

**CITY OF ELKO NEW MARKET
CITY COUNCIL AGENDA
ELKO NEW MARKET CITY HALL
601 MAIN STREET
ELKO NEW MARKET, MINNESOTA 55054
THURSDAY, MAY 24, 2018**

**BUSINESS MEETING
7:30 PM**

1. Call to Order

2. Pledge of Allegiance

3. Adopt/Approve Agenda

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

- a. Declaration of Elko New Market Fire Department and Police Department First Responders

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 May 10, 2018 Minutes of the City Council Meeting
- b. Approve Payment of Claims and Electronic Transfer of Funds
- c. Adopt Resolution 18-28 Approving Outdoor Concerts and Events for Captain Black's Bar and Grill
- d. New Prague Hockey Association
 - i. Adopt Resolution 18-29 Approving a Premises Gambling Permit to sell pull tabs at Boulder Pointe Golf Club
- e. Action on Barness Applications for Rezoning & Preliminary Plat Approval

7. Public Hearings

8. General Business

- a. Adopt Resolution 18-30 Accepting 2017 Independent Audit Report
- b. Scott County Transportation Improvement Program (TIP) Solicitations
- c. Letter of Support for Transit Services

9. Closed Meeting

- a. Discuss Barsness Project Collection

10. Reports

- a. Administration
- b. Public Works
- c. Police Department
- d. Fire Department
- e. Engineering
- f. Community Development
- g. Parks Department
 - i. Draft May 10, 2018 Parks Minutes
- h. Other Committee and Board Reports
 - i. Scott County Association for Leadership and Efficiency (SCALE)
 - ii. Minnesota Valley Transit Authority (MVTA)
 - iii. I35 Solutions Alliance
 - iv. Chamber of Commerce
 - v. Regional Council of Mayors
 - vi. Civic & Community Events Committee (CCEC)
 - vii. Downtown Improvement Committee
 - viii. 50 By 30 Collective Impact Project
 - Steering Committee
 - Transportation Committee
 - Housing Committee
 - Workforce Committee

11. Discussion by Council

12. Adjournment

CITY COUNCIL WORK SESSION

May 10, 2018

Minutes

1. CALL TO ORDER

The meeting was called to order by Mayor Crawford at 7:03 p.m.

Members Present: Mayor Crawford, Councilmembers: Berg, Julius, Timmerman and Timmons

Members Absent: None

Also Present: City Administrator Terry, Police Chief Mortenson, City Engineer Revering, and City Clerk Green

2. PRESENTATIONS

None

3. REPORTS

None

4. GENERAL DISCUSSION

Expectations for City Commissioners

Administrator Terry discussed criteria for appointed City Commissioners, including Planning Commission and Parks Commission. Due to time constraints, this item was continued to the Business Meeting under Council Discussion.

5. REPORTS (Continued)

None

6. ADJOURNMENT

The Work Session was adjourned at 7:29 p.m.

1) CALL TO ORDER

The meeting was called to order by Mayor Crawford at 7:34 p.m.

Members Present: Mayor Crawford, Councilmembers: Berg, Julius, Timmerman and Timmons

Members Absent: None

Also Present: City Administrator Terry, Police Chief Mortenson, City Attorney Poehler, City Engineer Revering and City Clerk Green

2) PLEDGE OF ALLEGIANCE

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

3) ADOPT/APPROVE AGENDA

MOTION by Councilmember Timmons, second by Councilmember Timmerman to approve the revised agenda.

a) 6f – Approve Fiber License Agreement Between City of Elko New Market and Scott Rice Telephone Company (Integra) – **moved to General Business 8a**

APIF, MOTION CARRIED

4) PRESENTATIONS, PROCLAMATIONS AND ACKNOWLEDGEMENTS

National Police Week Proclamation

Mayor Crawford, on behalf of the City Council, proclaimed the week of May 13 to 19, 2018 as National Police Week.

Donation from N.E.W. Lions Club for Purchase of Narcan

Police Chief Mortenson discussed the opioid epidemic with the City Council. Currently neither the Police Department nor Fire Department carries doses of Narcan, a medication that can reverse the effects of an Opioid overdose and possibly save the life of the person who has overdosed.

Members of the New Market Elko Webster Lions Club (N.E.W.) recognized the importance of all First Responders in the community to carry such medication. The N.E.W. Lions Club made a donation of \$360.00 to the Elko New Market Police Department for the cost of dosages of Narcan in each squad car, along with 3 extra dosages available to replace an administered dose. Police Chief Mortenson requested the City Council accept the donation of \$360.00 from the N.E.W. Lions. The Lions were represented at the Council Meeting by Laura and Bob Vogel.

5) PUBLIC COMMENT

None

6) CONSENT AGENDA

MOTION by Councilmember Timmons, second Councilmember Timmerman to approve Consent Agenda as amended.

- a. Approve April 26, 2018 Minutes of the City Council Meeting
- b. Approve Payment of Claims and Electronic Transfer of Funds
- c. Adopt Resolution 18-22 Requesting an Extension to the Metropolitan Council's 2040 Comprehensive Plan Submission Deadline
- d. Approve 2018 Recycling Agreement with Scott County
- e. Elko New Market Fire Relief Association Annual Dance
 - i. Adopt Resolution 18-26 Approving Outdoor Concerts and Events Permit
 - ii. Adopt Resolution 18-27 Approving Temporary On-Sale Intoxicating Liquor License
- f. Approve Fiber License Agreement Between City of Elko New Market and Scott Rice Telephone Company (Integra) - **Moved to Business 8a APIF, MOTION CARRIED**

7) PUBLIC HEARINGS

None

8) GENERAL BUSINESS

Approve Fiber License Agreement Between City of Elko New Market and Scott Rice Telephone Company (Integra)

Fiber optic cable provides Elko New Market with the most consistent and reliable network connectivity between all physical Elko New Market locations. Of the options available for network connectivity (broadband, copper or point to point wireless) fiber is the best option for Elko New Market. When comparing the options and using the criteria of speed, distance, supportability, scalability, cost and building to the future fiber is the best option for Elko New Market now and into the future.

The Police Department will see a huge benefit from fiber connectivity. Currently the existing breathalyzer used for testing alcohol content is not able to reach the BCA/State due to multiple Virtual Private Network (VPN) connections. With fiber those multiple VPN connections will no longer be needed. The fiber allows the breathalyzer to connect to the State using one VPN connection. A single VPN connection is an industry standard and fiber brings that standard to Elko New Market.

The City Council reviewed three (3) options for the installation of fiber to the Police Department.

- Option 1 – City would install and own the fiber at an estimated cost of \$40,000.00.
- Option 2 – City would pay up front for a twenty (20) year fiber lease (\$20,500.00) and an annual maintenance fee for all locates, maintenance and repairs (\$360.00).

- Option 3 – Fiber lease for an initial period of five (5) years. The lease agreement includes locates, maintenance and repairs. Initial cost would be \$2,500.00 with a monthly fee of \$180.00.

After discussing this item, the Council unanimously decided Option 3, a five (5) year lease agreement would provide the most flexibility and lowest cost entry, but would result in the highest cost over an extended period of time. Council directed Staff that prior to the expiration of the five (5) year lease agreement to prepare a Request for Proposal for fiber maintenance and repairs.

MOTION by Councilmember Timmons, second Councilmember Timmerman to approve Fiber License Agreement Between City of Elko New Market and Scott Rice Telephone Company (Integra). **APIF, MOTION CARRIED**

9) REPORTS

a) ADMINISTRATION

City Facebook Page

City Administrator Terry asked for Council direction on content to be included on the City of Elko New Market Facebook Page. Following a discussion on this item, the Council directed Staff that Facebook content be limited to City sponsored/related information.

b) PUBLIC WORKS

Written report included in Council Packet.

c) POLICE DEPARTMENT

Written report included in Council Packet. Chief Mortenson gave the Council a brief update on currently completed officer training and Point of Impact attendance.

d) FIRE DEPARTMENT

None

e) ENGINEERING

None

f) COMMUNITY DEVELOPMENT

Written Community Development Updates included in Council Packet.

g) PARKS DEPARTMENT

Written Parks Commission Update included in Council Packet.

h) OTHER COMMITTEE AND BOARD REPORTS

i. SCALE

None

ii. MVTA
None

iii. I35 SOLUTIONS ALLIANCE

Councilmember Timmons gave a brief update of last I35 Solutions Alliance Meeting which included a presentation on the Brooklyn Center to Mall of America transit and road closures starting in June – updates available on MnDot website.

Councilmember Timmons will have staff email Legislative update to councilmembers as soon as they are available.

iv. CHAMBER OF COMMERCE

Councilmember Timmerman updated the Council on the Chamber of Commerce’s June 22, 2018 golf tournament.

v. REGIONAL COUNCIL OF MAYORS

None

vi. COMMUNITY AND CIVIC EVENTS COMMITTEE

City Clerk Green gave the Council a brief update on upcoming Fire Rescue Days and Community Picnic.

vii. DOWNTOWN IMPROVEMENT COMMITTEE

Councilmember Timmerman gave a brief update on the last Downtown Improvement Committee Meeting which included updates on three flower gardens and that a Lakeville South student has volunteered to do community work on the flower gardens.

viii. 50 BY 30 COLLECTIVE IMPACT PROJECT

1. Steering Committee - None
2. Transportation Committee – Mayor Crawford updated the Council on the last Transportation Committee Meeting which included a discussion regarding volunteer drivers and car repair for people in need of assistance.
3. Housing Committee –Councilmember Julius provided his written notes from the last Housing Committee Meeting to the rest of the Council.
4. Work Force Committee – Councilmember Timmons gave an update on the last Work Force Committee Meeting which included discussion on the Intentional Social Interaction events held at Marnita’s Table.
Documentation on the events will be compiled and discussed at the next Work Force Committee Meeting.

10) DISCUSSION BY COUNCIL

The City Council continued the Expectations for City Commissioners Discussion from the Work Session. After discussing what expectations the Council had relating to City commissioners, the Council felt the following criteria should be used for both Planning Commissioners and Parks Commissioners:

- Each commissioner needs to complete one training course every two (2) years

- Each commissioner must attend at least 75% of the scheduled regular meetings, special meetings and workshops each year

11) ADJOURNMENT

MOTION by Councilmember Timmons , second by Councilmember Timmerman to adjourn the meeting at 9:12 p.m. **APIF, MOTION CARRIED**

Respectfully submitted by:

Sandra Green, City Clerk



STAFF MEMORANDUM

SUBJECT:	Presentation of Elko New Market Claims and Electronic Transfer of Funds
MEETING DATE:	May 24, 2018
PREPARED BY:	Lelia Leonhardt, Accountant
REQUESTED ACTION:	Approve Payment of Current Claims

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 month the Accountant presents for approval the Elko New Market Claims and Electronic Transfer of Funds.

