	2,322,971
Intergovernmental					227,602	-	227,602
Unrestricted investment earnings					18,655	1,549	20,204
Other general revenue					83,416	884	84,300
Total general revenues					<u>2,652,644</u>	<u>2,433</u>	<u>2,655,077</u>
Change in net position					405,932	627,422	1,033,354
Net position - beginning					<u>11,613,299</u>	<u>15,264,836</u>	<u>26,878,135</u>
Net position - ending					<u>\$ 12,019,231</u>	<u>\$ 15,892,258</u>	<u>\$ 27,911,489</u>

**City of Elko New Market**  
**Balance Sheet - Governmental Funds**  
**December 31, 2019**

	<u>Special Revenue</u>		<u>Debt Service</u>
	General Fund (101)	Fire Department (103)	2011A G.O. Improvement Refunding Bond (318)
<b>Assets</b>			
Cash and investments	\$ 1,439,434	\$ 14,899	\$ 210,403
Taxes receivable - current	5,867	-	-
Taxes receivable - delinquent	24,873	-	-
Special assessments receivable			
Current	28	-	-
Delinquent	1,021	-	-
Deferred	48,199	-	957,696
Accounts receivable	18,062	-	-
Due from other funds	-	-	-
Interfund loan receivable	-	-	-
Due from other governments	-	-	-
Land held for resale	-	-	13,689
Prepaid items	18,417	7,098	-
	<u>\$ 1,555,901</u>	<u>\$ 21,997</u>	<u>\$ 1,181,788</u>
<b>Liabilities</b>			
Accounts payable	\$ 38,386	\$ 8,541	\$ 513
Deposits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	13,688	-	-
Salaries and benefits payable	55,326	44	-
Total liabilities	<u>107,400</u>	<u>8,585</u>	<u>513</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	24,873	-	-
Unavailable revenue - special assessments	49,220	-	957,696
Total deferred inflows of resources	<u>74,093</u>	<u>-</u>	<u>957,696</u>
<b>Fund Balances (Deficits)</b>			
Nonspendable	18,417	7,098	-
Restricted	-	-	223,579
Committed	-	6,314	-
Assigned	-	-	-
Unassigned	1,355,991	-	-
Total fund balances	<u>1,374,408</u>	<u>13,412</u>	<u>223,579</u>
	<u>\$ 1,555,901</u>	<u>\$ 21,997</u>	<u>\$ 1,181,788</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,555,901</u>	<u>\$ 21,997</u>	<u>\$ 1,181,788</u>

Capital Project

<u>2019 Pavement Rehab Project (446)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,432,964	\$ 3,097,700
-	-	5,867
-	-	24,873
-	646	674
-	163	1,184
168,271	20,892	1,195,058
-	57,574	75,636
-	1,488,587	1,488,587
-	63,389	63,389
-	151,468	151,468
-	-	13,689
-	-	25,515
<u>\$ 168,271</u>	<u>\$ 3,215,683</u>	<u>\$ 6,143,640</u>
\$ 5,648	\$ 35,483	\$ 88,571
-	139,015	139,015
558,712	486,827	1,045,539
-	-	13,688
-	-	55,370
<u>564,360</u>	<u>661,325</u>	<u>1,342,183</u>
-	-	24,873
168,271	21,055	1,196,242
<u>168,271</u>	<u>21,055</u>	<u>1,221,115</u>
-	-	25,515
-	385,175	608,754
-	154,003	160,317
-	2,514,431	2,514,431
(564,360)	(520,306)	271,325
<u>(564,360)</u>	<u>2,533,303</u>	<u>3,580,342</u>
<u>\$ 168,271</u>	<u>\$ 3,215,683</u>	<u>\$ 6,143,640</u>

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**City of Elko New Market**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2019**

Total fund balances - governmental funds	\$ 3,580,342
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	16,466,270
Less accumulated depreciation	(5,818,171)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(3,304,409)
Unamortized bond premium	(51,544)
Compensated absences payable	(76,037)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	24,873
Special assessments	1,184
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	1,195,058
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(805,338)
Deferred outflows of resources related to pensions	597,878
Net pension liability	(640,738)
Fire relief association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	888,482
Governmental funds do not report a liability for accrued interest until due and payable.	(38,619)
Total net position - governmental activities	<u>\$ 12,019,231</u>

**City of Elko New Market**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2019**

	General Fund (101)	Special Revenue Fire Department (103)	Debt Service 2011A G.O. Improvement Refunding Bond (318)
<b>Revenues</b>			
Property taxes	\$ 1,783,052	\$ 105,402	\$ 40,000
Special assessments	7,770	-	46,965
Licenses and permits	132,850	-	-
Intergovernmental	268,840	60,132	-
Charges for services	143,109	195,263	-
Fines and forfeitures	11,167	-	-
Miscellaneous			
Investment income	898	781	305
Contributions and donations	2,300	25,000	-
Other	15,289	16,353	-
Total revenues	<u>2,365,275</u>	<u>402,931</u>	<u>87,270</u>
<b>Expenditures</b>			
Current			
General government	687,271	-	-
Public safety	738,621	376,300	-
Public works	309,202	-	-
Parks and recreation	166,637	-	-
Debt service			
Principal	-	-	105,000
Interest and other charges	-	16	29,655
Capital outlay			
General government	28,942	-	-
Public safety	1,912	-	-
Public works	-	-	-
Total expenditures	<u>1,932,585</u>	<u>376,316</u>	<u>134,655</u>
Excess of revenues over (under) expenditures	432,690	26,615	(47,385)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	93,625
Transfers out	(539,245)	(125,665)	-
Total other financing sources (uses)	<u>(539,245)</u>	<u>(125,665)</u>	<u>93,625</u>
Net change in fund balances	(106,555)	(99,050)	46,240
<b>Fund Balances</b>			
Beginning of year	<u>1,480,963</u>	<u>112,462</u>	<u>177,339</u>
End of year	<u>\$ 1,374,408</u>	<u>\$ 13,412</u>	<u>\$ 223,579</u>

Capital Project

2019 Pavement Rehab Project (446)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 381,079	\$ 2,309,533
13,990	8,581	77,306
-	5,452	138,302
-	21,035	350,007
-	-	338,372
-	1,500	12,667
-	16,671	18,655
-	128,608	155,908
-	90,754	122,396
<u>13,990</u>	<u>653,680</u>	<u>3,523,146</u>
-	1,650	688,921
-	1,349	1,116,270
-	-	309,202
-	10,259	176,896
-	328,829	433,829
-	75,297	104,968
-	27,828	56,770
-	109,106	111,018
550,536	525,483	1,076,019
<u>550,536</u>	<u>1,079,801</u>	<u>4,073,893</u>
(536,546)	(426,121)	(550,747)
-	820,164	913,789
-	(248,879)	(913,789)
-	571,285	-
(536,546)	145,164	(550,747)
(27,814)	2,388,139	4,131,089
<u>\$ (564,360)</u>	<u>\$ 2,533,303</u>	<u>\$ 3,580,342</u>

**City of Elko New Market  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances to  
the Statement of Activities - Governmental Funds  
For the Year Ended December 31, 2019**

Net change in fund balances - governmental funds	\$ (550,747)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays in the current period.	
Capital outlays	821,686
Depreciation expense	(596,523)
Net capital asset disposal	(13,754)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(20,561)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	
	441,177
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	4,319
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
Pension expense	133,619
State contribution	4,894
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes delinquent	13,438
Special assessments deferred and delinquent	168,384
Change in net position - governmental activities	\$ 405,932

**City of Elko New Market**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts		Variance with Final Budget- Over (Under)
	Original and Final				
<b>Revenues</b>					
Property taxes	\$ 1,778,519		\$ 1,783,052		\$ 4,533
Special assessments	-		7,770		7,770
Licenses and permits	102,966		132,850		29,884
Intergovernmental	251,551		268,840		17,289
Charges for services	131,454		143,109		11,655
Fines and forfeitures	15,000		11,167		(3,833)
Investment income	1,000		898		(102)
Contributions and donations	2,000		2,300		300
Other	3,000		15,289		12,289
Total revenues	2,285,490		2,365,275		79,785
<b>Expenditures</b>					
Current					
General government	781,758		687,271		(94,487)
Public safety	732,593		738,621		6,028
Public works	325,390		309,202		(16,188)
Parks and recreation	174,194		166,637		(7,557)
Capital outlay					
General government	22,400		28,942		6,542
Public safety	1,800		1,912		112
Total expenditures	2,038,135		1,932,585		(105,550)
Excess of revenues over expenditures	247,355		432,690		185,335
<b>Other Financing Uses</b>					
Transfers out	(197,099)		(539,245)		(342,146)
Net change in fund balance	\$ 50,256		(106,555)		\$ (156,811)
<b>Fund Balance</b>					
Beginning of year			1,480,963		
End of year			\$ 1,374,408		

**City of Elko New Market  
Scott County, Minnesota  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - Fire Department Fund  
Year Ended December 31, 2019**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget- Over (Under)
<b>Revenues</b>			
Property taxes	\$ 182,006	\$ 105,402	\$ (76,604)
Intergovernmental	45,000	60,132	15,132
Charges for services	202,394	195,263	(7,131)
Miscellaneous revenues			
Investment income	-	781	781
Contributions and donations	25,000	25,000	-
Other	-	16,353	16,353
Total revenues	454,400	402,931	(51,469)
<b>Expenditures</b>			
Current			
Public safety	328,735	376,300	47,565
Debt service			
Principal	85,943	-	(85,943)
Interest and other charges	12,422	16	(12,406)
Total expenditures	427,100	376,316	(50,784)
Excess of revenues over expenditures	27,300	26,615	(685)
<b>Other Financing Uses</b>			
Transfers out	(27,300)	(125,665)	(98,365)
Net change in fund balance	\$ -	(99,050)	\$ (99,050)
<b>Fund Balance</b>			
Beginning of year		112,462	
End of year		\$ 13,412	