BUDGET IMPACT:

Budgeted

Attachments:

- Check Summary Register

CITY OF ELKO/NEW MARKET

*Check Summary Register©

May 2018

Name	Check Date	Check Amt	
<u>AUTO PAYS</u>			
Paid Chk# 005516E PERA	5/3/2018	\$704.30	PERA SHORTAGE FOR 05/03/18 PAY
Paid Chk# 005517E HEALTH EQUITY, INC.	5/9/2018	\$35.40	Monthly Health Equity Account
Paid Chk# 005518E INTERNAL REVENUE SERVICE	5/17/2018	\$9,313.54	Vendor Liability
Paid Chk# 005519E MN DEPT OF REVENUE	5/17/2018	\$2,015.33	Vendor Liability
Paid Chk# 005520E PERA	5/17/2018	\$7,529.04	Vendor Liability
Paid Chk# 005521E NEW MARKET STATE BANK	5/17/2018	\$15.00	MAY PAYROLL ACH FEE
Paid Chk# 005522E INTEGRA TELECOM INC.	5/20/2018	\$239.34	Police Dept Phone/Fax
Paid Chk# 005523E INTEGRA TELECOM INC.	5/20/2018	\$522.39	Area Hall Phone/SCADA
Paid Chk# 005524E XCEL ENERGY	5/31/2018	\$386.69	Streetlights
Paid Chk# 005525E PSN	5/4/2018	\$1,019.87	Webstore/Credit Card Processing
Paid Chk# 005526E INTEGRA TELECOM INC.	5/20/2018	\$49.99	139503 - 25499 Natchez Ave
Paid Chk# 005527E INTEGRA TELECOM INC.	5/20/2018	\$137.47	937759 - 25499 Natchez Ave Bld
Paid Chk# 005528E DAKOTA ELECTRIC ASSN	5/31/2018	\$127.67	Ptarmigan Drive Streetlights
Paid Chk# 005529E HEALTH EQUITY, INC.	5/17/2018	\$591.53	H.S.A. Employee contribution
Paid Chk# 005530E NEW MARKET STATE BANK	5/10/2018	\$8.00	NSF Fee (2)
Paid Chk# 005531E MN VALLEY ELECTRIC	5/9/2018	\$10.74	City of Elko Park, Elko
Paid Chk# 005532E MN VALLEY ELECTRIC	5/22/2018	\$1,393.04	Streetlights, Elko
Paid Chk# 005533E MN VALLEY ELECTRIC	5/9/2018	\$75.30	Glenborough Dr & Chowen
Paid Chk# 005534E MN VALLEY ELECTRIC	5/22/2018	\$35.10	Whispering Creek Lights
Paid Chk# 005535E MN VALLEY ELECTRIC	5/22/2018	\$46.36	27059 Beard Ave Lift Pump
Paid Chk# 005536E MINNESOTA ENERGY	5/21/2018	\$148.63	50 Church Street
Paid Chk# 005537E MINNESOTA ENERGY	5/21/2018	\$501.07	601 Main Street
Paid Chk# 005538E MINNESOTA ENERGY	5/21/2018	\$108.09	151 Williams Street
Paid Chk# 005539E MN VALLEY ELECTRIC	5/22/2018	\$101.00	268X Xerxes Water Tower
Total Checks		\$25,114.89	
 <u>PRE-PAID</u>			
Paid Chk# 038473 VERIZON WIRELESS	5/8/2018	\$807.37	Cell Phones
Paid Chk# 038474 UNITED STATES POSTAL	5/11/2018	\$297.08	POSTAGE - UTILITY BILLS 4/18
Paid Chk# 038475 PAYROLL	5/17/2018	\$719.83	
Paid Chk# 038476 VISA	5/15/2018	\$2,123.23	5/1/18 STATMENTS
Paid Chk# 038518 USA INFLATABLES	5/24/2018	\$709.56	FIRE RESCUE DAYS/COMM PICNIC - DEPOSIT
Total Checks		\$4,657.07	
 <u>CHECK REGISTER</u>			
Paid Chk# 038477 ACE HARDWARE & PAINT4	5/24/2018	\$75.88	BUILDING MAINTENANCE SUPPLIES
Paid Chk# 038478 AEM FINANCIAL SOLUTIONS,	5/24/2018	\$12,500.00	Financial Services - APR 2018
Paid Chk# 038479 AIRGAS USA, LLC	5/24/2018	\$129.20	FD - Oxygen
Paid Chk# 038480 ANCOM COMMUNICATIONS, INC.	5/24/2018	\$205.00	FD - PAGER REPAIR
Paid Chk# 038481 ASPEN EQUIPMENT CO.	5/24/2018	\$582.00	FIRE PATCHES (RELIEF SHARE)
Paid Chk# 038482 AXON ENTERPRISE, INC.	5/24/2018	\$2,044.00	LESS LETHAL WEAPONS
Paid Chk# 038483 BDS LAUNDRY SYSTEMS	5/24/2018	\$216.30	FD - WASHING MACHINE REPAIR
Paid Chk# 038484 BOLTON & MENK	5/24/2018	\$5,069.50	CSAH 2 DEV INFRASTRUCTURE
Paid Chk# 038485 BOYER TRUCKS	5/24/2018	\$222.23	FD - LIGHTS FOR ENGINE 1
Paid Chk# 038486 CAMPBELL KNUTSON	5/24/2018	\$5,379.50	APRIL 2018 MEETINGS
Paid Chk# 038487 CINTAS CORPORATION NO. 2	5/24/2018	\$47.34	UNIFORMS
Paid Chk# 038488 CORO MEDICAL	5/24/2018	\$3,200.00	NEW ZOLL AEDS
Paid Chk# 038489 ROBERT CRAWFORD	5/24/2018	\$31.00	MCOTA TRAINING
Paid Chk# 038490 DEPARTMENT OF FINANCE	5/24/2018	\$50.00	2008 FORD F150
Paid Chk# 038491 FARMERS MILL & ELEVATOR,	5/24/2018	\$873.03	PARKS CHEMICALS
Paid Chk# 038492 FASTENAL COMPANY	5/24/2018	\$439.91	OPERATING SUPPLIES
Paid Chk# 038493 FISH ROCK COUNTRY MARKET	5/24/2018	\$658.91	BUILDING MAINTENANCE
Paid Chk# 038494 FLAGSHIP RECREATION LLC	5/24/2018	\$2,107.43	WOOD FIBER
Paid Chk# 038495 FORFEITURE ATTORNEY SCOTT	5/24/2018	\$424.00	1999 Ford Windstar 05/29/16
Paid Chk# 038496 FRONTLINE PLUS FIRE &	5/24/2018	\$1,891.45	WARNING SIRENS
Paid Chk# 038497 GALLAGHERS INC	5/24/2018	\$70.00	PW - Screened Black Dirt
Paid Chk# 038498 GOPHER STATE ONE CALL	5/24/2018	\$23.40	LOCATES
Paid Chk# 038499 HAWKINS, INC.	5/24/2018	\$1,471.82	PW - Water Chemicals

CITY OF ELKO/NEW MARKET

*Check Summary Register©

May 2018

Name	Check Date	Check Amt
CHECK REGISTER CONTINUED		
Paid Chk# 038500 INNOVATIVE OFFICE	5/24/2018	\$70.76 Office Supplies
Paid Chk# 038501 KELLEY FUELS, INC.	5/24/2018	\$2,894.65 PW - Fuel
Paid Chk# 038502 LAKEVILLE SANITARY, INC.	5/24/2018	\$304.35 121 TODD ST - WAGNER PARK
Paid Chk# 038503 LEAGUE OF MN CITIES INS	5/24/2018	\$39,595.00 WORK COMP 2018
Paid Chk# 038504 MAMA-METRO AREA MGMT ASSN	5/24/2018	\$25.00 LEGISLATIVE UPDATE 4/12/18
Paid Chk# 038505 MCFOA	5/24/2018	\$135.00 2018 RENEWAL - TOM TERRY
Paid Chk# 038506 METRO AUTO SALVAGE	5/24/2018	\$25.00 PW - FLEET
Paid Chk# 038507 NORTHWEST ASSOCIATED	5/24/2018	\$3,021.60 PLANNING - MEETINGS APR18
Paid Chk# 038508 NAPA AUTO PARTS	5/24/2018	\$37.21 PW - Fleet Maint & Equip
Paid Chk# 038509 NORTHLAND PEST CONTROL	5/24/2018	\$21.25 Pest Control - Library
Paid Chk# 038510 POMPS TIRE SERVICE, INC.	5/24/2018	\$156.00 PW - Fleet Maint & Repairs
Paid Chk# 038511 QUALITY FLOW SYSTEMS, INC.	5/24/2018	\$768.00 WATER REPAIRS
Paid Chk# 038512 R&R CLEANING CONTRACTORS,	5/24/2018	\$92.70 RUGS
Paid Chk# 038513 RDO EQUIPMENT CO.	5/24/2018	\$59,999.00 2003 - 938 CAT LOADER
Paid Chk# 038514 REPTILE & AMPHIBIAN	5/24/2018	\$260.00 WINTER PROGRAM @ LIBRARY
Paid Chk# 038515 SCOTT COUNTY TREASURER	5/24/2018	\$46.00 ENCROACHMENT RECORDING
Paid Chk# 038516 SUEL PRINTING COMPANY	5/24/2018	\$518.75 Legal Ads
Paid Chk# 038517 PATRICIA TIMMONS	5/24/2018	\$143.88 MILEAGE MAR/APR18 264 MI@.545
Paid Chk# 038519 WATER CONSERVATION SVC,	5/24/2018	\$388.33 WATER REPAIRS

Total Checks \$146,214.38

DIRECT DEPOSITS

Paid Chk# 501718E Bi-Weekly ACH	5/3/2018	\$32,312.03
Paid Chk# 501739E Bi-Weekly ACH	5/17/2018	\$30,354.41

Total Checks \$62,666.44



STAFF MEMORANDUM

SUBJECT:	Outdoor Concerts and Events Permit Application
MEETING DATE:	May 24, 2018
PREPARED BY:	Sandra Green, City Clerk
REQUESTED ACTION:	Adopt Resolution 18-28 Approving an Outdoor Concerts and Events Permit for Captain Black's Bar and Grill

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

Sara Mahoney owner of Captain Black's Bar and Grill has submitted an application for an Outdoor Concerts and Events Permit for an event to be held on Friday, June 1, 2018. This event will be held in the fenced in back yard area at Captain Black's Bar and Grill, 9660 Main Street from 9:00 p.m. to 1:00 a.m.

City Code states that unless specified otherwise by the permit no outdoor concert may be conducted between the hours of 10:00 p.m. and 8:00 a.m. In past years, the Council has approved several Outdoor Entertainment events contingent on the ending time of 1:00 a.m. and the monitoring of the volume levels. The permits have been approved contingent on the adherence to the permit times and compliance with city noise ordinance.

DISCUSSION

Outdoor events held at this establishment in previous years have resulted in limited complaints with no valid complaints on record. Therefore, Staff would recommend approval of an Outdoor Concerts and Events Permit for Captain Black's Bar and Grill.

Attachment:

Resolution 18-28 Approving an Outdoor Concerts and Events Permit for Captain Black's Bar and Grill

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

RESOLUTION NO. 18-28

WHEREAS; Sara Mahoney, Elko New Market has submitted an application for Outdoor Concerts and Event permit for Captain Black's Bar & Grill, located at 9660 Main Street, Elko New Market, Minnesota for Friday, June 1, 2018 from 9:00 p.m. to 1:00 a.m.