**City of Elko New Market**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2019**

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and cash equivalents	\$ 193,507	\$ -	\$ 216,455	\$ 409,962
Special assessments receivable				
Current	585	275	227	1,087
Delinquent	11,964	9,836	1,821	23,621
Deferred	250,406	479,373	136,556	866,335
Accounts receivable	92,047	83,442	18,342	193,831
Short-term due from other governments	25,160	26,528	7,504	59,192
Prepaid Expenses	9,118	7,836	1,889	18,843
Total current assets	<u>582,787</u>	<u>607,290</u>	<u>382,794</u>	<u>1,572,871</u>
Noncurrent assets				
Long-term due from other governments	62,900	66,319	18,761	147,980
Capital assets				
Water main and system	18,787,261	-	-	18,787,261
Sanitary sewer main and system	-	13,483,297	-	13,483,297
Storm sewer system	-	-	4,827,079	4,827,079
Machinery and equipment	54,222	99,479	18,267	171,968
Construction in progress	87,936	99,444	-	187,380
Total capital assets	<u>18,929,419</u>	<u>13,682,220</u>	<u>4,845,346</u>	<u>37,456,985</u>
Less accumulated depreciation	<u>(3,410,452)</u>	<u>(6,565,742)</u>	<u>(1,430,309)</u>	<u>(11,406,503)</u>
Net capital assets	<u>15,518,967</u>	<u>7,116,478</u>	<u>3,415,037</u>	<u>26,050,482</u>
Total noncurrent assets	<u>15,581,867</u>	<u>7,182,797</u>	<u>3,433,798</u>	<u>26,198,462</u>
Deferred outflows of resources				
Deferred outflows of resources related to pensions	<u>17,388</u>	<u>15,191</u>	<u>3,155</u>	<u>35,734</u>
Total assets and deferred outflows of resources	<u>\$ 16,182,042</u>	<u>\$ 7,805,278</u>	<u>\$ 3,819,747</u>	<u>\$ 27,807,067</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
Current liabilities				
Accounts payable	\$ 5,854	\$ 32,002	\$ 5,289	\$ 43,145
Salaries and benefits payable	10,563	9,073	1,824	21,460
Interest payable	41,274	13,677	1,906	56,857
Due to other funds	-	443,048	-	443,048
Interfund loan payable	-	-	63,389	63,389
Due to other governments	1,060	862	169	2,091
Compensated absences - current	7,467	6,048	1,345	14,860
Bonds payable due within one year	115,557	105,557	34,030	255,144
Loan payable due within one year	-	227,440	-	227,440
PFA notes payable due within one year	504,000	-	-	504,000
Total current liabilities	<u>685,775</u>	<u>837,707</u>	<u>107,952</u>	<u>1,631,434</u>
Noncurrent liabilities				
Compensated absences	9,975	9,197	2,438	21,610
Bonds payable	620,699	664,477	158,979	1,444,155
Loan payable	-	909,534	-	909,534
PFA notes payable	7,605,000	-	-	7,605,000
Net pension liability	125,535	109,678	22,781	257,994
Total noncurrent liabilities	<u>8,361,209</u>	<u>1,692,886</u>	<u>184,198</u>	<u>10,238,293</u>
Total liabilities	<u>9,046,984</u>	<u>2,530,593</u>	<u>292,150</u>	<u>11,869,727</u>
Deferred inflows of resources				
Deferred inflows of resources related to pensions	<u>21,936</u>	<u>19,165</u>	<u>3,981</u>	<u>45,082</u>
Net Position				
Net investment in capital assets	6,673,711	6,346,444	3,222,028	16,242,183
Unrestricted	439,411	(1,090,924)	301,588	(349,925)
Total net position	<u>7,113,122</u>	<u>5,255,520</u>	<u>3,523,616</u>	<u>15,892,258</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,182,042</u>	<u>\$ 7,805,278</u>	<u>\$ 3,819,747</u>	<u>\$ 27,807,067</u>

**City of Elko New Market**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2019**

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
<b>Operating Revenues</b>				
Charges for services	\$ 1,078,501	\$ 877,527	\$ 185,009	\$ 2,141,037
Permits, hookup fees, and penalties	178,455	246,722	40,915	466,092
Miscellaneous operating revenues	9,710	442	11,029	21,181
Total operating revenues	<u>1,266,666</u>	<u>1,124,691</u>	<u>236,953</u>	<u>2,628,310</u>
<b>Operating Expenses</b>				
Wages and salaries	193,075	168,593	37,487	399,155
Employee benefits	72,647	62,862	13,732	149,241
Materials and supplies	27,782	11,473	8,785	48,040
Repairs and maintenance	22,208	16,665	29,051	67,924
Professional services	19,058	34,718	39,526	93,302
Insurance	12,812	10,762	2,562	26,136
Utilities	71,580	13,492	458	85,530
Depreciation	434,786	248,123	99,864	782,773
Bad debt expense	6,912	6,912	-	13,824
Small tools	5,222	5,222	609	11,053
Miscellaneous	20,068	801,271	3,901	825,240
Total operating expenses	<u>886,150</u>	<u>1,380,093</u>	<u>235,975</u>	<u>2,502,218</u>
Operating income (loss)	380,516	(255,402)	978	126,092
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	378	-	1,171	1,549
Special assessments	179,182	364,630	109,229	653,041
Interest expense	(100,124)	(49,284)	(3,852)	(153,260)
Total nonoperating revenues (expenses)	<u>79,436</u>	<u>315,346</u>	<u>106,548</u>	<u>501,330</u>
Change in net position	459,952	59,944	107,526	627,422
<b>Net Position</b>				
Beginning of year	<u>6,653,170</u>	<u>5,195,576</u>	<u>3,416,090</u>	<u>15,264,836</u>
End of year	<u>\$ 7,113,122</u>	<u>\$ 5,255,520</u>	<u>\$ 3,523,616</u>	<u>\$ 15,892,258</u>

**City of Elko New Market**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2019**

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
<b>Cash Flows - Operating Activities</b>				
Receipts from customers and users	\$ 1,268,958	\$ 1,103,980	\$ 248,363	\$ 2,621,301
Payments to suppliers	(186,599)	(1,012,522)	(85,155)	(1,284,276)
Payments to employees	(249,857)	(218,398)	(47,963)	(516,218)
Net cash flows - operating activities	<u>832,502</u>	<u>(126,940)</u>	<u>115,245</u>	<u>820,807</u>
<b>Cash Flows - Noncapital Financing Activities</b>				
Payments to/from other funds for interfund borrowing	<u>-</u>	<u>133,814</u>	<u>(15,119)</u>	<u>118,695</u>
<b>Cash Flows - Capital and Related Financing Activities</b>				
Principal paid on debt	(612,586)	181,107	(35,000)	(466,479)
Interest paid on debt	(105,763)	(49,648)	(6,547)	(161,958)
Net cash flows - capital and related Financing activities	<u>(718,349)</u>	<u>(6,874)</u>	<u>(41,547)</u>	<u>(766,770)</u>
<b>Cash Flows - Investing Activities</b>				
Interest and dividends received	<u>378</u>	<u>-</u>	<u>1,171</u>	<u>1,549</u>
Net change in cash and cash equivalents	114,531	-	59,750	174,281
<b>Cash and Cash Equivalents</b>				
January 1	<u>78,976</u>	<u>-</u>	<u>156,705</u>	<u>235,681</u>
December 31	<u>\$ 193,507</u>	<u>\$ -</u>	<u>\$ 216,455</u>	<u>\$ 409,962</u>
<b>Reconciliation of Operating Loss to Net Cash Flows - Operating Activities</b>				
Operating loss	\$ 380,516	\$ (255,402)	\$ 978	\$ 126,092
Adjustments to reconcile operating loss To net cash flows - operating activities				
Miscellaneous revenue	179,182	364,630	109,229	653,041
Depreciation expense	434,786	248,123	99,864	782,773
Pension related activity	6,250	4,662	1,840	12,752
Special assessments receivable	(164,548)	(387,058)	(104,034)	(655,640)
Accounts receivable	(37,502)	(24,811)	(1,289)	(63,602)
Due from other governments	25,160	26,528	7,504	59,192
Prepaid items	(1,586)	(1,366)	(330)	(3,282)
Accounts payable	(431)	9,480	(102)	8,947
Due to other governmental units	1,060	(120,121)	169	(118,892)
Salaries payable	4,785	4,340	677	9,802
Compensated absences payable	4,830	4,055	739	9,624
Total adjustments	<u>451,986</u>	<u>128,462</u>	<u>114,267</u>	<u>694,715</u>
Net cash flows - operating activities	<u>\$ 832,502</u>	<u>\$ (126,940)</u>	<u>\$ 115,245</u>	<u>\$ 820,807</u>

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**City of Elko New Market  
Notes to Financial Statements**

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

**A. Reporting Entity**

The City of Elko New Market 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, 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 basic 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, certain organizations have been defined and are presented in this report as follows:

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

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

**1. Blended Component Unit**

The Elko New Market Economic Development Authority (EDA) is fiscally dependent upon the City, and its governing body consists of City Council Members. Therefore, the Elko New Market EDA is included as a component unit of the City. The Elko New Market EDA's financial data has been blended with that of the City.

**2. Joint Ventures and Jointly Governed Organizations**

The City is a member of a joint powers agreement, together with the Cities of Shakopee, Savage, Prior Lake, Belle Plaine, and Jordan, Minnesota, to provide for the joint exercise of prosecutorial powers. The Cities each shall appoint one individual to serve on the Scott County Joint Prosecution Association Board with each representative having one vote. Each Member City contributes funds to cover their proportionate share of the costs of performing prosecution services. The City contributed \$11,357 in 2019. The financial activity of this organization is presented within the financial statements of Scott County and no separate financial statements are issued.

**City of Elko New Market  
Notes to Financial Statements**

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

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

The government-wide financial statements are reported by using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**City of Elko New Market  
Notes to Financial Statements**

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**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.

Fire Department – This fund accounts for resources accumulated and costs associated with providing fire protection services.

2011A General Obligation (G.O.) Improvement Refunding Bond – This fund accounts for resources accumulated and debt service payments made on this bond issue.

2019 Pavement Rehab Project – This fund accounts for costs associated with the 2019 pavement rehabilitation project.

Proprietary Funds:

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

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

Storm Water Fund – This fund accounts for the activities of the City's storm water operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 enterprise 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.

**City of Elko New Market  
Notes to Financial Statements**

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits 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.

**2. Receivables and Payables**

All utility and property tax receivables are shown at a gross amount since both are assessable to the property and are collectible upon the sale of the property.

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 Auditor 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. Scott County is the collecting agency 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. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

**City of Elko New Market  
Notes to Financial Statements**

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**2. Receivables and Payables (Continued)**

The County Auditor prepares 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 Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

**3. Land Held for Resale**

Land is acquired by the City for subsequent resale for redevelopment purposes. Land held for resale is reported as an asset at the lower of cost or estimated realizable value in the fund that acquired it.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than 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.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Light vehicles	4-5
Machinery and equipment	5-20
Building improvements	10-40
Infrastructure	20-50
Buildings	40-50
Utility distribution system	50

The City has elected not to retroactively report governmental infrastructure assets.

**City of Elko New Market  
Notes to Financial Statements**

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**5. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. 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.

**6. Compensated Absences**

The City compensates all employees for unused flex leave; this is in lieu of employees taking sick leave or vacation leave under the City leave policy. Eligible employees are compensated for accrual of compensatory hours upon termination. Flex leave can be accrued up to 1.5 years of annual flex, any amount over this will be converted to extended sick leave hours. Employees terminating their employment with the City receive 100% of the flex leave balance, not including extended sick leave bank balance, based on the rate of pay in effect for the employee on the date of termination.

Accumulated flex leave estimated to be payable as termination pay is accrued as incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignation and retirement.

The City compensates all employees for unused flex leave; this is in lieu of employees taking sick leave or vacation leave under the City leave policy. Eligible employees are compensated for accrual of compensatory hours upon termination. Flex leave can be accrued up to 1.5 years of annual flex, any amount over this will be converted to extended sick leave hours. Employees terminating their employment with the City receive 100% of the flex leave balance, not including extended sick leave bank balance, based on the rate of pay in effect for the employee on the date of termination.

**City of Elko New Market  
Notes to Financial Statements**

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**6. Compensated Absences (Continued)**

Accumulated flex leave estimated to be payable as termination pay is accrued as incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

**7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**9. Other Post Employment Benefits**

The City charges actual age-rated premium costs to current employees and any retired employees, resulting in no implicit rate subsidy obligation. No other benefits offered by the City qualify as other post employment benefits (OPEB); therefore, no liability related to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* has been recorded in the financial statements.

**City of Elko New Market  
Notes to Financial Statements**

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**10. Fund Equity**

**a. 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.

- **Nonspendable Fund Balance** – This category includes fund balance that cannot be spent because it is either (1) not in spendable form or (2) is legally or contractually required to be maintained intact.
- **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. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Administrator.
- **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.