WHEREAS, the City Clerk reviewed the application and determined it meets the requirements of the City's Outdoor Concert and Event Ordinance and recommends approval of the permit;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Elko New Market, Minnesota, that an Outdoor Concerts and Event permit be issued to Sara Mahoney for Captain Black's Bar & Grill, located at 9660 Main Street for Friday, June 1, 2018 from 9:00 p.m. to 1:00 a.m. All events will be held in the rearyard of property. This permit is issued contingent upon Applicant's compliance with the above-approved time frames and the City's ordinances, including the outdoor concert and event ordinance and noise ordinance.

APPROVED AND ADOPTED this 24th day of May, 2018.

CITY OF ELKO NEW MARKET

By: _____
Robert Crawford, Mayor

ATTEST:

Sandra Green, City Clerk



STAFF MEMORANDUM

SUBJECT:	Premises Gambling Permit Application
MEETING DATE:	May 24, 2018
PREPARED BY:	Sandra Green, City Clerk
REQUESTED ACTION:	Adopt Resolution 18-29 Approving a Premises Gambling Permit for the New Prague Hockey Association to sell pull tabs at Boulder Pointe Golf Club

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
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- 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 Council is being asked to adopt Resolution 18-29 approving a Premises Gambling Permit for the New Prague Hockey Association to sell pull tabs within the City. Per City Code, non-profit organizations must apply for a Premises Gambling Permit to sell pull tabs within the City.

DISCUSSION

The New Prague Hockey Association has submitted an application to sell pull tabs at Boulder Pointe Golf Club. In 2014, New Prague Hockey Association submitted an application and was approved to sell pull tabs at Firehouse Grille.

Staff has received all required City application forms, and associated documentation for application to sell pull tabs within the City of Elko New Market.

After reviewing all City application materials, Staff is recommending the City Council approve the Premises Gambling Permit for the New Prague Hockey Association to sell pull tabs at Boulder Pointe Golf Club.

ACTION REQUESTED

Adopt Resolution 18-29 Approving a Premises Gambling Permit for the New Prague Hockey Association to sell pull tabs at Boulder Pointe Golf Club

Attachment:

Resolution 18-29 Approving a Premises Gambling Permit for the New Prague Hockey Association to sell pull tabs at Boulder Pointe Golf Club.

CITY OF ELKO NEW MARKET
SCOTT COUNTY, MINNESOTA

RESOLUTION NO. 18-29

WHEREAS; Pursuant to Elko New Market City Code Section 4 any organization seeking lawful gambling within the City is required to submit an application and be approved by the Elko New Market City Council;

WHEREAS; New Prague Hockey Association possesses a State of Minnesota Premises Gambling Permit to conduct legal gambling for pull-tabs at Boulder Pointe Golf Club, 9575 Glenborough Drive, Elko New Market, Minnesota 55020 (collectively “Premises”);

WHEREAS, New Prague Hockey Association has submitted an application for issuance by the City of a lawful Gambling Premises Permit for the Premises noted above, said request being timely and proper, and,

WHEREAS, the City has found and received no reports of violations of relevant gambling laws or ordinances by New Prague Hockey Association,

NOW, THEREFORE, BE IT RESOLVED by the City Council of Elko New Market, Minnesota, that a gambling permit be issued to New Prague Hockey Association to conduct pull-tabs at Boulder Pointe Golf Club, 9575 Glenborough Drive, Elko New Market, Minnesota 55020 for the period of June 1, 2018 to December 31, 2018.

APPROVED AND ADOPTED this 24th day of May, 2018.

CITY OF ELKO NEW MARKET

By: _____
Robert Crawford, Mayor

ATTEST:

Sandra Green, City Clerk



STAFF MEMORANDUM

SUBJECT:	Request For Rezoning And Preliminary Plat Approval of Barsness 1 st Addition
MEETING DATE:	May 24, 2018
PREPARED BY:	Renee Christianson, Community Development Specialist
REQUESTED ACTION:	Approve Resolution 18-31 Denying the Request for Rezoning and Preliminary Plat Approval of Barsness 1 st Addition

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 of Elko New Market received an application for development of the property located at the southeast corner of County Roads 2 & 91 on April 9, 2018. The application included a request to rezone the property from B1, Neighborhood Business District, to PUD, Planning Unit Development, and also a request for preliminary plat approval of Barsness 1st Addition containing three lots and one outlot. The proposed uses on the site included a combination gas station / convenience grocery store, car wash containing two drive-through bays, an attached 2-story speculative office / retail building, and two freestanding speculative office / retail buildings.

At the time of the application, the applicant was Warren Barsness and the property owners included the following: Warren Barsness, Elizabeth Barsness, Wayne Barsness, Deborah Barsness, Linda Zweber, Alan Vanasek, and Karen Vanasek. All property owners were required to sign the land use application. Also required was an application fee of \$400 and required escrow of \$5,000.

A public hearing was conducted on April 24, 2018, at which time the Planning Commission recommended the application be continued to address various issues, primarily related to access design, building design, and landscaping.

On May 2, 2018 City staff was made aware that the former owners (stated above) no longer had title to the property, and that the property had reverted to KL Group, LLC through a foreclosure action. On May 14, 2018 City staff was made aware that the applicant, Warren Barsness, had stopped payment on the check submitted for the required application fee and escrows. The applicant has also failed to address requests for additional revisions and information related to the applications as requested by City staff and the Planning Commission as identified in the Community Development Report dated April 24th and the April 24, 2018 Planning Commission minutes and has failed to address issues identified in the concept plan review procedure.

DISCUSSION:

Given the above facts, City staff has determined that the development application is no longer valid. Staff is recommending that the application be denied and has prepared the attached resolution denying the request.

ACTION REQUESTED:

Approval of Resolution 18-31 Denying the Request for Rezoning and Preliminary Plat Approval of Barsness 1st Addition.

Attachments:

- City Council Resolution 18-31

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

RESOLUTION NO. 18-31

**RESOLUTION OF THE ELKO NEW MARKET CITY COUNCIL
ADOPTING FINDINGS OF FACT AND REASONS FOR DENIAL OF THE REQUEST FOR
REZONING AND PRELIMINARY PLAT APPROVAL
OF BARSNESS 1ST ADDITION
ELKO NEW MARKET, MN**

FACTS

1. Warren Barsness, (“Developer”), has made application for rezoning and preliminary plat approval (“Application”) for the real property located in Scott County, Minnesota legally described as follows

The West 660.00 feet of the North 660.00 feet of the Northwest Quarter of Section 27, Township 113, Range 21, Scott County, Minnesota; subject to road easements over the West 33.00 feet and the North 33.00 feet thereof

(“Property”);

2. On April 9, 2018 the City of Elko New Market received the Application to develop the Property; and

3. Developer is requesting to rezone the Property from B1, Neighborhood Business District, to PUD, Planned Unit Development; and

4. Developer is also requesting a preliminary plat of the Property as Barsness 1st Addition, consisting of three lots and one outlot; and

5. A public hearing was held on the Application before the Elko New Market Planning Commission on April 24, 2018; and

6. The Elko New Market Planning Commission made a recommendation to continue the request for rezoning and preliminary plat approval to allow the Developer time to address various issues and conditions as identified in Planning Commission minutes and contained in City staff report dated April 24, 2018; and

7. Following said public hearing on such application, Developer and property owners who made application for development no longer have any ownership interest in the Property; and

8. The current owner of the Property, KL Group, LLC, has not signed the Application and has indicated that it will not sign the Application for development of Property; and

9. Developer has issued a stop payment on the check submitted with the Application which includes an application fee and required escrow; and

10. City staff identified development and design issues as outlined in the Community Development Staff report dated April 24, 2018 and in the Planning Commission minutes dated April 24, 2018.

APPLICABLE LAW

1. Elko New Market City Code Section 11-3-1(C)(2) requires zoning applications to be accompanied by a fee as established by the City Ordinance.

2. Elko New Market Code Section 11-3-1(C)(2)(a) requires all persons with an interest in the Property affected by a rezoning request to sign the application form.

3. Elko New Market City Code Section 11-3-1(C)(2)(c) requires payment of all fees associated with a rezoning application.

4. Elko New Market City Code Section 11-3-1(G)(3) requires each applicant to pay an escrow deposit in an amount established by City Council ordinance at the time of a rezoning application.

5. Elko New Market City Code Section 12-4-2 provides that the fees for all subdivision applications shall be established by the City Council and that the acceptance of all applications shall not occur until a complete application has been filed and the appropriate fees have been paid.

6. Elko New Market City Code Section 12-7-1(B) authorizes the city staff or advisory committees to request additional information or modifications during the review process.

7. Elko New Market City Code Section 12-7-2(C)(3) requires an applicant for preliminary plat approval to provide proof of ownership or legal interest in the property.

8. Elko New Market City Code Section 12-7-5(C) requires an applicant for preliminary plat to address the informational requirements of section 12-7-2 of the City Code and also any issues identified through the concept plan review procedure.

9. Elko New Market City Code Section 12-7-5(D)(2) requires applications for preliminary plat to be accompanied by a fee and processing escrow established by the City Council.

CONCLUSIONS OF LAW

1. The rezoning application is invalid and denied for the following reasons:

- a. No application fee as established by the City Code was supplied by the Applicants;
- b. No escrow was established by the Applicants as required by the City Code; and
- c. The owner of the Property has not signed the Application.

2. The preliminary plat application is invalid and denied for the following reasons:

- a. The applicants no longer own the Property and cannot provide proof of an ownership interest in the Property;
- b. The Owner of the Property has not signed the application;
- c. The Applicant has not provided additional requested information from the Planning Commission and city staff as identified in the April 24, 2018 Planning Commission minutes or addressed issues identified in the concept plan review procedure;
- d. The Applicant has not paid the application fee or provided the escrow established by City Council.

1) **NOW, THEREFORE, BE IT RESOLVED** that the Application for Rezoning and Preliminary Plat Approval of Barsness 1st Addition is hereby denied and the foregoing findings are hereby adopted

PASSED, ADOPTED AND APPROVED this 24th day of May, 2018.

CITY OF ELKO NEW MARKET

Robert Crawford, Mayor

ATTEST:

Sandra Green, City Clerk



STAFF MEMORANDUM

SUBJECT:	2017 Audit Report
MEETING DATE:	May 24, 2018
PREPARED BY:	Thomas Terry, City Administrator
REQUESTED ACTION:	Adopt Resolution 18-30 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 of BerganKDV, the City's auditor, will be giving the City Council a presentation on the 2017 Audited Financial Statements. After the presentation, Council will be asked to adopt Resolution 18-30 Approving the 2017 Independent Auditor's Report.

Attachments:

Resolution 18-30 Adopting Independent Auditor's Report for the City of Elko New Market
2017 Communication Letter
2017 Audited Financial Statements

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

RESOLUTION NO. 18-30

**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, 2017;

WHEREAS, the auditors concluded that the City's 2017 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.

PASSED, ADOPTED AND APPROVED this 24th day of May, 2018.

Robert Crawford, Mayor

ATTEST:

Sandra Green, City Clerk

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

Communications Letter

December 31, 2017



 **berganKDV**
CPAS | ADVISORS

**City of Elko New Market
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weaknesses	3
Required Communication	5
Financial Analysis	9
Emerging Issues	18

**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, 2017, 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 were not 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 and another deficiency that we consider to be a significant deficiency.