**b. Minimum Fund Balance and Net Position**

The City's target General Fund balance is to maintain an unassigned fund balance equivalent to at least 50% of the current year's operating budget. The City will maintain restricted fund balances in its capital project funds to provide adequate working capital for current expenditure needs. The City will maintain net position in its enterprise funds to provide adequate working capital for current expense needs.

**City of Elko New Market  
Notes to Financial Statements**

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**11. 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 is 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**F. Budgetary Information**

1. In August 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 expenditures 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 for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General, Fire Department, and Proprietary Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

**City of Elko New Market  
Notes to Financial Statements**

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

**Deficit Fund Balances**

At December 31, 2019, the following Funds had deficit fund balances:

2019 Pavement Rehab Project	(564,360)
2012B Refunding/2003 G.O. Bonds	(5,440)
2006A G.O. Improvement Bonds	(901)
Roundabout Construction	(432,468)
Police Station Remodel	(62,157)
2019 Standby Generation	(19,340)

The deficits may be eliminated through the collections of property taxes and special assessments or reimbursement from utility enterprise funds.

**NOTE 3 – 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 in 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 as follows.

**A. Deposits**

**Custodial Credit Risk – Deposits:** Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has adopted a deposit policy to address custodial risk for deposits that states all depositories approved by the City Council must maintain a sufficient level of depository insurance and collateralized securities to cover deposits made by the City.

As of December 31, 2019, the City's bank balance was not exposed to custodial credit risk because it was fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

As of December 31, 2019, the City had the following deposits and cash on hand:

Checking	\$ 249,428
Savings	1,903,047
CDARS	1,321,542
Petty cash	<u>542</u>
Total deposits	<u><u>\$ 3,474,559</u></u>

**City of Elko New Market  
Notes to Financial Statements**

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

**B. Investments**

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

<u>Investment</u>	<u>Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Concentration Credit Risk</u>
4M Fund	MM	N/A	NR	\$ 33,103	100.0%
Due within year				<u>33,103</u>	<u>100.0%</u>

**Concentration of Credit Risk:** Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy addresses diversification of maturity dates, and liquidity of the investment portfolio. The policy also states to protect City funds from concentration of credit risk, the City will disclose when more than 5% of its investments are with one issuer.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy refers to *Minnesota Statutes* 118A. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations.

**Interest Rate Risk:** This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's objective relating to interest rate risk is to mitigate declines in market value of investments due to changes in interest rates. The City's investment policy addresses diversification of maturity dates, and liquidity of the investment portfolio which will prevent over investing in specific instruments.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 states all investments of City funds must be covered by security investor protection or other acceptable brokerage insurance to limit the City's exposure to custodial credit risk.

**C. Deposits and Investments**

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

Deposits and cash on hand (Note 3. A)	\$ 3,474,559
Investments (Note 3. B. )	<u>33,103</u>
Total deposits and investments	<u><u>\$ 3,507,662</u></u>

**City of Elko New Market  
Notes to Financial Statements**

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

**C. Deposits and Investments (Continued)**

Deposits and investments are presented in the December 31, 2019 basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 3,507,662</u></u>

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

In 2010, the City entered an agreement with the Scott County Community Development Agency (CDA) to financially assist with the construction of a library facility. This agreement was amended in 2013 to require the CDA to pay the City for \$642,560 of trunk, access, and connection fees over a fifteen year period. Accordingly, due from other governments receivables are recorded in the Water, Sewer, and Storm Sewer Enterprise Funds. Annual payments of \$29,596 will be made from 2020 to 2025.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and easements	\$ 1,007,777	\$ -	\$ -	\$ 1,007,777
Construction in progress	-	632,033	-	632,033
Total capital assets not being depreciated	1,007,777	632,033	-	1,639,810
Capital assets being depreciated				
Buildings	1,998,134	-	-	1,998,134
Machinery and equipment	2,783,018	168,801	135,007	2,816,812
Improvements	1,476,427	20,852	-	1,497,279
Infrastructure	8,514,235	-	-	8,514,235
Total capital assets being depreciated	14,771,814	189,653	135,007	14,826,460
Less accumulated depreciation for				
Buildings	587,991	47,792	-	635,783
Machinery and equipment	1,210,091	197,116	121,253	1,285,954
Improvements	436,725	83,751	-	520,476
Infrastructure	3,108,094	267,864	-	3,375,958
Total accumulated depreciation	5,342,901	596,523	121,253	5,818,171
Total capital assets being depreciated, net	9,428,913	(406,870)	13,754	9,008,289
Governmental activities capital assets, net	\$ 10,436,690	\$ 225,163	\$ 13,754	\$ 10,648,099

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 187,380	\$ -	\$ -	\$ 187,380
Capital assets being depreciated				
Water main and system	18,787,261	-	-	18,787,261
Sanitary sewer main and system	13,344,964	138,333	-	13,483,297
Storm sewer system	4,827,079	-	-	4,827,079
Machinery and equipment	171,968	-	-	171,968
Total capital assets being depreciated	37,131,272	138,333	-	37,269,605
Less accumulated depreciation for				
Water main and system	2,932,786	429,865	-	3,362,651
Sanitary sewer main and system	6,242,890	234,536	-	6,477,426
Storm sewer system	1,319,122	96,412	-	1,415,534
Machinery and equipment	128,932	21,960	-	150,892
Total accumulated depreciation	10,623,730	782,773	-	11,406,503
Total capital assets being depreciated, net	26,507,542	(644,440)	-	25,863,102
Business-type activities capital assets, net	\$ 26,694,922	\$ (644,440)	\$ -	\$ 26,050,482

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 51,662
Public safety	137,123
Public works	325,123
Parks and recreation	82,615
Total depreciation expense - governmental activities	\$ 596,523
Business-type activities	
Water	\$ 434,786
Sewer	248,123
Storm sewer	99,864
Total depreciation expense - business-type activities	\$ 782,773

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 6 – LONG-TERM DEBT**

**A. General Obligation Bonds**

The City issues general obligations (G.O.) bonds to provide for financing utility projects and street improvements. Debt service is covered respectively by utility revenue and special assessments against benefited properties with any shortfalls being paid from general taxes.

**B. Notes from Direct Borrowings**

A loan from the Metropolitan Council was recorded during 2010 for the sum of \$239,000 to cover the cost of City trunk sewer connections under CSAH 2 as part of the construction of the CSAH 2 portion of the Elko New Market interceptor. The first payment was made in 2012 with final payment due in 2031. Payments will be \$17,695 each year which includes interest paid at 4.07%.

A Reserve Capacity Loan from the Metropolitan Council was recorded during 2012 for the sum of \$197,568 to cover the increment cost of City trunk sewer connections. Since 2012, additional borrowing and payments occurred resulting in an ending balance of \$971,574. Interest on financing is effective at 3.6% charged on prior year-end balance. Principal and interest is payable on the loan annually but can fluctuate based on the difference between forecasted and actual sewer access charges and therefore this loan was included as loans payable at December 31, 2019, but excluded from the maturity schedules due to uncertainty of future annual payments.

**C. PFA Notes from Direct Borrowings**

In 2018, the City received final reimbursement from the Minnesota Public Facilities Authority to finance construction costs. This reimbursement along with prior reimbursements totaled \$10,194,232 for the purpose of financing the eligible project costs of the Drinking Water Revolving Fund project to construct treatment to remove radium, rehabilitate storage tower, and add an additional well. The aggregate principal amount of the loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 1% per annum accruing from and after the date of the Note, which is December 24, 2014, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees thereon have been paid.

There is a regular interest and principal payment due August 20, 2016, and every six months thereafter on a semi-annual basis. Interest will be payable beginning on February 20, 2016. This is projected to continue until August 20, 2034, if all amounts are disbursed as projected, and all payments are made on a timely basis.

**City of Elko New Market  
Notes to Financial Statements**

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

**D. Components of Long-Term Liabilities**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Governmental activities						
G.O. Bonds and notes, including						
refunding bonds						
G.O. Taxable library notes 2010A	12/14/10	3.07%	\$ 426,323	02/01/32	\$ 347,323	\$ 23,000
G.O. Improvement Refunding						
Bonds 2011A	07/01/11	2.00%-3.75%	1,380,000	02/01/26	830,000	105,000
G.O. Refunding Bonds 2012B	11/05/12	0.60%-2.10%	115,000	02/01/24	50,000	10,000
G.O. Bonds 2013A	12/15/13	3.00%-3.50%	1,272,000	02/01/29	857,086	93,886
G.O. Bonds 2015A	08/20/15	2.00%-3.00%	1,385,000	02/01/26	980,000	145,000
G.O. Refunding Bonds 2015B	08/20/15	2.00%-2.50%	365,000	02/01/24	240,000	50,000
Bond premium					<u>51,544</u>	<u>-</u>
Total G.O. Bonds and notes					3,355,953	426,886
Compensated absences					<u>76,037</u>	<u>65,219</u>
Total governmental activities					<u>\$ 3,431,990</u>	<u>\$ 492,105</u>
	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Business-type activities						
G.O. Bonds and notes, including						
Refunding Bonds						
G.O. Refunding Bonds 2012B	11/05/12	0.60%-2.10%	\$ 1,175,000	02/01/25	\$ 670,000	\$ 110,000
G.O. Bonds 2013A	12/15/13	3.00%-3.50%	828,000	02/01/29	557,914	60,144
G.O. PFA note water treatment facility						
2013 PFA	10/29/14	0.11%-2.85%	10,194,232	08/20/34	8,109,000	504,000
G.O. Refunding Bonds 2015B	08/20/15	2.00%-2.50%	605,000	02/01/24	440,000	85,000
Bond premium/discount					<u>31,385</u>	<u>-</u>
Total G.O. Bonds and notes					9,808,299	759,144
Metropolitan council loan payable					2010	4.07%
			239,000	2031	165,401	10,963
Metropolitan council loan payable					2012	4.07%
			353,900	2031	971,573	216,477
Compensated absences					<u>36,470</u>	<u>14,860</u>
Total business-type activities					<u>\$ 10,981,743</u>	<u>\$ 1,001,444</u>

Compensated absences are liquidated by either the General Fund or enterprise funds, depending upon where employees' time is assigned.