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 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. 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 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 May 16, 2018, on such statement

This communication is intended solely for the information and use of the City Council, 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.

BerganKDV Ltd.

Minneapolis, Minnesota
May 16, 2018

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 Utility Billing Clerk enters new accounts into the utility billing system and uploads meter readings via interfacing with electronic readers. The Utility Billing Clerk enters any rate changes to the system. The Utility Billing Clerk can enter manual adjustments, calculates, and enters final bills, prints, and mails utility bills, reconciles receipts to billed amounts, and enters receipt batches.

Payroll Process

The City Clerk enters employee's time, processes and posts payroll, generates a payroll report, distributes paystubs to employees, and posts the journal entries related to payroll. In addition, this same employee reconciles payroll accruals and time off balances. The City Administrator does review payroll reports and time off balances, and calculates compensated absences balances for the audit.

Capital Assets Process

The Finance Director records, processes, reconciles, and posts journal entries related to capital assets. Department heads review their listing for accuracy.

Cash Receipts

The Office Specialist or City Administrator enters cash and checks into the point of sale system, reconcile the entries, and prepare the deposit. The Police Records Specialist records police receipts, receives payments, and reconciles the collections. The Finance Director or police take deposits to the bank.

Cash Reconciliation and Access

The Finance Director performs the above noted responsibilities while also reconciling cash and generating journal entries.

**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:

- PFA notes payable and related expense
- Due to other governments and related expense
- Accounts receivable and related revenue

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, 2017, and have issued our report dated May 16, 2018. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS*

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

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As 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 grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 supplement(s) 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

**City of Elko New Market
Required Communication**

PLANNED SCOPE AND TIMING OF THE AUDIT (CONTINUED)

Our audit included obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimate 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.

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.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**City of Elko New Market
Required Communication**

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We identified the following uncorrected misstatement of the financial statements. Management has determined its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Ending Balance of Accumulated Depreciation was understated

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We requested certain representations from management that are included in the management representation letter.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

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.

**City of Elko New Market
Required Communication**

OTHER MATTERS (CONTINUED)

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

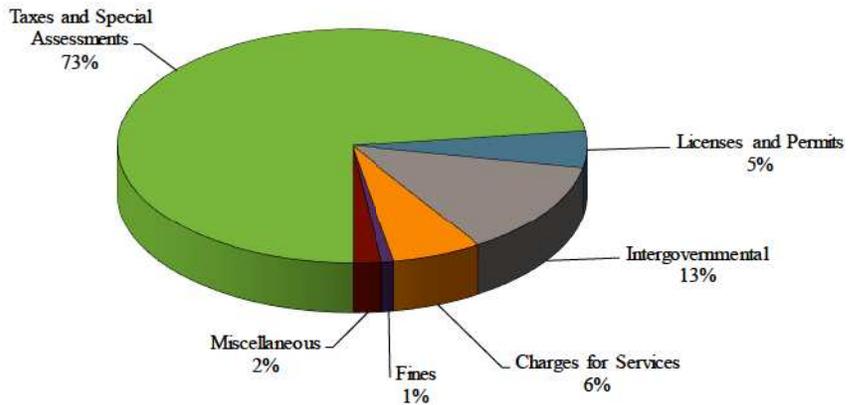
The pie charts on the following page represent the General Fund revenues by type for 2017 and 2016. Total revenues increased \$63,347 from 2016 to 2017, or 3.0%.

The majority of the increase occurred in the category of taxes and special assessments. Taxes and special assessments increased \$62,092 or 4.1%, due to an increase in the amount levied and collected in 2017. The increase was offset by a decrease in Licenses and Permits of \$21,686, or 16.8%, due to a decrease in the number of licenses and permits issued in 2017 related to less building activity during the year.

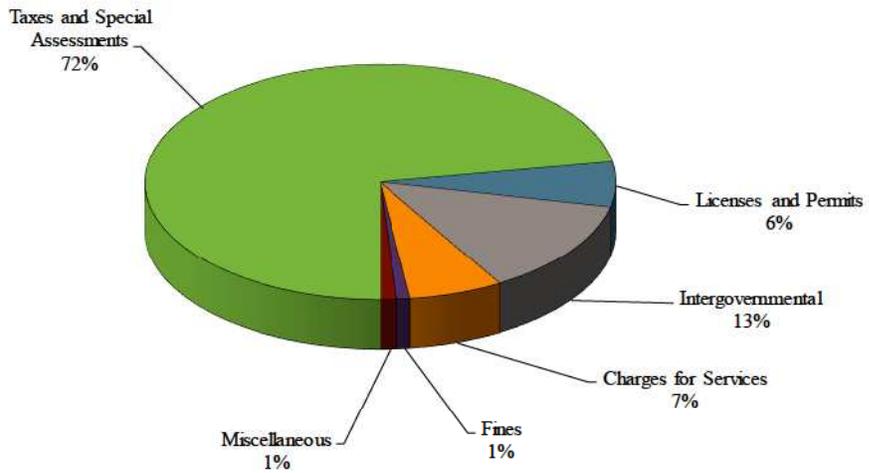
City of Elko New Market Financial Analysis

GENERAL FUND REVENUES (CONTINUED)

2017 General Fund Revenues



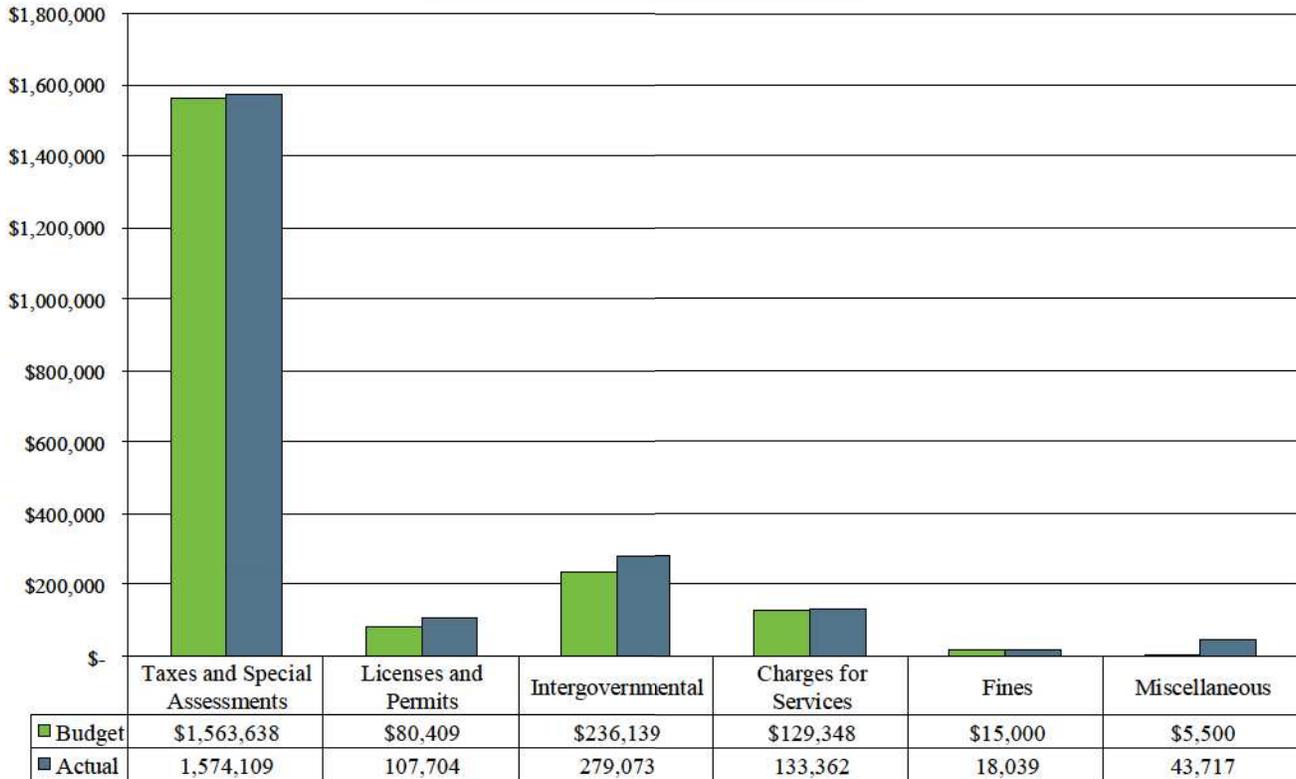
2016 General Fund Revenues



**City of Elko New Market
Financial Analysis**

GENERAL FUND REVENUES BUDGET TO ACTUAL

**2017 General Fund Revenues
Budget to Actual**



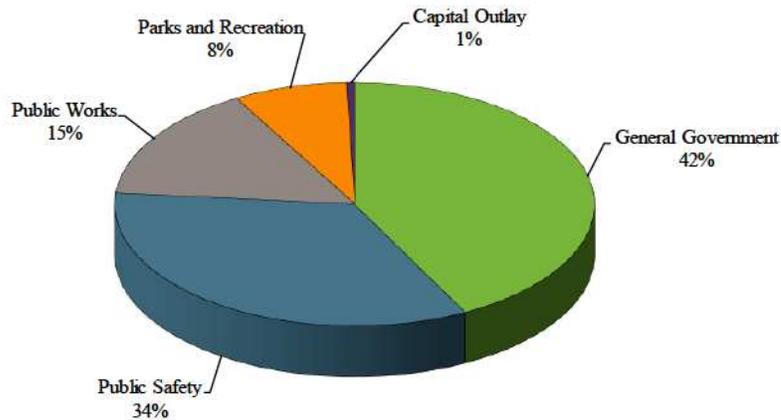
The City Council approved a total 2017 General Fund revenue budget of \$2,030,034. Actual revenues for 2017 totaled \$2,156,004 or \$125,970 (6.2%), more than the budgeted amount. The most significant variance occurred in the category of intergovernmental revenue, which was \$42,934 over budget due to not budgeting for grant funds that were received during the year. Licenses and permits and miscellaneous revenue were also over budget by \$27,295 and \$38,217, respectively, due primarily to conservative budgeting and the sale of miscellaneous assets.

City of Elko New Market Financial Analysis

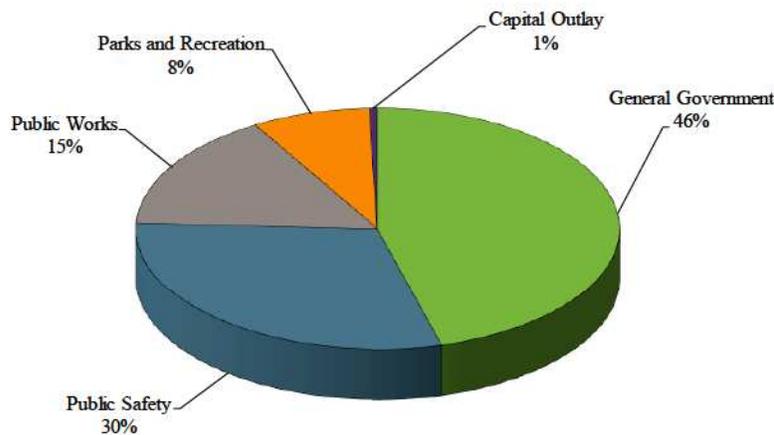
GENERAL FUND EXPENDITURES

The following charts represent the General Fund expenditures by function for 2017 and 2016. In total, expenditures decreased by \$12,000 from 2016 to 2017. Public safety expenditures increased \$66,803 due to hiring two officers in 2017 and an increase in building inspection fees. General government expenditures decreased \$64,267 due to less consulting fees in 2017. General government continues to be the City's largest function of government followed by public safety. These variances caused a shift in the allocation of expenditures between General Government and Public Safety. The remaining allocation of expenditures remained consistent from 2016 to 2017, a sign of consistent budgeting and spending patterns.