**City of Elko New Market**  
**Notes to Financial Statements**

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

**E. Change in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable					
G.O. Bonds and notes	\$ 3,738,238	\$ -	\$ 433,829	\$ 3,304,409	\$ 426,886
Bond premium	58,892	-	7,348	51,544	-
Total bonds and notes payable	<u>3,797,130</u>	<u>-</u>	<u>441,177</u>	<u>3,355,953</u>	<u>426,886</u>
Compensated absences	<u>55,476</u>	<u>85,780</u>	<u>65,219</u>	<u>76,037</u>	<u>65,219</u>
Total governmental Activities	<u>3,852,606</u>	<u>85,780</u>	<u>506,396</u>	<u>3,431,990</u>	<u>492,105</u>
Business-type activities					
Bonds payable					
G.O. Revenue bonds	780,000	-	110,000	670,000	110,000
G.O. Bonds	1,140,086	-	142,172	997,914	145,144
Bond premium/discount	36,223	-	4,838	31,385	-
Total bonds payable	<u>1,956,309</u>	<u>-</u>	<u>257,010</u>	<u>1,699,299</u>	<u>255,144</u>
PFA note from direct borrowing	8,608,000	-	499,000	8,109,000	504,000
Notes from direct borrowing	852,281	508,200	223,507	1,136,974	227,440
Compensated absences	<u>26,846</u>	<u>39,344</u>	<u>29,720</u>	<u>36,470</u>	<u>14,860</u>
Total business-type activities	<u>11,443,436</u>	<u>547,544</u>	<u>1,009,237</u>	<u>10,981,743</u>	<u>1,001,444</u>
Total long-term liabilities	<u>\$ 15,296,042</u>	<u>\$ 633,324</u>	<u>\$ 1,515,633</u>	<u>\$ 14,413,733</u>	<u>\$ 1,493,549</u>

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

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>G.O. Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 426,886	\$ 87,430	\$ 514,316
2021	437,886	76,671	514,557
2022	451,914	65,300	517,214
2023	467,971	53,209	521,180
2024	473,971	40,356	514,327
2025-2029	966,457	71,398	1,037,855
2030-2034	<u>79,324</u>	<u>4,498</u>	<u>83,822</u>
Total	<u>\$ 3,304,409</u>	<u>\$ 398,862</u>	<u>\$ 3,703,271</u>

**City of Elko New Market**  
**Notes to Financial Statements**

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

**E. Change in Long-Term Liabilities (Continued)**

Years Ending December 31,	Business-Type Activities					
	G.O. Revenue Bonds			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 110,000	\$ 10,965	\$ 120,965	\$ 145,144	\$ 26,186	\$ 171,330
2021	115,000	9,388	124,388	141,114	22,497	163,611
2022	115,000	7,548	122,548	153,086	18,609	171,695
2023	120,000	5,490	125,490	157,029	14,407	171,436
2024	125,000	3,098	128,098	162,029	10,083	172,112
2025-2029	85,000	893	85,893	239,512	20,845	260,357
2030-2034	-	-	-	-	-	-
Total	<u>\$ 670,000</u>	<u>\$ 37,382</u>	<u>\$ 707,382</u>	<u>\$ 997,914</u>	<u>\$ 112,627</u>	<u>\$ 1,110,541</u>

Years Ending December 31,	Notes from Direct Borrowing			PFA Note from Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 10,963	\$ 6,732	\$ 17,695	\$ 504,000	\$ 81,090
2021	11,409	6,286	17,695	509,000	76,050	585,050
2022	11,874	5,821	17,695	514,000	70,960	584,960
2023	12,357	5,338	17,695	519,000	65,820	584,820
2024	12,860	4,835	17,695	525,000	60,630	585,630
2025-2029	72,590	15,885	88,475	2,700,000	223,430	2,923,430
2030-2034	33,348	2,042	35,390	2,838,000	85,700	2,923,700
Total	<u>\$ 165,401</u>	<u>\$ 46,939</u>	<u>\$ 212,340</u>	<u>\$ 8,109,000</u>	<u>\$ 663,680</u>	<u>\$ 8,772,680</u>

Years Ending December 31,	Total Business-Type Activities		
	Principal	Interest	Total
2020	\$ 770,107	\$ 124,973	\$ 895,080
2021	776,523	114,221	890,744
2022	793,960	102,938	896,898
2023	808,386	91,055	899,441
2024	824,889	78,646	903,535
2025-2029	3,097,102	261,053	3,358,155
2030-2034	2,871,348	87,742	2,959,090
Total	<u>\$ 9,942,315</u>	<u>\$ 860,628</u>	<u>\$ 10,802,943</u>

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 7 – EQUITY**

	<u>General</u>	<u>Fire Department</u>	<u>2011A G.O. Improvement Refunding Bond</u>	<u>2019 Pavement Rehab Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable						
Prepaid items	\$ 18,417	\$ 7,098	\$ -	\$ -	\$ -	\$ 25,515
Restricted						
Public safety improvements	-	-	-	-	63,548	63,548
Police forfeitures	-	-	-	-	16,497	16,497
Park dedication	-	-	-	-	109,114	109,114
Charitable gambling	-	-	-	-	35,131	35,131
Debt service	-	-	223,579	-	160,885	384,464
Committed						
Fire department	-	6,314	-	-	-	6,314
Economic development	-	-	-	-	125,906	125,906
Community events	-	-	-	-	11,872	11,872
PEG programming	-	-	-	-	16,225	16,225
Assigned						
Capital projects	-	-	-	-	2,514,431	2,514,431
Unassigned	<u>1,355,991</u>	<u>-</u>	<u>-</u>	<u>(564,360)</u>	<u>(520,306)</u>	<u>271,325</u>
Total	<u>\$ 1,374,408</u>	<u>\$ 13,412</u>	<u>\$ 223,579</u>	<u>\$ (564,360)</u>	<u>\$ 2,533,303</u>	<u>\$ 3,580,342</u>

**NOTE 8 – RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. 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 amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there were no other claims or liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS**

The City participates in various pension plans, total pension expense for the year ended December 31, 2019, was \$195,624. The components of pension expense are noted in the following plan summaries.

The General Fund and Proprietary Funds typically liquidate the liability related to pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**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.

General Employees Plan Benefits

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

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

General Employees Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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%. 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. For 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

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

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions (Continued)**

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$59,288. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$64,092. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$574,993 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$17,833. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0104%, which was an increase of 0.0001% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 574,993
State of Minnesota's proportionate share of the net pension liability associated with the City	17,833
Total	\$ 592,826

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2019, the City recognized pension expense of \$89,888 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$1,335 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.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,372	\$ -
Changes in actuarial assumptions	-	43,356
Difference between projected and actual investment earnings	-	57,118
Changes in proportion	34,625	-
Contributions paid to PERA subsequent to the measurement date	29,644	-
Total	\$ 79,641	\$ 100,474

\$29,644 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2020	\$ (10,021)
2021	(31,376)
2022	(10,007)
2023	927
Total	\$ (50,477)

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$323,739 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0308%, which was a decrease of 0.0005% from its proportionate share measured as of June 30, 2018. The City also recognized \$4,158 for the year ended December 31, 2019 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019, in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$66,804 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,659	\$ 40,511
Changes in actuarial assumptions	220,862	347,567
Difference between projected and actual investment earnings	-	71,851
Changes in proportion	106,362	4,440
Contributions paid to PERA subsequent to the measurement Date	32,046	-
Total	\$ 372,929	\$ 464,369

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs

The \$32,046 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (4,073)
2021	(29,258)
2022	(92,980)
2023	3,991
2024	(1,166)
Total	<u>\$ (123,486)</u>

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and, 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5%	5.10%
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	<u>100%</u>	

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 –PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G Pension Liability Sensitivity**

The following presents the City's 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 City's 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:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 945,257	\$ 574,993	\$ 269,266
	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 712,564	\$ 323,739	\$ (4,152)

**H. Pension Plan Fiduciary Net Position**

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

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 –PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association**

**A. Plan Description**

The Elko New Market Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Elko New Market Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Elko New Market Firefighter's Association, PO Box 127, Elko New Market, MN 55020 or by calling 952-461-2777.

**B. Benefits Provided**

Volunteer firefighters of the City are members of the Elko New Market Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 10 years of service for a lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

**C. Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>27</u>
Total	<u><u>32</u></u>

**D. Contributions**

*Minnesota Statutes* Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$68,132 made by the State of Minnesota for the Relief Association.

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**E. Net Pension Liability**

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

*Actuarial assumptions:*

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increase	N/A average, including inflation
Investment rate of return	6.00 net of pensions plan investment expenses: including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5 %	0.74 %
International equity	10	5.41
Domestic equity	50	4.76
Fixed income	35	2.01
Real estate	0	4.53
Total	<u>100 %</u>	

*Changes in Actuarial Assumptions:*

- The expected investment return and discount rate decreased from 6.50% to 6.00% to reflect updated capital market assumptions.
- The mortality assumption was updated from the rates used in the July 1, 2017 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police and Fire Plan actuarial valuation.

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**E. Net Pension Liability (Continued)**

*Changes in Actuarial Assumptions: (Continued)*

- The inflation assumption decreased from 2.75% to 2.50%.

*Discount rate:*

The discount rate used to measure the total pension liability was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for year s in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

**F. Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2019	\$ 2,014,270	\$ 2,543,919	\$ (529,649)
Changes for the year			
Service cost	89,215	-	89,215
Interest cost	127,199	-	127,199
Differences between expected and actual experience	164,778	-	164,778
Changes of assumptions	30,554	-	30,554
State and local contributions	-	192,512	(192,512)
Donations and other income	-	13,000	(13,000)
Projected investment return	-	-	-
Net Investment Income	-	565,067	(565,067)
Benefit payments	(293,148)	(293,148)	-
Net charges	118,598	477,431	(358,833)
Balances at December 31, 2019	\$ 2,132,868	\$ 3,021,350	\$ (888,482)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**F. Changes in the Net Pension Liability (Continued)**

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
City's net pension liability (asset)	\$ (835,361)	\$ (888,482)	\$ (940,212)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2019, the City recognized pension expense of \$38,932. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 142,511	\$ 28,106
Changes of assumptions	38,531	12,745
Net difference between projected and actual earnings on pension plan investments	-	244,726
Total	\$ 181,042	\$ 285,577

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Total
2020	\$ (47,954)
2021	(51,859)
2022	(6,527)
2023	(60,076)
2024	24,925
Thereafter	36,956
Total	\$ (104,535)

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)**

**H. Payable to the Pension Plan**

At December 31, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

**NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**A. Due from/to Other Funds**

The composition of interfund balances as of December 31, 2019, was as follows:

Receivable Fund	Payable Fund	Amount
Other governmental funds	2019 Pavement Rehab Project	\$ 558,712
Other governmental funds	Other governmental funds	486,827
Other governmental funds	Sewer	443,048
Total Interfund Balances		<u>\$ 1,488,587</u>

The interfund balances above are short-term borrowings to cover negative cash balances at the end of the year.

**B. Interfund Loan Payable**

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	Storm Sewer	<u>\$ 63,389</u>

On March 28, 2013, an interfund loan was approved between the Capital Projects Fund and the Storm Sewer Fund for the amount of \$150,000. The loan is payable over ten years, with yearly principal payments and annual interest of 1.89%.

**C. Transfers**

	Transfers In		
	2011A G.O. Improvement Refunding Bond	Other Governmental Funds	Total
Transfers out			
General fund	\$ -	\$ 539,245	\$ 539,245
Fire department	-	125,665	125,665
Other governmental funds	93,625	155,254	248,879
Total transfers	<u>\$ 93,625</u>	<u>\$ 820,164</u>	<u>\$ 913,789</u>

**City of Elko New Market  
Notes to Financial Statements**

**NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

**C. Transfers (Continued)**

A transfer was made from the General Fund to the Capital Projects Fund and Capital Outlay Fund for amounts over 50% of fund reserves. Transfers were made from the Fire Department Fund and Capital Projects Fund to debt service funds to eliminate negative fund balances and assist with debt service requirements. A transfer was also made from the Fire Department Fund to the Capital Outlay Fire Department Fund for capital purchases.

**NOTE 11 – CONTINGENCIES**

In the normal course of operations, the City is exposed to various claims and litigation. As of December 31, 2019, none of these activities are deemed to have a material impact on the City's financial statements.

**NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the City's Developer Escrow fund was reclassified from a fiduciary fund to a governmental capital projects fund.

**NOTE 13 – SUBSEQUENT EVENT**

In May of 2020, the City issued General Obligation Bonds, Series 2020A, in the Original Aggregate Principal Amount of \$4,965,000. Pursuant to a resolution adopted by the City Council on May 14, 2020, the City authorized the sale of its General Obligation Bonds, Series 2020A, to finance several capital projects and purchases. These include the 2019 Pavement Rehabilitation Project, the purchase of a Fire Rescue Truck, the purchase of two snow plows, the Police Department Addition to City Hall, the CSAH 2/91 Roundabout Project and the Onsite Generation Project.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019, cannot be determined at this time.

**NOTE 14 – GASB STANDARDS ISSUED AND 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, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Elko New Market  
Schedule of City's Proportionate Share  
of Net Pension Liability  
General Employees Retirement Fund  
Last Ten Years\***

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- 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	0.0091%	\$ 471,609	\$ -	\$ 471,609	\$ 525,533	89.74%	78.19%
2016	0.0092%	746,994	9,840	756,834	573,013	130.36%	68.91%
2017	0.0096%	612,858	7,705	620,563	618,387	99.11%	75.90%
2018	0.0103%	571,402	18,852	590,254	693,653	82.38%	79.53%
2019	0.0104%	574,993	17,833	592,826	733,053	78.44%	80.23%

\* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**Schedule of City's Proportionate Share  
of Net Pension Liability  
Public Employees Police and Fire Retirement Fund  
Last Ten Years\***

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	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	0.0250%	\$ 284,059	\$ 224,852	126.33%	86.61%
2016	0.0250%	1,001,044	238,173	420.30%	63.88%
2017	0.0290%	388,925	301,537	128.98%	85.43%
2018	0.0313%	330,809	330,315	100.15%	88.84%
2019	0.0308%	323,739	332,315	97.42%	89.26%

\* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**City of Elko New Market  
Schedule of City Contributions  
General Employees Retirement Fund  
Last Ten Years\***

Fiscal Year Ending 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	\$ 41,511	\$ 41,511	\$ -	\$ 553,480	7.50%
2016	40,907	40,907	-	545,427	7.50%
2017	43,041	43,041	-	573,880	7.50%
2018	55,232	55,232	-	736,427	7.50%
2019	59,288	59,288	-	790,507	7.50%

\* These schedules are intended to show ten year trend. Additional years will be displayed as they become available.

**Schedule of City Contributions  
Public Employees Police and Fire Retirement Fund  
Last Ten Years\***

Year Ending 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	\$ 36,157	\$ 36,157	\$ -	\$ 223,191	16.20%
2016	41,339	41,339	-	255,179	16.20%
2017	51,233	51,233	-	316,253	16.20%
2018	55,577	55,577	-	343,068	16.20%
2019	64,092	64,092	-	395,630	16.95%

\* These schedules are intended to show ten year trend. Additional years will be displayed as they become available.

**City of Elko New Market**  
**Schedule of Changes in Net Pension Liability -**  
**Fire Relief Association**

	Measurement Date				
	2015	2016	2017	2018	2019
Total pension liability (TPL)					
Service cost	\$ 67,600	\$ 82,614	\$ 72,898	\$ 75,141	\$ 89,215
Interest on the pension liability	97,341	109,560	129,323	120,993	127,199
Differences between expected and actual experience	-	-	(47,669)	-	164,778
Changes of assumptions	10,394	(28,933)	12,969	-	30,554
Changes of benefit terms	136,386	-	39,950	232,390	-
Benefit payments	(116,388.0)	-	(127,273)	(401,080)	(293,148)
Net change in TPL	<u>195,333</u>	<u>163,241</u>	<u>80,198</u>	<u>27,444</u>	<u>118,598</u>
TPL - beginning	<u>1,548,054</u>	<u>1,743,387</u>	<u>1,906,628</u>	<u>1,986,826</u>	<u>2,014,270</u>
TPL - ending	<u>\$ 1,743,387</u>	<u>\$ 1,906,628</u>	<u>\$ 1,986,826</u>	<u>\$ 2,014,270</u>	<u>\$ 2,132,868</u>
Plan fiduciary net position (PFNP)					
Fire state aid	\$ 43,428	\$ 44,342	\$ 44,722	\$ 46,244	\$ 48,828
Fire supplemental aid	10,626	10,756	10,821	11,003	19,304
Municipal contribution	103,144	107,833	112,521	118,447	124,380
Donations and other income	29,000	16,000	9,000	8,100	13,000
Net investment income	(57,138)	111,403	392,217	(109,642)	565,067
Administrative fee	(13)	-	-	-	-
Benefit payments	(116,388)	-	(127,273)	(401,080)	(293,148)
Net change in PFNP	<u>12,659</u>	<u>290,334</u>	<u>442,008</u>	<u>(326,928)</u>	<u>477,431</u>
PFNP - beginning	<u>2,125,846</u>	<u>2,138,505</u>	<u>2,428,839</u>	<u>2,870,847</u>	<u>2,543,919</u>
PFNP - ending	<u>\$ 2,138,505</u>	<u>\$ 2,428,839</u>	<u>\$ 2,870,847</u>	<u>\$ 2,543,919</u>	<u>\$ 3,021,350</u>
Net pension liability - ending	<u>\$ (395,118)</u>	<u>\$ (522,211)</u>	<u>\$ (884,021)</u>	<u>\$ (529,649)</u>	<u>\$ (888,482)</u>
Plan fiduciary net position as a percentage of the total pen:	122.7%	127.4%	144.5%	126.3%	141.7%

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required to a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

**City of Elko New Market  
Schedule of Employer Contributions  
and Non-Employer Contributing  
Entities - Fire Relief Association**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Employer					
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution	<u>(103,144)</u>	<u>(107,833)</u>	<u>(112,521)</u>	<u>(118,447)</u>	<u>(124,380)</u>
Contribution deficiency (excess)	<u>\$ (103,144)</u>	<u>\$ (107,833)</u>	<u>\$ (112,521)</u>	<u>\$ (118,447)</u>	<u>\$ (124,380)</u>
Non-employer					
2% aid	<u>\$ 54,054</u>	<u>\$ 55,098</u>	<u>\$ 55,543</u>	<u>\$ 57,247</u>	<u>\$ 60,132</u>

The Association implemented the provisions of Governmental Accounting Standards Board Statement No 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

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**City of Elko New Market**  
**Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND**

**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.

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.
- Postretirement benefit 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 post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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.

**City of Elko New Market**  
**Notes to Required Supplementary Information**

**GENERAL EMPLOYEES FUND (CONTINUED)**

**2017 Changes (Continued)**

Changes in Plan Provisions (Continued)

- 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 were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**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.

**City of Elko New Market**  
**Notes to Required Supplementary Information**

**POLICE AND FIRE FUND**

**2019 Changes**

Changes in Actuarial Assumptions

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

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- 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.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.

**City of Elko New Market**  
**Notes to Required Supplementary Information**

**POLICE AND FIRE FUND (CONTINUED)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% 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 changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**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 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

**DEFINED BENEFIT PENSION PLAN – VOLUNTEER FIRE FIGHTER'S RELIEF ASSOCIATION**

**2019 Changes**

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.50% to 6.00% to reflect updated capital market assumptions.
- The mortality assumption was updated from the rates used in the July 1, 2017 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police and Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.50%.

**SUPPLEMENTARY INFORMATION**

**City of Elko New Market  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - General Fund  
Year Ended December 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,778,519	\$ 1,778,519	\$ 1,783,052	\$ 4,533
Special assessments	-	-	7,770	7,770
Licenses and permits	102,966	102,966	132,850	29,884
Intergovernmental revenue				
Local government aid	226,551	226,551	227,217	666
Market value credit	-	-	385	385
Police aid	25,000	25,000	35,875	10,875
Other grants and aids	-	-	5,363	5,363
Total intergovernmental revenue	<u>251,551</u>	<u>251,551</u>	<u>268,840</u>	<u>17,289</u>
Charges for services				
General government	42,000	42,000	46,135	4,135
Public safety	-	-	550	550
Public works	86,954	86,954	92,932	5,978
Parks and recreation	2,500	2,500	3,492	992
Total charges for services	<u>131,454</u>	<u>131,454</u>	<u>143,109</u>	<u>11,655</u>
Fines and forfeitures	15,000	15,000	11,167	(3,833)
Miscellaneous revenues				
Investment income	1,000	1,000	898	(102)
Contributions and donations	2,000	2,000	2,300	300
Other	3,000	3,000	15,289	12,289
Total miscellaneous revenues	<u>6,000</u>	<u>6,000</u>	<u>18,487</u>	<u>12,487</u>
Total revenues	<u>2,285,490</u>	<u>2,285,490</u>	<u>2,365,275</u>	<u>79,785</u>
<b>Expenditures</b>				
General government				
Mayor and council	42,526	42,526	39,627	(2,899)
Administrative and finance	624,375	624,375	542,350	(82,025)
Other general government	114,857	114,857	105,294	(9,563)
Capital outlay	22,400	22,400	28,942	6,542
Total general government	<u>804,158</u>	<u>804,158</u>	<u>716,213</u>	<u>(87,945)</u>
Public safety				
Police				
Current	641,033	641,033	614,678	(26,355)
Capital outlay	1,800	1,800	1,912	112
Total police	<u>642,833</u>	<u>642,833</u>	<u>616,590</u>	<u>(26,243)</u>
Other				
Current	91,560	91,560	123,943	32,383
Total public safety	<u>734,393</u>	<u>734,393</u>	<u>740,533</u>	<u>6,140</u>

**City of Elko New Market  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - General Fund  
Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
Public works				
Streets and highways				
Street maintenance and storm sewers	\$ 325,390	\$ 325,390	\$ 309,202	\$ (16,188)
Parks and recreation				
Parks and recreation				
Current	174,194	174,194	166,637	(7,557)
Total expenditures	<u>2,038,135</u>	<u>2,038,135</u>	<u>1,932,585</u>	<u>(105,550)</u>
Excess of revenues over expenditures	247,355	247,355	432,690	185,335
<b>Other Financing Uses</b>				
Transfers out	<u>(197,099)</u>	<u>(197,099)</u>	<u>(539,245)</u>	<u>(342,146)</u>
Net change in fund balance	<u>\$ 50,256</u>	<u>\$ 50,256</u>	<u>(106,555)</u>	<u>\$ (156,811)</u>
<b>Fund Balance</b>				
Beginning of year			<u>1,480,963</u>	
End of year			<u>\$ 1,374,408</u>	

**City of Elko New Market  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019**

	Special Revenue		
	Police Forfeitures (104)	Park Dedication (230)	Charitable Gambling (240)
<b>Assets</b>			
Cash and investments	\$ 16,497	\$ 109,114	\$ 35,131
Special assessments receivable			
Current	-	-	-
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Interfund loan receivable	-	-	-
Due from other governments	-	-	-
	-	-	-
Total assets	\$ 16,497	\$ 109,114	\$ 35,131
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Deposits payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	-	-
<b>Fund Balances (Deficits)</b>			
Restricted	16,497	109,114	35,131
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	16,497	109,114	35,131
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,497	\$ 109,114	\$ 35,131

Special Revenue				Debt Service		
Economic Development (260)	Community Events (280)	Public Education and Government Programming (270)	Total	2012A Refunding/ 1998 G.O. Bonds (306)	2012B Refunding/ 2003 G.O. Bonds (307)	2006A G.O. Improvement Bonds (311)
\$ 125,906	\$ 11,572	\$ 15,175	\$ 313,395	\$ 7,187	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	301	1,050	1,351	-	-	-
-	-	-	-	6,341	-	-
-	-	-	-	-	-	-
-	-	z	-	-	-	-
<u>\$ 125,906</u>	<u>\$ 11,873</u>	<u>\$ 16,225</u>	<u>\$ 314,746</u>	<u>\$ 13,528</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 1	\$ -	\$ 1	\$ 205	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	5,440	901
-	1	-	1	205	5,440	901
-	-	-	-	-	-	-
-	-	-	160,742	13,323	-	-
125,906	11,872	16,225	154,003	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(5,440)	(901)
<u>125,906</u>	<u>11,872</u>	<u>16,225</u>	<u>314,745</u>	<u>13,323</u>	<u>(5,440)</u>	<u>(901)</u>
<u>\$ 125,906</u>	<u>\$ 11,873</u>	<u>\$ 16,225</u>	<u>\$ 314,746</u>	<u>\$ 13,528</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Elko New Market  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019**