2017 General Fund Expenditures



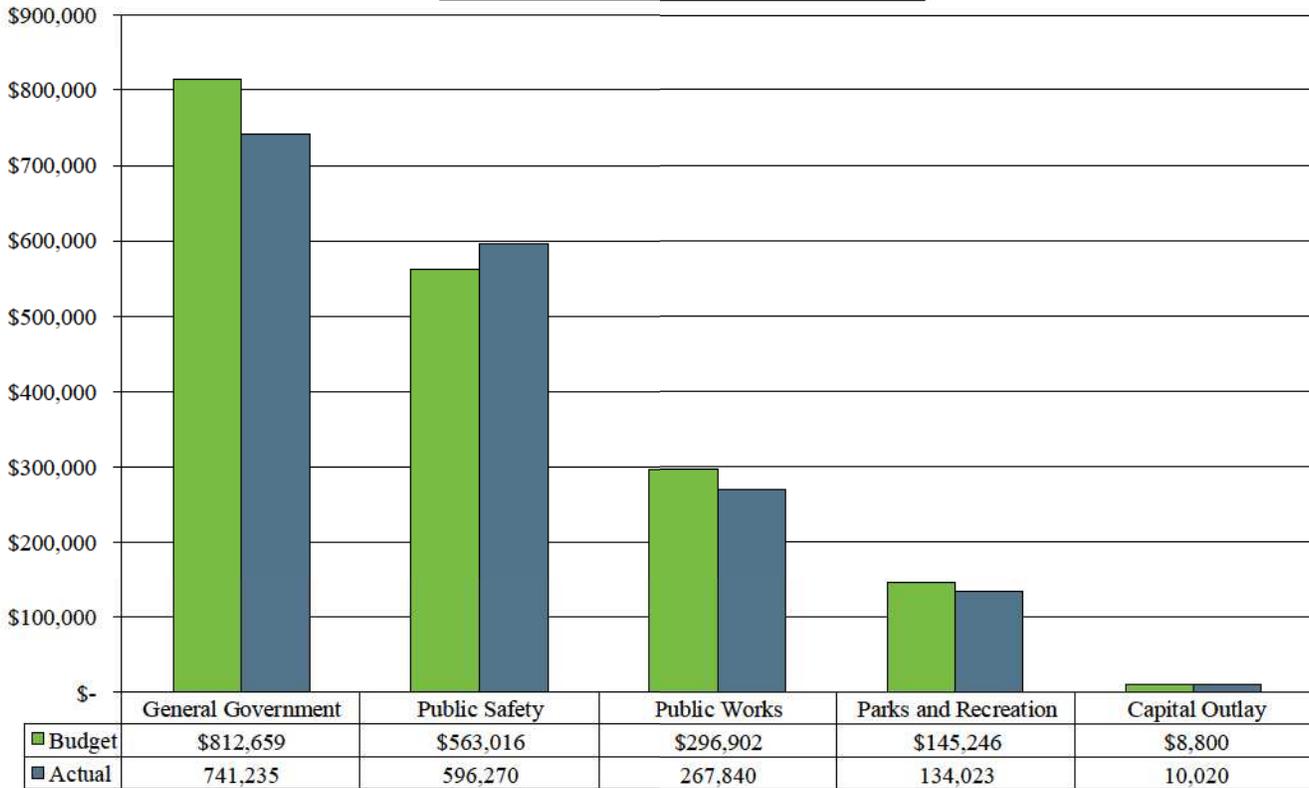
2016 General Fund Expenditures



**City of Elko New Market
Financial Analysis**

GENERAL FUND EXPENDITURES BUDGET TO ACTUAL

**2017 General Fund Expenditures
Budget to Actual**

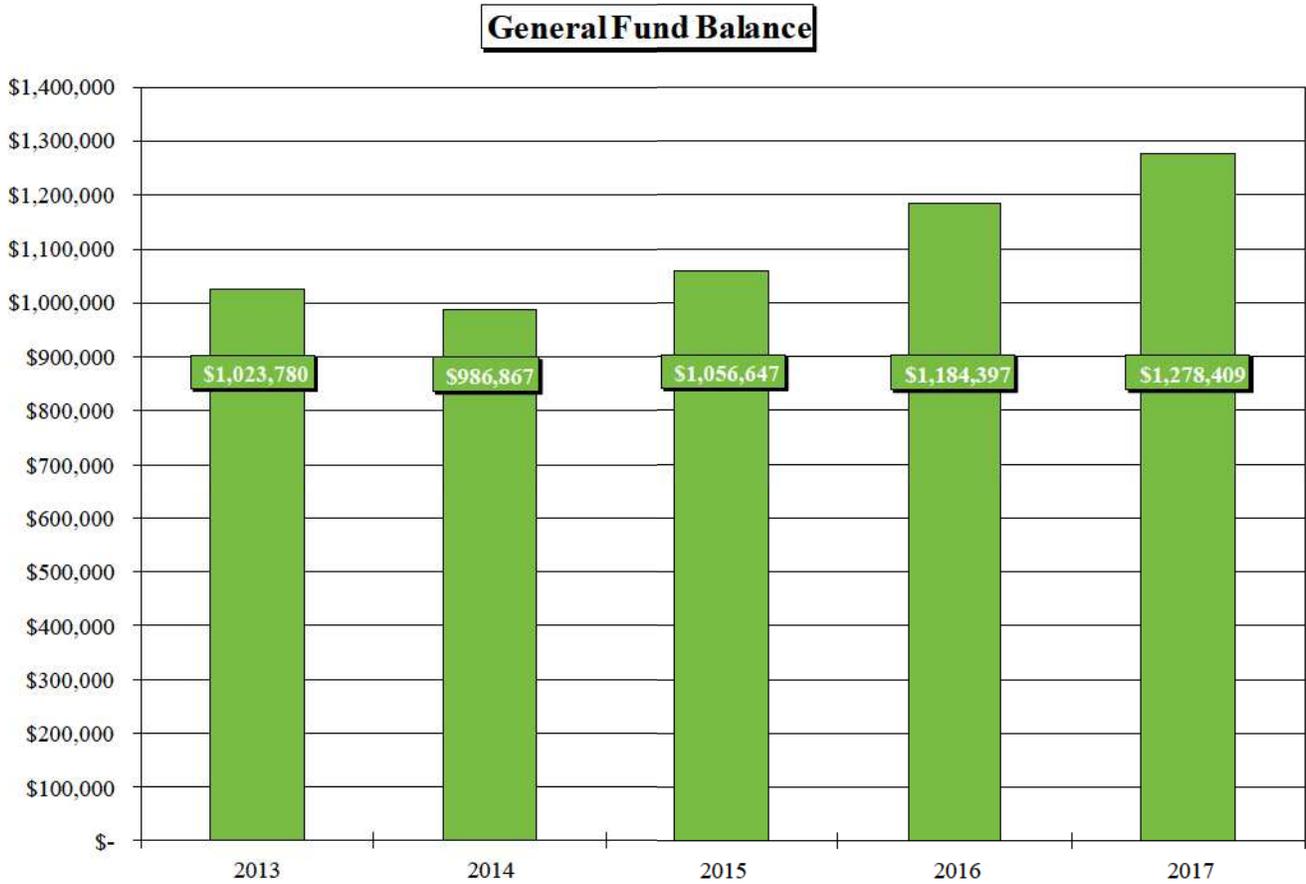


The City Council approved a total 2017 General Fund expenditures budget of \$1,826,623. Actual expenditures for 2017 totaled \$1,749,388 or \$77,235 (4.2%) less than the budgeted amount. The most significant variance occurred in general government where expenditures were \$71,424 lower than budget due to engineering and legal fees being lower than anticipated. Public works was also under budget \$29,062 due to not using as much street maintenance and de-icing materials as budgeted. Public safety expenditures were over budget by \$33,254 due primarily to building inspection fees coming in higher than budgeted.

**City of Elko New Market
Financial Analysis**

GENERAL FUND BALANCE

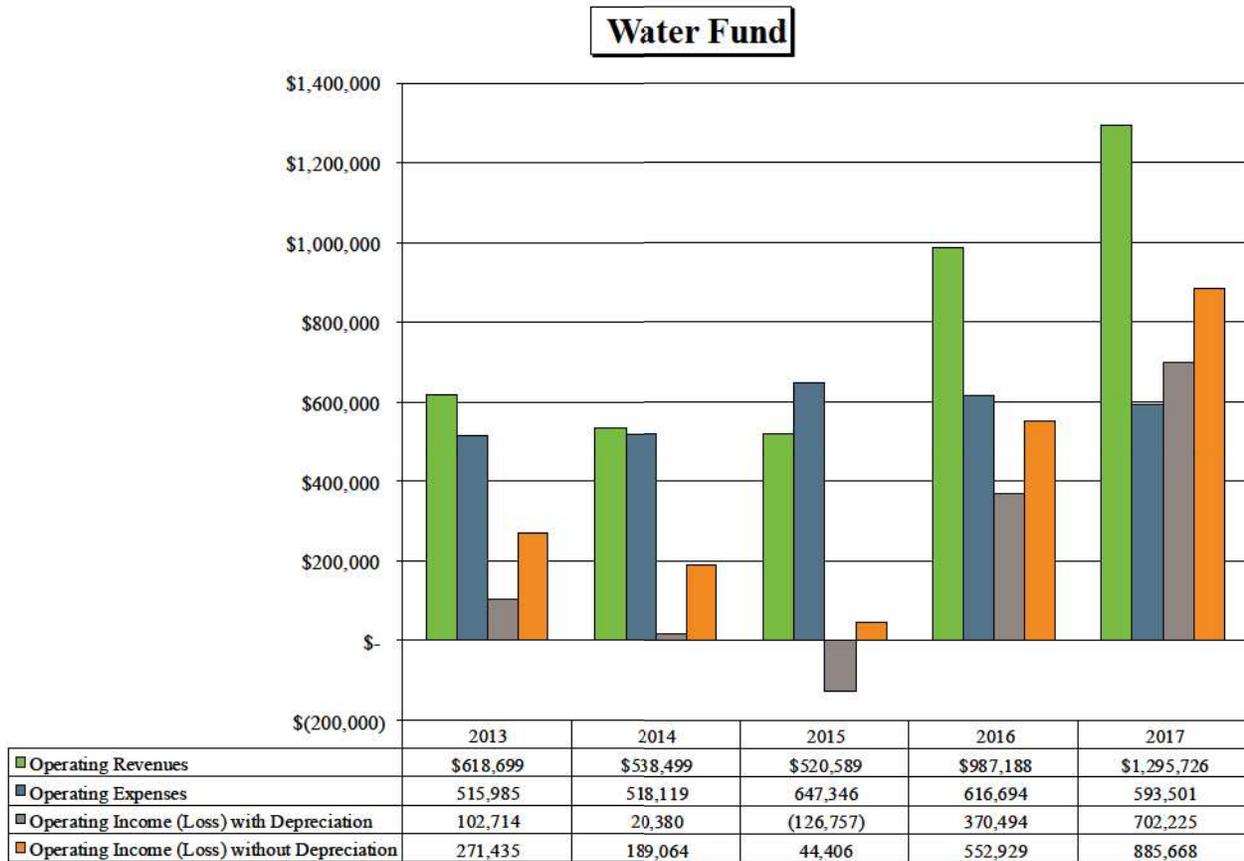
The graph below shows the General Fund balance trend for the past five years. The fund balance increased \$94,012, or 7.9%, from December 31, 2016 to December 31, 2017. General Fund balance amounted to \$1,278,409 at 2017 year-end, the highest of the five years presented, which represents 73.1% of 2017 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 2017, operating revenues increased by \$308,538, or 31.3%. Permit and hookup revenues increased \$147,574 from 2016 to 2017 due to new developer agreements, while water charges increased \$88,589 over the same period due to an increase in water rates and usage. Operating expenses decreased \$23,193, or 3.8%, in 2017 due to a decrease in professional fees.

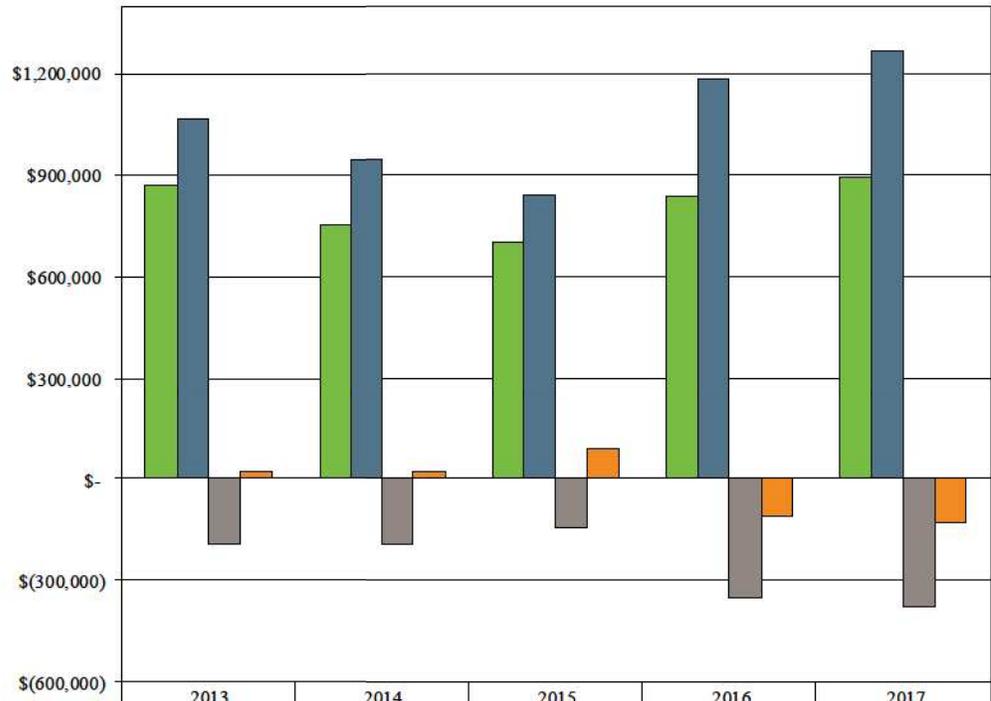


**City of Elko New Market
Financial Analysis**

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 2017, operating revenues increased by \$55,751, or 6.7%. Miscellaneous operating revenues increased \$54,029 from 2016 to 2017 due to refunds and sewer charges increased \$51,314 over the same period as a result of an increase in rates and usage. Operating expenses increased \$79,693, or 6.7%, in 2017, due to additional sewer availability charges through Metropolitan Council.

Sewer Fund



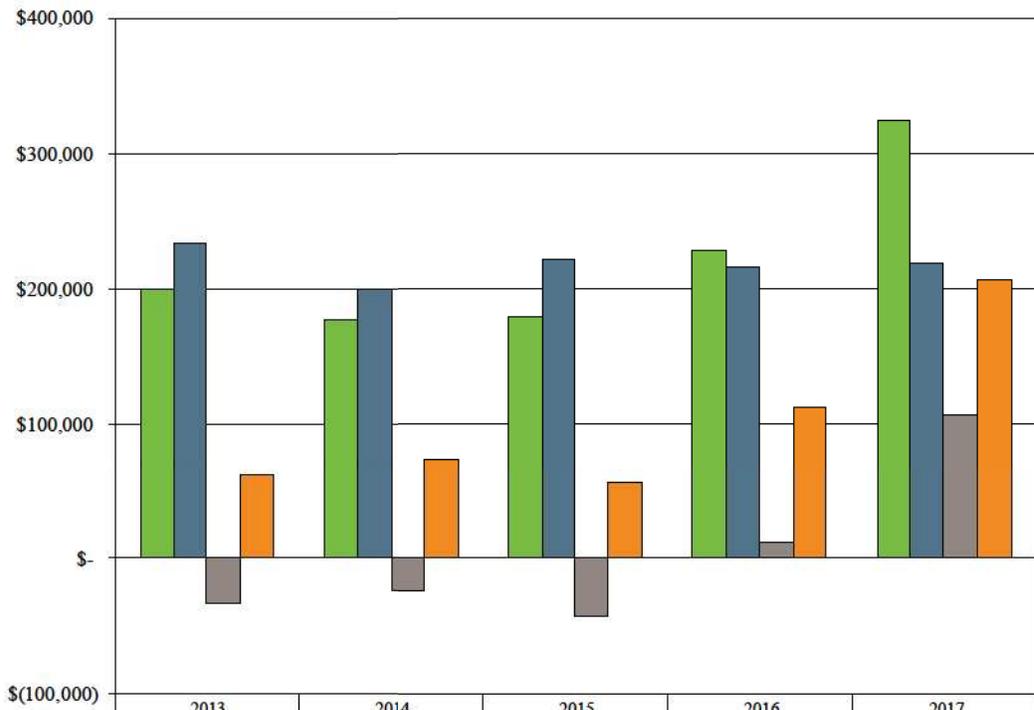
	2013	2014	2015	2016	2017
■ Operating Revenues	\$871,416	\$752,596	\$700,662	\$834,683	\$890,434
■ Operating Expenses	1,065,699	946,407	841,050	1,187,095	1,266,788
■ Operating Income (Loss) with Depreciation	(194,283)	(193,811)	(140,388)	(352,412)	(376,354)
■ Operating Income (Loss) without Depreciation	23,761	25,440	88,433	(111,574)	(129,350)

**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 2016 to 2017 operating revenues increased \$96,976, or 42.5% due to new developer agreements and an increase in rates and usage. Operating expenses increased \$2,994 or 1.3%.

Storm Sewer Fund



	2013	2014	2015	2016	2017
■ Operating Revenues	\$200,067	\$176,871	\$180,004	\$228,177	\$325,153
■ Operating Expenses	233,856	200,522	222,009	215,690	218,684
■ Operating Income (Loss) with Depreciation	(33,789)	(23,651)	(42,005)	12,487	106,469
■ Operating Income (Loss) without Depreciation	62,837	73,092	55,641	111,917	206,485

City of Elko New Market Emerging Issues

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 updates include:

- **Accounting Standard Update – GASB Statement No. 84 – Fiduciary Activities** – GASB has issued GASB Statement No. 84 relating to accounting and financial reporting for fiduciary activities. This new statement establishes clarity to determine when a government has fiduciary responsibility for a certain activity.
- **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 are extensive summaries of the current updates. 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. 84 – *FIDUCIARY ACTIVITIES*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB Statement No. 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

**City of Elko New Market
Emerging Issues**

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 84 – *FIDUCIARY ACTIVITIES* (CONTINUED)

GASB Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

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.

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.

**City of Elko New Market
Emerging Issues**

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

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 December 15, 2019. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

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

Financial Statements

December 31, 2017



**City of Elko New Market
Table of Contents**

Elected Officials and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	19
Statement of Activities	21
Fund Financial Statements	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	29
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Fire Department Fund	30
Statement of Net Position – Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	32
Statement of Cash Flows – Proprietary Funds	33
Statement of Fiduciary Net Position	34
Notes to Financial Statements	35
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability General Employees Retirement Fund	70
Schedule of City's Proportionate Share of Net Pension Liability Public Employees Police and Fire Retirement Fund	70
Schedule of City Contributions General Employees Retirement Fund	71
Schedule of City Contributions Public Employees Police and Fire Retirement Fund	71
Schedule of Changes in the Net Pension Liability and Related Ratios – Fire Relief Association	72
Schedule of City Contributions and Non Employer Contributing Entities– Fire Relief Association	73
Notes to Required Supplementary Information	75

**City of Elko New Market
Table of Contents**

Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	78
Combining Balance Sheet – Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	86
Statement of Changes in Agency Fund Assets and Liabilities	92
 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 93
 Report on Legal Compliance Independent Auditor's Report	 95
 Schedule of Findings and Responses on Internal Control and Legal Compliance	 97

**City of Elko New Market
Elected Officials and Administration
December 31, 2017**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Bob Crawford	Mayor	December 31, 2018
Josh Berg	Council Member	December 31, 2018
Kate Timmerman	Council Member	December 31, 2018
Joe Julius	Council Member	December 31, 2020
Patricia Timmons	Council Member	December 31, 2020
<u>Administration</u>		
Thomas Terry	City Administrator	
Mark Nagel	Assistant City Administrator	
Sandra Green	City Clerk	
Renee Christianson	Community Development Specialist	
Lelia Leonhardt	Accountant	
Stephanie Schultz	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, 2017, 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, 2017, 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.

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 the Governmental Accounting Standards Board (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.



Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates 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 May 16, 2018 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 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.

BerganKDV Ltd.

Minneapolis, Minnesota
May 16, 2018

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, 2017.

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 eleventh 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 2017.
- 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 \$26,701,447 (net position). Of this amount \$2,904,786 (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 \$41,146. The net position associated with governmental activities increased by \$349,711. The decrease in fund balance was primarily due to the 2015B bond that was escrowed previous to 2017 and is now paid for through tax dollars. The increase in net position was primarily due to the non-recognition of principal bond payments, offset with depreciation expense and reduction of deferred and delinquent special assessments in 2017.
- As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$1,258,068, equivalent to 64.0% of the 2018 General Fund approved operating budget. This is an increase of \$94,012 from the end of the 2016 fiscal year. The difference is due to the increase in property taxes and lower expenditures with the General Government function overall.
- The City's total debt decreased by \$2,200,234 during the current fiscal year. The City issued \$10,357,038 for a PFA Note Series 2014 General Obligation Drinking Water Revenue Note in order to fund a water treatment facility, rehabilitate a water storage tower, and add an additional well. City's debt related to this debt issuance in 2014 decreased from \$9,561,588 to \$9,102,194 in 2017 as this is a PFA reimbursable note that was finalized in 2017. Net pension liability was added as a liability in 2015 with the implementation of GASB 68, which decreased by \$682,979 during 2017. 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 \$702,225. This is primarily due to increased water usage for the 2017 fiscal year along with new development within the City which brings in permit and hookup fees to the fund.