	Debt Service		
	2015B G.O. Refunding Bonds (315)	2009A G.O. Equipment Certificate Fire Department (316)	2010 G.O. Library Note (317)
<b>Assets</b>			
Cash and investments	\$ 41,377	\$ 5,978	\$ 29,178
Special assessments receivable			
Current	646	-	-
Delinquent	163	-	-
Deferred	20,892	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Interfund loan receivable	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 63,078</u>	<u>\$ 5,978</u>	<u>\$ 29,178</u>
<b>Liabilities</b>			
Accounts payable	\$ 177	\$ -	\$ -
Deposits payable	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>177</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	21,055	-	-
<b>Fund Balances (Deficits)</b>			
Restricted	41,846	5,978	29,178
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>41,846</u>	<u>5,978</u>	<u>29,178</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,078</u>	<u>\$ 5,978</u>	<u>\$ 29,178</u>

Debt Service				Capital Projects			
2007A France Avenue Improvement Bond (313)	2013A G.O. Bonds (319)	2015A G.O. Improvement Bond (320)	Total	Capital Projects (250)	Road Construction and Maintenance (290)	Developer Escrow (400)	
\$ 23,536	\$ 19,207	\$ 28,925	\$ 155,388	\$ -	\$ 25,003	\$ 82,792	
-	-	-	646	-	-	-	
-	-	-	163	-	-	-	
-	-	-	20,892	-	-	-	
-	-	-	-	-	-	56,223	
-	-	-	6,341	995,100	-	-	
-	-	-	-	63,389	-	-	
-	-	-	-	-	-	-	
<u>\$ 23,536</u>	<u>\$ 19,207</u>	<u>\$ 28,925</u>	<u>\$ 183,430</u>	<u>\$ 1,058,489</u>	<u>\$ 25,003</u>	<u>\$ 139,015</u>	
\$ -	\$ 1,108	\$ -	\$ 1,490	\$ -	\$ -	\$ -	
-	-	-	-	-	-	139,015	
-	-	-	6,341	-	-	-	
-	<u>1,108</u>	-	<u>7,831</u>	-	-	<u>139,015</u>	
-	-	-	21,055	-	-	-	
23,536	18,099	28,925	160,885	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	1,058,489	25,003	-	
-	-	-	(6,341)	-	-	-	
<u>23,536</u>	<u>18,099</u>	<u>28,925</u>	<u>154,544</u>	<u>1,058,489</u>	<u>25,003</u>	<u>-</u>	
<u>\$ 23,536</u>	<u>\$ 19,207</u>	<u>\$ 28,925</u>	<u>\$ 183,430</u>	<u>\$ 1,058,489</u>	<u>\$ 25,003</u>	<u>\$ 139,015</u>	

**City of Elko New Market  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2019**

	Capital Projects		
	Fishrock Carwash Removal (433)	2015 Public Safety Improvements (442)	Roundabout Construction (445)
<b>Assets</b>			
Cash and investments	\$ 5,683	\$ 64,061	\$ -
Special assessments receivable			
Current	-	-	-
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Interfund loan receivable	-	-	-
Due from other governments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 5,683</u>	<u>\$ 64,061</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 513	\$ 457
Deposits payable	-	-	-
Due to other funds	-	-	432,011
Total liabilities	<u>-</u>	<u>513</u>	<u>432,468</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	-	-
<b>Fund Balances (Deficits)</b>			
Restricted	-	63,548	-
Committed	-	-	-
Assigned	5,683	-	-
Unassigned	-	-	(432,468)
Total fund balances	<u>5,683</u>	<u>63,548</u>	<u>(432,468)</u>
	<u>\$ 5,683</u>	<u>\$ 64,061</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,683</u>	<u>\$ 64,061</u>	<u>\$ -</u>

Capital Projects

Police Station Remodel (447)	2019 Standby Generation (448)	General Capital Outlay (501)	Capital Outlay Fire Department (503)	Total	Total Governmental Funds
\$ -	\$ -	\$ 451,078	\$ 335,564	\$ 964,181	\$ 1,432,964
-	-	-	-	-	646
-	-	-	-	-	163
-	-	-	-	-	20,892
-	-	-	-	56,223	57,574
-	-	487,146	-	1,482,246	1,488,587
-	-	-	-	63,389	63,389
-	-	-	151,468	151,468	151,468
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,224</u>	<u>\$ 487,032</u>	<u>\$ 2,717,507</u>	<u>\$ 3,215,683</u>
\$ 32,507	\$ 515	\$ -	\$ -	\$ 33,992	\$ 35,483
-	-	-	-	139,015	139,015
29,650	18,825	-	-	480,486	486,827
<u>62,157</u>	<u>19,340</u>	<u>-</u>	<u>-</u>	<u>653,493</u>	<u>661,325</u>
-	-	-	-	-	21,055
-	-	-	-	63,548	385,175
-	-	-	-	-	154,003
-	-	938,224	487,032	2,514,431	2,514,431
(62,157)	(19,340)	-	-	(513,965)	(520,306)
<u>(62,157)</u>	<u>(19,340)</u>	<u>938,224</u>	<u>487,032</u>	<u>2,064,014</u>	<u>2,533,303</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,224</u>	<u>\$ 487,032</u>	<u>\$ 2,717,507</u>	<u>\$ 3,215,683</u>

**City of Elko New Market**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**

	Special Revenue		
	Police Forfeitures (104)	Park Dedication (230)	Charitable Gambling (240)
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	1,500	-	-
Miscellaneous			
Investment income	117	475	243
Contributions and donations	-	-	-
Other	-	56,000	2,923
Total revenues	<u>1,617</u>	<u>56,475</u>	<u>3,166</u>
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	1,349	-	-
Park and recreation	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Total expenditures	<u>1,349</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	268	56,475	3,166
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	268	56,475	3,166
<b>Fund Balances</b>			
Beginning of year	<u>16,229</u>	<u>52,639</u>	<u>31,965</u>
End of year	<u>\$ 16,497</u>	<u>\$ 109,114</u>	<u>\$ 35,131</u>

Special Revenue				Debt Service		
Economic Development (260)	Community Events (280)	Public Education and Government Programming (270)	Total	2012A Refunding/1998 G.O. Bonds (306)	2012B Refunding/2003 G.O. Bonds (307)	2006A G.O. Improvement Bonds (311)
\$ -	\$ 4,300	\$ -	\$ 4,300	\$ 10,589	\$ 11,440	\$ -
-	-	-	-	811	-	-
-	-	5,452	5,452	-	-	-
21,035	-	-	21,035	-	-	-
-	-	-	1,500	-	-	-
995	87	97	2,014	42	-	-
-	2,140	-	2,140	-	-	-
2,952	2,395	-	64,270	-	-	-
<u>24,982</u>	<u>8,922</u>	<u>5,549</u>	<u>100,711</u>	<u>11,442</u>	<u>11,440</u>	<u>-</u>
1,650	-	-	1,650	-	-	-
-	-	-	1,349	-	-	-
-	10,259	-	10,259	-	-	-
-	-	-	-	10,000	10,000	-
-	-	-	-	290	1,395	-
23,545	-	-	23,545	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>25,195</u>	<u>10,259</u>	<u>-</u>	<u>36,803</u>	<u>10,290</u>	<u>11,395</u>	<u>-</u>
(213)	(1,337)	5,549	63,908	1,152	45	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(213)	(1,337)	5,549	63,908	1,152	45	-
<u>126,119</u>	<u>13,209</u>	<u>10,676</u>	<u>250,837</u>	<u>12,171</u>	<u>(5,485)</u>	<u>(901)</u>
<u>\$ 125,906</u>	<u>\$ 11,872</u>	<u>\$ 16,225</u>	<u>\$ 314,745</u>	<u>\$ 13,323</u>	<u>\$ (5,440)</u>	<u>\$ (901)</u>

**City of Elko New Market**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**

	Debt Service		
	2015B G.O. Refunding Bonds (315)	2009A G.O. Equipment Certificate Fire Department (316)	2010 G.O. Library Note (317)
<b>Revenues</b>			
Property taxes	\$ 59,076	\$ -	\$ 36,286
Special assessments	6,755	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous			
Investment income	46	-	47
Contributions and donations	-	-	-
Other	-	-	-
Total revenues	<u>65,877</u>	<u>-</u>	<u>36,333</u>
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	-	-	-
Park and recreation	-	-	-
Debt service			
Principal	50,000	8,000	23,000
Interest and other charges	6,440	1,010	11,559
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Total expenditures	<u>56,440</u>	<u>9,010</u>	<u>34,559</u>
Excess of revenues over (under) expenditures	9,437	(9,010)	1,774
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	8,568	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>8,568</u>	<u>-</u>
Net change in fund balances	9,437	(442)	1,774
<b>Fund Balances</b>			
Beginning of year	<u>32,409</u>	<u>6,420</u>	<u>27,404</u>
End of year	<u>\$ 41,846</u>	<u>\$ 5,978</u>	<u>\$ 29,178</u>

Debt Service				Capital Projects		
2007A France Avenue Improvement Bond (313)	2013A G.O. Bonds (319)	2015A G.O. Improvement Bond (320)	Total	Capital Projects (250)	Road Construction and Maintenance (290)	Fishrock Carwash Removal (433)
\$ -	\$ 61,988	\$ -	\$ 179,379	\$ -	\$ -	\$ -
-	-	-	7,566	-	-	1,015
-	-	-	-	-	-	-
-	-	-	-	-	-	-
171	-	-	306	5,959	182	36
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>171</u>	<u>61,988</u>	<u>-</u>	<u>187,251</u>	<u>5,959</u>	<u>182</u>	<u>1,051</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	87,829	140,000	328,829	-	-	-
-	32,066	22,126	74,886	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>119,895</u>	<u>162,126</u>	<u>403,715</u>	<u>-</u>	<u>-</u>	<u>-</u>
171	(57,907)	(162,126)	(216,464)	5,959	182	1,051
-	54,000	191,051	253,619	489,245	-	-
-	-	-	-	(248,879)	-	-
<u>-</u>	<u>54,000</u>	<u>191,051</u>	<u>253,619</u>	<u>240,366</u>	<u>-</u>	<u>-</u>
171	(3,907)	28,925	37,155	246,325	182	1,051
<u>23,365</u>	<u>22,006</u>	<u>-</u>	<u>117,389</u>	<u>812,164</u>	<u>24,821</u>	<u>4,632</u>
<u>\$ 23,536</u>	<u>\$ 18,099</u>	<u>\$ 28,925</u>	<u>\$ 154,544</u>	<u>\$ 1,058,489</u>	<u>\$ 25,003</u>	<u>\$ 5,683</u>