City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

- The Sewer Fund recognized an operating loss of \$376,354. This is primarily due to \$247,004 in depreciation expense and \$706,326 in MCEs charges. The Fund had a decrease of net position in the amount of \$366,018 due to special assessments which are not considered an operating revenue.
- The Storm Sewer Fund had an operating income of \$106,469. This is primarily due to \$214,680 in charges for services revenue. The Fund also had an increase of net position in the amount of \$97,827.
- The balance of the Capital Projects Fund increased during the current fiscal year by \$214,493 for an ending balance of \$1,084,909. The Fund was established for the purpose of planning, design, construction, expansion, remodels, and acquisition of land for future facilities.
- The fund balance of the 2015B G.O. Refunding Bonds Fund decreased during the current fiscal year by \$418,299 for an ending balance of -\$108,702. The Fund was used to hold bond proceeds received in fiscal year 2015 until the refunding bond could pay off the 2008 refunded bond in the 2017 fiscal year. The decrease in fund balance is due to those payments occurring as scheduled.
- The balance of the Economic Development Fund decreased during the current fiscal year by \$63,240 for an ending balance of \$147,058. The Fund was established for the purpose of supporting economic development activities.

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 the 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).

City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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.

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 three categories: governmental funds, proprietary funds and fiduciary 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.

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

FINANCIAL HIGHLIGHTS (CONTINUED)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

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 10.9% of the total. By far, the largest portion of the City's net position (83.9%) 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.

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	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 5,403,093	\$ 5,756,496	\$ 606,656	\$ 1,175,205	\$ 6,009,749	\$ 6,931,701
Net pension asset	884,021	522,211	-	-	884,021	522,211
Capital assets	10,744,732	11,020,795	27,478,560	27,851,305	38,223,292	38,872,100
Total assets	17,031,846	17,299,502	28,085,216	29,026,510	45,117,062	46,326,012
Deferred Outflows of Resources						
Deferred outflows of resources related to city pensions	737,376	1,059,394	73,154	139,118	810,530	1,198,512
Total assets and deferred outflows of resources	\$ 17,769,222	\$ 18,358,896	\$ 28,158,370	\$ 29,165,628	\$ 45,927,592	\$ 47,524,524
Liabilities						
Current and other liabilities	\$ 900,655	\$ 863,556	\$ 1,323,688	\$ 1,370,458	\$ 2,224,343	\$ 2,234,014
Net pension liability	731,999	1,414,978	269,785	333,060	1,001,784	1,748,038
Long term liabilities	3,829,518	4,818,151	11,256,051	12,497,608	15,085,569	17,315,759
Total liabilities	5,462,172	7,096,685	12,849,524	14,201,126	18,311,696	21,297,811
Deferred Inflows of Resources						
Deferred inflows of resources related to city pensions	869,943	174,815	44,506	28,026	914,449	202,841
Net Position						
Net investment in capital assets	6,297,919	5,730,625	16,103,044	14,946,138	22,400,963	20,676,763
Restricted	1,395,698	1,998,020	-	-	1,395,698	1,998,020
Unrestricted	3,743,490	3,358,751	(838,704)	(9,662)	2,904,786	3,349,089
Total net position	11,437,107	11,087,396	15,264,340	14,936,476	26,701,447	26,023,872
Total liabilities, deferred inflows of resources, and net position	\$ 17,769,222	\$ 18,358,896	\$ 28,158,370	\$ 29,165,628	\$ 45,927,592	\$ 47,524,524

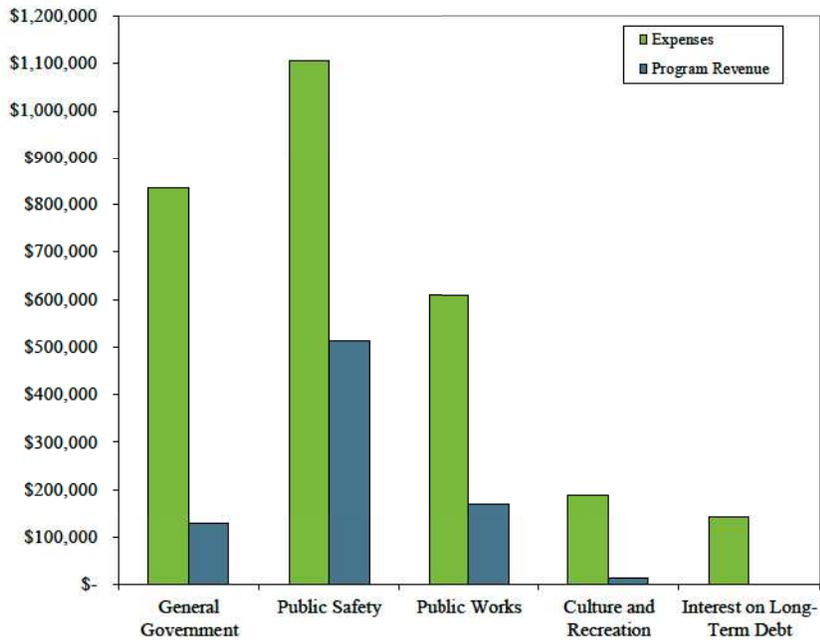
City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

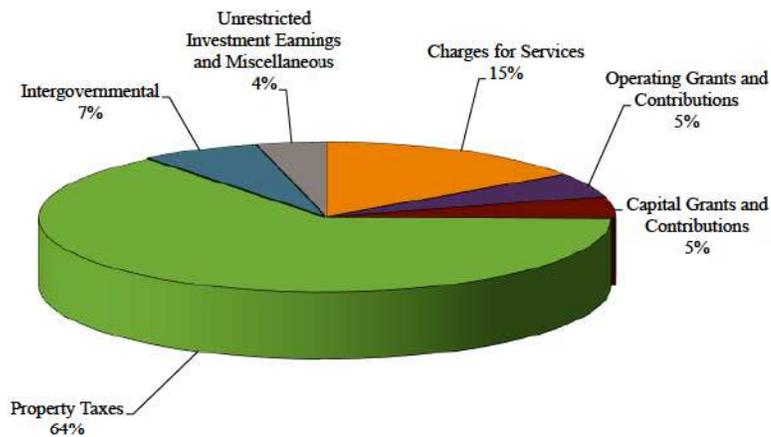
Governmental Activities

Governmental activities increased the City's net position by \$349,711.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



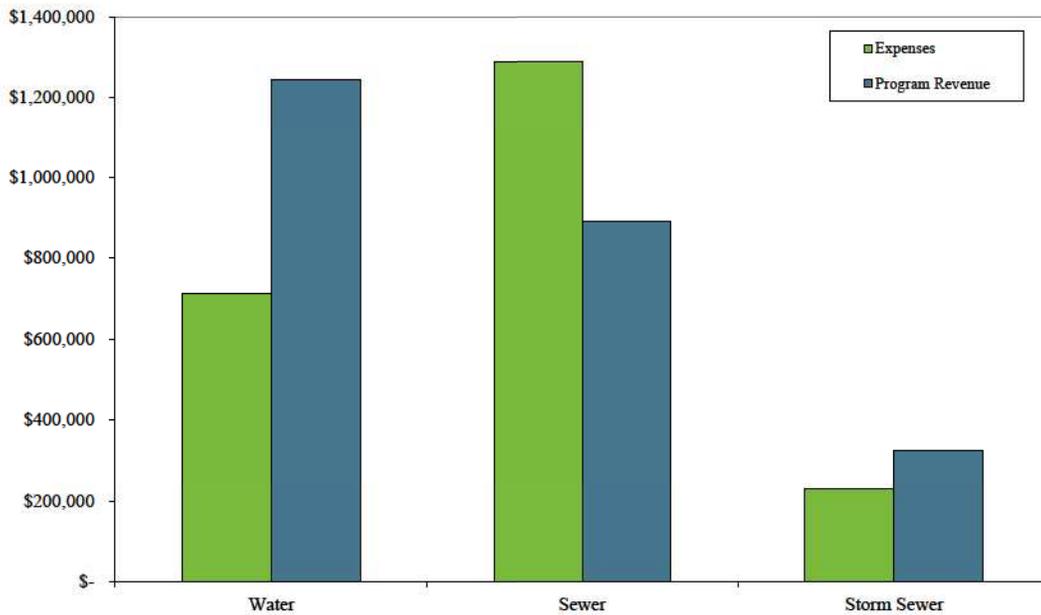
City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

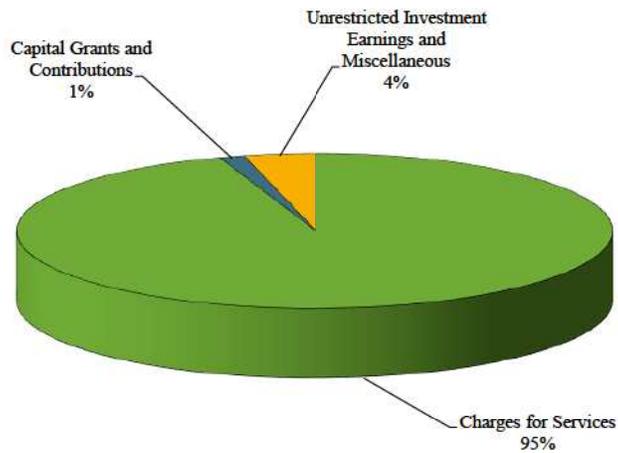
Business-Type Activities

Business-type activities increased the City's net position by \$327,864.

**Expenses and Program Revenues -
Business-Type Activities**



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	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 499,364	\$ 457,970	\$ 2,425,847	\$ 2,052,290	\$ 2,925,211	\$ 2,510,260
Operating grants and contributions	169,061	123,279	-	-	169,061	123,279
Capital grants and contributions	151,085	105,372	34,631	4,625	185,716	109,997
General revenues						
Property taxes	2,066,946	1,957,736	-	-	2,066,946	1,957,736
Intergovernmental	216,571	246,336	-	-	216,571	246,336
Other general revenue	74,993	51,184	87,970	-	162,963	51,184
Gain on sale of capital assets	40,467	77,798	-	-	40,467	77,798
Investment earnings	11,430	2,009	10,830	(6,012)	22,260	(4,003)
Total revenues	3,229,917	3,021,684	2,559,278	2,050,903	5,789,195	5,072,587
Expenses						
General government	835,367	958,579	-	-	835,367	958,579
Public safety	1,106,938	1,023,821	-	-	1,106,938	1,023,821
Public works	609,817	641,908	-	-	609,817	641,908
Culture and recreation	186,059	196,552	-	-	186,059	196,552
Interest on long-term debt	142,025	177,190	-	-	142,025	177,190
Water	-	-	713,735	751,891	713,735	751,891
Sewer	-	-	1,287,727	1,209,124	1,287,727	1,209,124
Storm sewer	-	-	229,952	242,497	229,952	242,497
Total expenses	2,880,206	2,998,050	2,231,414	2,203,512	5,111,620	5,201,562
Change in net position	349,711	23,634	327,864	(152,609)	677,575	(128,975)
January 1	11,087,396	11,063,762	14,936,476	15,350,371	26,023,872	26,414,133
Prior period adjustment*				(261,286)	-	(261,286)
January 1, restated	<u>11,087,396</u>	<u>11,063,762</u>	<u>14,936,476</u>	<u>15,089,085</u>	<u>26,023,872</u>	<u>26,152,847</u>
December 31	<u>\$ 11,437,107</u>	<u>\$ 11,087,396</u>	<u>\$ 15,264,340</u>	<u>\$ 14,936,476</u>	<u>\$ 26,701,447</u>	<u>\$ 26,023,872</u>

* Prior period adjustment is related to not accruing the Met Council Reserve Capacity Loan addition for 2015 due to turnover of city staff at year-end 2015 and no documentation left from previous staff. See note 13 of 2016 financial report for more information.