**City of Elko New Market**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2019**

	Capital Projects		
	2015 Public Safety Improvements (442)	Roundabout Construction (445)	Police Station Remodel (447)
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous			
Investment income	262	-	-
Contributions and donations	-	-	-
Other	-	-	-
Total revenues	262	-	-
<b>Expenditures</b>			
Current			
General government	-	-	-
Public safety	-	-	-
Park and recreation	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	411	-	-
Capital outlay			
General government	-	-	1,646
Public safety	-	-	-
Public works	-	341,370	60,511
Total expenditures	411	341,370	62,157
Excess of revenues over (under) expenditures	(149)	(341,370)	(62,157)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(149)	(341,370)	(62,157)
<b>Fund Balances</b>			
Beginning of year	63,697	(91,098)	-
End of year	\$ 63,548	\$ (432,468)	\$ (62,157)

Capital Projects

2019 Standby Generation (448)	General Capital Outlay (501)	Capital Outlay Fire Department (503)	Total	Total Other Governmental Funds
\$ -	\$ 197,400	\$ -	197,400	\$ 381,079
-	-	-	1,015	8,581
-	-	-	-	5,452
-	-	-	-	21,035
-	-	-	-	1,500
-	5,706	2,206	14,351	16,671
-	-	126,468	126,468	128,608
-	26,000	484	26,484	90,754
-	<u>229,106</u>	<u>129,158</u>	<u>365,718</u>	<u>653,680</u>
-	-	-	-	1,650
-	-	-	-	1,349
-	-	-	-	10,259
-	-	-	-	328,829
-	-	-	411	75,297
-	2,637	-	4,283	27,828
-	4,107	104,999	109,106	109,106
19,340	104,262	-	525,483	525,483
<u>19,340</u>	<u>111,006</u>	<u>104,999</u>	<u>639,283</u>	<u>1,079,801</u>
(19,340)	118,100	24,159	(273,565)	(426,121)
-	50,000	27,300	566,545	820,164
-	-	-	(248,879)	(248,879)
-	<u>50,000</u>	<u>27,300</u>	<u>317,666</u>	<u>571,285</u>
(19,340)	168,100	51,459	44,101	145,164
-	<u>770,124</u>	<u>435,573</u>	<u>2,019,913</u>	<u>2,388,139</u>
<u>\$ (19,340)</u>	<u>\$ 938,224</u>	<u>\$ 487,032</u>	<u>\$ 2,064,014</u>	<u>\$ 2,533,303</u>

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**Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Elko New Market  
Elko New Market, Minnesota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elko New Market, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 10, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be material weaknesses, Audit Findings 2019-001 and 2019-002.

### **Compliance and Other Matters**

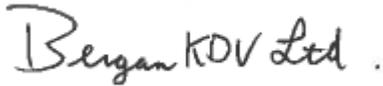
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to the Findings**

The City's response to the findings identified in our audit is described in the Schedule of Findings and Responses on Internal Control and Legal Compliance. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BergankDV Ltd." with a period at the end. The signature is written in a cursive, slightly slanted style.

Minneapolis, Minnesota  
July 10, 2020

**Minnesota Legal Compliance**

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Elko New Market  
Elko New Market, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Elko New Market, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, and have our report thereon dated July 10, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Elko New Market failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

*Bergan KDV Ltd .*

Minneapolis, Minnesota  
July 10, 2020

**City of Elko New Market  
Schedule of Findings and Responses on  
Internal Control and Legal Compliance**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:**

**Material Weaknesses:**

**Audit Finding 2019-001 – Lack of Segregation of Accounting Duties**

The City had a lack of segregation of accounting duties. In order to have appropriate segregation, the performance of the following duties would need to be completed by different employees: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions, and financial information and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

As part of this year's audit, we reviewed the City's documentation of its internal control over significant areas including: cash receipts, cash disbursements, capital assets, payroll, and utility billing. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Some of the areas in which we noticed a lack of segregation or an overlap in duties are as follows:

**Utility Billing Process**

The Administrative Assistant updates and maintains all areas of the utility billing system including adding and removing customers, updating rates, adjusting accounts, processing refunds, loading meter reads, processing utility bills, and generating reports.

**Cash Receipts**

The Administrative Assistant collects payments, enters payments into point of sale system, prepares the deposit slips, and makes deposits at the bank.

**Cash Reconciliation, Financial Reporting and System Access**

The Accountant can take payments, process transactions, reconciles bank and investments accounts and generates journal entries. The Accountant initiates, processes, reconciles, and posts journal entries related to capital assets, property taxes, special assessments, long-term debt, and reconciles all balance sheet items for year-end financial reporting. The Accountant generates quarterly financial reports and generates monthly reports for department heads. The Accountant has full access to all areas of the accounting system.

**City of Elko New Market  
Schedule of Findings and Responses on  
Internal Control and Legal Compliance**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING: (CONTINUED)**

**Material Weaknesses: (Continued)**

**Audit Finding 2019-001 – Lack of Segregation of Accounting Duties (Continued)**

**City's Response:**

Due to the limited number of staff, it is not feasible to fully segregate all accounting duties. The City has adopted accounting procedures that provide for internal control that segregate accounting duties. The City will continue to implement and improve follow through with the internal control plan. The City also intends to continue to develop more approval, verification, and supervision controls of key activities to help mitigate identified risks.

**Audit Finding 2019-002 – Material Audit Adjustments**

During the course of our audit, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

In order to ensure the financial statements were free from material misstatement, audit adjustments were required in the following areas:

- Cash and investments
- Bonds payable
- Loan payable
- PFA notes payable
- Capital assets, accumulated depreciation, and depreciation expense
- Deferred special assessments receivable and deferred inflows of resources

**City's Response:**

The City will annually review all the activity in the areas noted above to ensure items are properly recorded.



# STAFF MEMORANDUM

<b>SUBJECT:</b>	2020 General Fund Balance Transfer of Funds
<b>MEETING DATE:</b>	July 23, 2020
<b>PREPARED BY:</b>	Kellie Stewart, Accountant
<b>REQUESTED ACTION:</b>	Adopt Reolution 20-39 Approving Transfer of Funds

## COMMUNITY VISION:

- A mature growing freestanding suburb of the Twin Cities Metropolitan Area, preserving historic landmarks and small town character while providing suburban amenities and services, as well as full range of employment, housing, business, service, social, technology infrastructure and recreational opportunities for citizens and visitors
- Promote a diverse commercial base including light industrial and facilitating planned redevelopment which will be aesthetically pleasing with architectural standards that promotes quality development
- Provide a full range of municipal services to its residents. The City will allocate sufficient resources to meet the growing needs of the community
- A comprehensive park and trails system that will have sufficient facilities, play fields and open space to meet the needs of residents
- An effective and efficient transportation system, including access to the greater metropolitan area, transit opportunities, and improved connectivity to the interstate
- Provide community oriented local government and be financially sound, engaging in long-term financial planning to provide municipal services without undue burden on tax payers

## 5 YEAR GOALS:

- Diverse tax base, employment opportunities, additional businesses and services, promote high quality broad spectrum of residential development
- Advance "shovel ready" status of areas guided for commercial and industrial development
- Acquisition of land for public purposes, position City to take advantage of land acquisition opportunities
- Enhance quality of life through parks, trails, recreational programming and cultural events
- The development of residential lots and an increase in residential building permit activity

## COMMUNITY ORIENTED LOCAL GOVERNMENT:

- Community Involvement
- Organizational Improvement
- Problem Solving
- Performance Measurement
- Professionalism

## **BACKGROUND**

The City's Fiscal Policies regarding reserves state that the City will maintain an unreserved General Fund balance equivalent to at least 50% of the current year's operating budget. The City may allocate unreserved funds in excess of 50% to a capital project fund to support the City's pay-as-you-go approach to funding capital projects without debt whenever possible.

The City has annually transferred these unreserved funds in excess of 50% of the current year's operating budget to designated funds including, but not limited to the Capital Project Fund, Economic Development Fund, or the Capital Outlay Fund.

## **DISCUSSION:**

Based on the City's Fiscal Policies, the City may transfer up to \$328,000 from the General Fund into an eligible fund. In 2019, the City performed better than budget. Revenues were greater than budgeted for and expenses were less than budgeted.

Based on a review of needs, Staff is recommending \$100,000 be transferred to Public Works Capital Outlay to boost reserves and allow the department to purchase a new Toro batwing mower, a new front deck mower, and a new half ton pickup . This transfer would save burden on the tax payers while allowing the department to transition to the purchase of new equipment instead of used with a minimal impact on the annual Capital Outlay budget.

Staff is recommending a transfer of \$28,000 to the Economic Development Fund. This fund has been used to fund studies and provide grant matches, as well as fund other one-time expenses that further economic development goals.

Staff also recommends transferring \$200,000 to the Capital Projects fund to help service debt for capital projects and equipment purchases.

## **BUDGET IMPACT:**

This transfer will have no impact on the upcoming year for budget purposes nor will it affect the current budget year for budget impact purposes.

## **Attachments:**

- Resolution 20-39

CITY OF ELKO NEW MARKET  
SCOTT COUNTY, MINNESOTA

**RESOLUTION NO. 20-39**

**RESOLUTION APPROVING A TRANSFER OF FUNDS**

**WHEREAS**, as of December 31, 2019 the City has a balance in the General Fund over the 50% unreserved funds for operating expenses in 2020.

**WHEREAS**, the City annually transfers unreserved funds in excess of 50% of the current year operating budget to designated funds (e.g. Capital Project Fund, Economic Development Fund, Capital Outlay).

**WHEREAS**, City staff recommends a transfer of \$100,000 to Fund 501, a transfer of \$200,000 to Fund 250, and a transfer of \$28,000 to Fund 260.

**NOW THEREFORE, BE IT RESOLVED**, by the City Council of the City of Elko New Market, Minnesota, that \$292,146 in the General Fund reserves be transferred into Funds:

Capital Outlay	501	\$ 100,000
Economic Development	260	28,000
Capital Projects	250	<u>\$ 200,000</u>
	TOTAL	\$ 328,000

**ADOPTED** by the Elko New Market City Council this 23<sup>rd</sup> day of July 2020.

BY: \_\_\_\_\_  
Joe Julius, Mayor

ATTEST:

\_\_\_\_\_  
Thomas Terry, City Administrator/Clerk



# STAFF MEMORANDUM

<b>SUBJECT:</b>	Reduction of Liquor License Fees
<b>MEETING DATE:</b>	July 23, 2020
<b>PREPARED BY:</b>	Lynda Jirak, Deputy Clerk
<b>REQUESTED ACTION:</b>	Discuss Reduction of On-Sale Liquor Licenses Fees

## COMMUNITY VISION:

- A mature growing freestanding suburb of the Twin Cities Metropolitan Area, preserving historic landmarks and small town character while providing suburban amenities and services, as well as full range of employment, housing, business, service, social, technology infrastructure and recreational opportunities for citizens and visitors
- Promote a diverse commercial base including light industrial and facilitating planned redevelopment which will be aesthetically pleasing with architectural standards that promotes quality development
- Provide a full range of municipal services to its residents. The City will allocate sufficient resources to meet the growing needs of the community
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- Provide community oriented local government and be financially sound, engaging in long-term financial planning to provide municipal services without undue burden on tax payers

## 5 YEAR GOALS:

- Diverse tax base, employment opportunities, additional businesses and services, promote high quality broad spectrum of residential development
- Advance "shovel ready" status of areas guided for commercial and industrial development
- Acquisition of land for public purposes, position City to take advantage of land acquisition opportunities
- Enhance quality of life through parks, trails, recreational programming and cultural events
- The development of residential lots and an increase in residential building permit activity

## COMMUNITY ORIENTED LOCAL GOVERNMENT:

- Community Involvement
- Organizational Improvement
- Problem Solving
- Performance Measurement
- Professionalism

**BACKGROUND:**

On-sale liquor licenses for Bars, Restaurants, Golf Courses and Baseball Associations in Elko New Market will be coming due November 1, 2020 for the 2020–2021 license period. Based on the foregoing limitations due to COVID-19, these establishments have been restricted in their ability to provide on-sale alcohol sales. A number of Cities have considered the reduction or eliminated on-sale liquor license renewal fees to assist on-sale liquor establishments that have been impacted by the pandemic.

**DISCUSSION:**

Staff is seeking Council direction on the potential reduction or elimination of the annual on-sale liquor license fees for the 2020–2021 license period.

The current fees for On-Sale liquor licenses.

<b>LIQUOR FEES</b>	
On-Sale Liquor License	\$2,000
On-Sale Liquor License Elko Speedway Facility	\$2,000
On-Sale Sunday Liquor License	\$200
On-Sale 3.2% Liquor License	\$200
Wine	\$1,000

**BUDGET IMPACT:**

The budget impact will be a loss of revenue equivalent to the amount of any license fee reduction. If the Council proceeds with a full fee reduction of all on-sale liquor licenses, the General Fund revenues would be reduced by approximately \$18,000.00.

**ELKO NEW MARKET PARKS COMMISSION  
TUESDAY, JULY 14, 2020  
REGULAR MEETING MINUTES**

**PRESENT:**

Present at Roll Call were Chair Sutton, Commissioner, Commissioner Vernon, and Commissioner Miller. Also present was Assistant City Administrator Mark Nagel.

**CALL TO ORDER:**

The meeting was called to order at 4:06 PM online via ZOOM by Chair Mike Sutton.

**APPROVE AGENDA:**

Mr. Nagel said that there were no additions to the July 2020 Meeting Agenda. Upon motion by Commissioner Miller, seconded by Chair Sutton, the July 2020 Meeting Agenda was unanimously approved, as printed.

**CITIZEN COMMENTS:**

There were no citizen comments presented at the July 2020 Parks Commission Meeting.

**APPROVAL OF MINUTES OF JUNE 9, 2020 PARKS COMMISSION MEETING:**

Upon motion by Commissioner Vernon, seconded by Chair Sutton, the Parks Commission unanimously approved the June 9, 2020 Parks Commission Minutes, as printed.

**PETITIONS, REQUESTS, AND COMMUNICATIONS**

Mr. Nagel called Commissioners' attention to a copy of an article from the NRPA on the top 10 trends for parks and recreation for the post-pandemic world. He said that some include more virtual programming; ZOOM meetings will remain an option to attend meetings; basic levels of hygiene will increase at parks; and

esports will become a part of recreational programming for most cities. He also provided an article from the Smithsonian Magazine on Tony Hawk making SkateBoarding a mainstream sport enjoyed by an estimated 18 million people in the U.S..

## **UPDATES:**

Mr. Nagel reviewed the June 30, 2020 ENM Parks Commission Update, which contained 16 items. He noted that he had received the 2020 Budget Update for June and would be providing it at the August Parks Commission Meeting.

Mr. Nagel reported that New Prague Community Ed had condensed their Summer programming due to COVID-19 and provided a listing of the classes that will be held in Elko New Market during the Summer. The popular soccer program, which begins in August, will be held.

Mr. Nagel said that Ryan Huberty completed his Eagle Scout project at Wagner Park over the 4<sup>th</sup> of July Holiday. The project upgraded the present memorial by adding new flowers, mulch and pavers to expand the size; a statue of an American Eagle; and 4 new flagpoles honoring branches of the military. Ryan raised over \$2,600 for the project. Mr. Nagel said that Ryan did a great job in renovating the Veteran's Memorial at Wagner Park.

## **OLD/NEW BUSINESS:**

Mr. Nagel said that the recent placement of a mobile handwashing station at Wagner Park to see if people would use it after being on the playground equipment, SkatePark and/or basketball half-court was a success. He said that adding one at Little Windrose Park where the basketball court was open would be advisable to help contain COVID-19. He also noted that both mobile handwashing stations would likely be reimbursed to the Parks Department 2020 Budget from funds from the CARES Act. Upon motion by Chair Sutton, seconded by Commissioner Miller, the Parks Commission unanimously approved the rental of one more mobile handwashing station for \$140/month for Little Windrose Park.

Mr. Nagel said that due to the COVID-19 virus, revisions to the current Wagner Park Shelter needed to be made. In conjunction with the City Attorney, he was proposing that the age to rent the Shelter be raised to 21; minor revisions Section F, Facilities be made to clarify what is being rented; and changes in Section G,

Section N, and the Acknowledgements to comply with the Governor's and CDC's recommendations on usage during COVID-19. Since the July meeting, He said that the Rental Form had been revised to include input from the Parks Commission and Staff from the June meeting. Upon motion by Commissioner Miller, seconded by Chair Sutton, the Parks Commission unanimously approved the Final Draft of the Wagner Park Shelter Rental Agreement.

Mr. Nagel said that the presentation to City Council at their June 25<sup>th</sup> meeting on the Parks Capital Outlay Plan went well with no changes to it. He noted the following comments from the presentation for Parks Commissioners: the current vision continues to be to upgrade and maximize the use of the City's existing parks and expand the City's paved trail system - by the end of 2020, over \$1.3 million will have been spent on implementing this stated vision. Continued emphasis is on upgrading existing Parks – Rowena Pond, Woodcrest, Little Windrose Park, plus the New Boulder Heights Park - in the Capital Outlay Plan. While no future Park Dedication Funds are projected to be used to accomplish the Plan, the downside is that there are no Paved Trail Projects planned in the Capital Outlay, so the Parks Commission will need to depend on adding on to, or selling, a Bond for large sections of paved Trails, like Xerxes Avenue. Also, the dollar amount for each Park Rehab Project could be greater, which would allow more unique playground equipment to be installed. In addition, the \$80,000 budgeted for the New Park in Boulder Heights will be a Phase 1 with a Phase 2 likely to cost at least that amount in the future. Finally, there are no dollars for a Future Community Park included in this Capital Outlay Plan. Mr. Nagel concluded by saying there are enough funds, even without additional Park Dedication funds, to meet the present Vision for the city's Parks and Trail system. No further action was taken on this item by the Parks Commission.

Mr. Nagel called Commissioners' attention to the proposal from the American Ramp Company (ARC) for completing the Skatepark. He said the project would be done in 2 phases – the first would include 6 new pieces of equipment that would be attached to the current Half Pipe for \$32,466.33, while Phase 2 would be a “stand alone” piece featuring rails, ledges and ramps for \$23,656.06. The equipment would be purchased through Sourcewell, which would save the City \$4,224.28 in cost, plus the ARC would waive the shipping costs. Mr. Nagel said that the Capital Outlay Plan could accommodate the expansion of the SkatePark without affecting any other planned future projects. While consensus of the members present was to move forward with the expansion, Mr. Nagel said that he is recommending that the item be tabled until August in hopes of having all

Commissioners present. Upon motion by Commissioner Miller, seconded by Chair Sutton, the Parks Commission tabled this item until the August 2020 meeting.

Mr. Nagel called Commissioners attention to the letter from the Minnesota Twins Manager of Community Programs, Josh Ortiz, noting that the City would need to draft and submit COVID-19 Preparedness Plan to the Twins before the event could be held. In addition, each participant would need to be screened before participating. Also, more volunteers would be needed to make sure that the social distancing rules were observed. The cost of meeting these requirements in a short period of time is not possible, so Mr. Nagel, after conferring with the Elko Express, decided to cancel the 2020 event. However, as contained Mr. Ortiz's letter, it is very likely the Twins will return in 2021 for a Clinic. Consensus of the Commissioners was to support this decision. No further action was taken on this item.

Mr. Nagel said that he had not yet received the draft of the Playground Assessments for Woodcrest Park, Wagner Park, and Little Windrose Park from Safety First for Commissioners to review, so he was recommending that this item be tabled until the August 2020 meeting. Upon motion by Chair Sutton, seconded by Commissioner Miller, the Playground Assessments results be tabled until the August 2020 meeting.

Mr. Nagel presented options for the rental of the Wagner Park Shelter for the remainder of 2020. He noted that the Shelter is usually closed on or about November 1<sup>st</sup> of each year and, at present, it is closed for rentals until September 1<sup>st</sup>. He said that the present policy was to review extension of the closure each week, and, currently, the Shelter could be rented, but at ¼ capacity or about 28 people. To date, even though it could be rented, it has not been because the Rental Agreement did not account for the effect of COVID-19 and the difficulty in enforcing the limit in the number of people using it. Therefore, the Parks Commission could continue the present policy of evaluating opening it on a weekly basis; close it for the last 2 months of the year; or reopen it for use after September 1<sup>st</sup>. After much discussion, consensus of the Parks Commission was to continue to use the present policy of weekly evaluation because it was the most effective way of dealing with the fluctuating situation of COVID-19. No further action was taken by the Parks Commission.

Mr. Nagel said that July is Park and Recreation Month with Friday, July 17<sup>th</sup> celebrated as Park and Recreation Professionals Day. The Parks Commission has

not participated in this NRPA event previously, but he suggested to the Commissioners that this year he do social media posts using some of the outreach materials to further the visibility of ENM's recreation and parks programs. Consensus of the Parks Commission was that this effort might be worthwhile in attracting more people to use the parks, trails, and recreational programs. No further action was taken by the Parks Commission.

Mr. Nagel presented the Bill List to the Parks Commissioners – Safety First for Playground Assessments for \$1,500.00 and Schlomka's Portable Restrooms for April 2020 for \$420.00 and June 2020 for \$815.00. Upon motion by Chair Sutton, seconded by Commissioner Miller, the Parks Commission unanimously approved the Bill List for the July 2020 Meeting.

### **OTHER BUSINESS:**

Mr. Nagel said that the Public Works has now completed the prep work and is taking bids for paving the entire trail. No further action was taken by the Parks Commission on this item.

Mr. Nagel called Commissioners' attention to the bid specs for the combination ice rink and basketball court and advertising for bids for their completion, which City Council approved at their July 9<sup>th</sup> meeting. The bids for the project will be done in August. No further action was taken by the Parks Commission on this item.

Mr. Nagel reported on the status of the newly created part-time position of Recreational Specialist. He said that final interviews with the top candidates were conducted on Wednesday, June 24<sup>th</sup> and that a candidate had been offered the job pending a background check. Mr. Nagel said that he expected the Parks Commission would meet his replacement at the August Parks Commission Meeting. No further action was taken by the Parks Commission on this item.

### **NEXT MEETING:**

Mr. Nagel said that the August meeting would be in the Council Chambers at Elko New Market City Hall, but a ZOOM option would be set up for Commissioners to use instead of coming to City Hall.

Upon motion by Commissioner Miller, seconded by Commissioner Melgaard, the next Regular meeting of the Parks Commission was set for Wednesday, August 12, 2020 at 6:00 PM in the Council Chambers at Elko New Market City Hall.

**PARK COMMISSIONER COMMENTS:**

Chair Sutton brought up replacement of the tents that were damaged in the storm last Fire Rescue Days and a trailer to haul items for City Events. Mr. Nagel said that he would check into both and report back at a future meeting.

**ADJOURNMENT:**

There being no further business to come before the Parks Commission, upon motion by Commissioner Vernon, seconded by Chair Sutton, the meeting was adjourned by voice vote at 5:13 PM.

**Respectfully Submitted,**

**Mark Nagel, Assistant City Administrator**