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.

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

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (CONTINUED)

Governmental Funds (Continued)

As of the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$4,005,694, a decrease of \$41,146 from the prior year fund balance. The decrease was primarily due to the payoff of the 2008 refunded bond with the 2015B refunding bond.

The General Fund is the chief operating fund of the City. At the end of the 2017 fiscal year, the unassigned fund balance of the General Fund was \$1,258,068. 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 71.9% of total 2017 General Fund expenditures.

The City's General Fund balance increased by \$94,012 in 2017. The difference is due to the increase in property taxes and lower expenditures with the General Government function overall.

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

- Licenses and permits in the amount of \$27,295.
- Intergovernmental in the amount of \$42,934 due to additional grant money received during 2017 mostly related to the small cities assistance grant for \$33,247.
- Miscellaneous in the amount of \$39,005 due to primarily the sale of assets during the year.

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

- General Government in the amount of \$71,424 due to budgeting of expenditures that did not occur.
- Public Works in the amount of \$29,062 due to snow plowing removal and deicing materials.

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

- Public Safety in the amount of \$33,254 due to time spent on new development and building permits.

Overall, General Fund actual expenditures were under the final approved budget by \$77,235 and the excess of revenues over budgeted amounts was \$125,970.

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 \$702,225 in the Water Fund. At year end, the unrestricted net position of the Water Fund amounted to \$134,651.

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

FINANCIAL ANALYSIS OF PROPRIETARY FUNDS (CONTINUED)

Proprietary Funds (Continued)

The Sewer Fund had a net operating loss of \$376,354. This is primarily due to \$247,004 in depreciation expense and \$706,326 in MCES charges. The unrestricted net position of the sewer fund amounted to (\$1,009,712).

The Storm Sewer Fund had a net operating income of \$106,469. This is primarily due to \$214,680 in charges for services revenue. The unrestricted net position of the Storm Sewer Fund amounted to \$36,357. The current net position is due primarily to the Fund participation in the debt service associated with the 2008A G.O. Bond for the reconstruction of County Highway 2.

Total unrestricted net position of the proprietary funds were (\$838,704) at the end of 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no differences between the original budget and the final amended budget during 2017. Variances from General fund budget are summarized as follows:

- Licenses and permits in the amount of \$27,295.
- Intergovernmental in the amount of \$42,934 due to additional grant money received during 2017 mostly related to the small cities assistance grant for \$33,247.
- Miscellaneous in the amount of \$39,005 due to primarily the sale of fixed assets during the year.
- General Government in the amount of \$71,424 due to budgeting of expenditures that did not occur.
- Public Works in the amount of \$29,062 due to snow plowing removal and deicing materials.
- Public Safety in the amount of \$33,254 due to time spent on new development and building permits.

As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$1,258,068, equivalent to 71.9% of the 2017 General Fund approved operating budget. This is an increase of \$94,012 from the end of the 2016 fiscal year. The difference is due to the increase in property taxes and lower expenditures with the General Government function overall.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$38,223,292 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment and infrastructure.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

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

- The City completed the Water Treatment Facility.
- The City purchased a new server, new skate park, new mower, and new police interceptor.

The City's Capital Assets

	Government Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,007,777	\$ 922,974	\$ -	\$ -	\$ 1,007,777	\$ 922,974
Construction in progress	599,283	599,283	187,380	10,264,799	786,663	10,864,082
Building	1,437,567	1,486,428	-	-	1,437,567	1,486,428
Machinery and equipment	1,499,821	1,541,883	68,007	55,641	1,567,828	1,597,524
Improvements	526,281	528,360	-	-	526,281	528,360
Infrastructure	5,674,003	5,941,867	-	-	5,674,003	5,941,867
Water main and system	-	-	16,284,832	6,324,436	16,284,832	6,324,436
Sanitary sewer main and system	-	-	7,333,843	7,505,390	7,333,843	7,505,390
Storm sewer system	-	-	3,604,498	3,701,039	3,604,498	3,701,039
Net capital assets	<u>\$ 10,744,732</u>	<u>\$ 11,020,795</u>	<u>\$ 27,478,560</u>	<u>\$ 27,851,305</u>	<u>\$ 38,223,292</u>	<u>\$ 38,872,100</u>

Long-Term Debt

At the end of the current fiscal year, the City had total bonds and notes outstanding of \$15,715,017 and loans payable of \$676,436. The total bonds, notes, and loans decreased by \$2,200,234 during the 2017 fiscal year. City's debt related to the debt issuance of PFA Note Series 2014 General Obligation Drinking Water Revenue Note decreased from \$9,561,588 to \$9,102,194 in 2017.

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.

The City's Outstanding Debt

	Government Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
G.O. bonds and notes	\$ 4,380,717	\$ 5,308,781	\$ 10,439,300	\$ 11,669,130	\$ 14,820,017	\$ 16,977,911
G.O. revenue bonds	-	-	895,000	1,050,000	895,000	1,050,000
Loans	-	-	676,436	563,776	676,436	563,776
Total	<u>\$ 4,380,717</u>	<u>\$ 5,308,781</u>	<u>\$ 12,010,736</u>	<u>\$ 13,282,906</u>	<u>\$ 16,391,453</u>	<u>\$ 18,591,687</u>

City of Elko New Market Management Discussion and Analysis

NEXT YEARS BUDGETS AND RATES

The City considered the following factors in preparing the City's budget for the 2018 fiscal year.

- The City is expecting a similar level of development activity to 2017 in 2018. However, the 2018 budget is based on conservative assumptions regarding development activity, a modest increase from the 2017 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.

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BASIC FINANCIAL STATEMENTS

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**City of Elko New Market
Statement of Net Position
December 31, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 3,495,127	\$ 79,143	\$ 3,574,270
Receivables			
Property tax receivable	24,382	-	24,382
Accounts receivable	212,320	137,464	349,784
Due from other governments	100,866	429,420	530,286
Due from other funds (internal balances)	186,014	(186,014)	-
Interfund loan receivable (internal balances)	93,347	(93,347)	-
Special assessments receivable			
Current	752	1,564	2,316
Delinquent	1,390	15,816	17,206
Deferred	1,226,544	214,252	1,440,796
Land held for resale	35,434	-	35,434
Prepaid items	26,917	8,358	35,275
Net pension asset - Fire Relief Association	884,021	-	884,021
Capital assets not being depreciated			
Land	1,007,777	-	1,007,777
Construction in progress	599,283	187,380	786,663
Capital assets net of accumulated depreciation			
Buildings	1,437,567	-	1,437,567
Machinery and equipment	1,499,821	68,007	1,567,828
Improvements	526,281	-	526,281
Infrastructure	5,674,003	-	5,674,003
Sewer and water improvements	-	27,223,173	27,223,173
Total assets	<u>17,031,846</u>	<u>28,085,216</u>	<u>45,117,062</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>737,376</u>	<u>73,154</u>	<u>810,530</u>
Total assets and deferred outflows of resources	<u>\$ 17,769,222</u>	<u>\$ 28,158,370</u>	<u>\$ 45,927,592</u>
Liabilities			
Accounts payable	\$ 81,150	\$ 55,121	\$ 136,271
Due to other governments	13,726	358,244	371,970
Salaries and benefits payable	57,516	15,616	73,132
Interest payable	50,552	64,226	114,778
Net pension liability	731,999	269,785	1,001,784
Bond principal payable			
Due within one year	642,479	312,021	954,500
Due in more than one year	3,804,334	1,961,301	5,765,635
Loan payable			
Payable within one year	-	10,122	10,122
Due in more than one year	-	666,314	666,314
PFA notes payable			
Payable within one year	-	494,194	494,194
Payable after one year	-	8,608,000	8,608,000
Compensated absences payable			
Payable within one year	55,232	14,144	69,376
Payable after one year	25,184	20,436	45,620
Total liabilities	<u>5,462,172</u>	<u>12,849,524</u>	<u>18,311,696</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>869,943</u>	<u>44,506</u>	<u>914,449</u>
Net Position			
Net investment in capital assets	6,297,919	16,103,044	22,400,963
Restricted for			
Debt service	1,234,426	-	1,234,426
Other	161,272	-	161,272
Unrestricted	3,743,490	(838,704)	2,904,786
Total net position	<u>11,437,107</u>	<u>15,264,340</u>	<u>26,701,447</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,769,222</u>	<u>\$ 28,158,370</u>	<u>\$ 45,927,592</u>

See notes to financial statements.

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Statement of Activities
Year Ended December 31, 2017

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
Governmental activities							
General government	\$ 835,367	\$ 64,093	\$ 61,868	\$ -	\$ (709,406)	\$ -	\$ (709,406)
Public safety	1,106,938	335,183	107,193	70,000	(594,562)	-	(594,562)
Public works	609,817	87,458	-	81,085	(441,274)	-	(441,274)
Parks and recreation	186,059	12,630	-	-	(173,429)	-	(173,429)
Interest on long-term debt	142,025	-	-	-	(142,025)	-	(142,025)
Total governmental activities	<u>2,880,206</u>	<u>499,364</u>	<u>169,061</u>	<u>151,085</u>	<u>(2,060,696)</u>	<u>-</u>	<u>(2,060,696)</u>
Business-type activities							
Water	713,735	1,236,541	-	7,631	-	530,437	530,437
Sewer	1,287,727	865,924	-	27,000	-	(394,803)	(394,803)
Storm sewer	229,952	323,382	-	-	-	93,430	93,430
Total business-type activities	<u>2,231,414</u>	<u>2,425,847</u>	<u>-</u>	<u>34,631</u>	<u>-</u>	<u>229,064</u>	<u>229,064</u>
Total governmental and business-type activities	<u>\$ 5,111,620</u>	<u>\$ 2,925,211</u>	<u>\$ 169,061</u>	<u>\$ 185,716</u>	(2,060,696)	229,064	(1,831,632)
General revenues							
Property taxes					2,066,946	-	2,066,946
Intergovernmental					216,571	-	216,571
Unrestricted investment earnings					11,430	10,830	22,260
Other general revenue					74,993	87,970	162,963
Gain on sale of capital assets					40,467	-	40,467
Total general revenues					<u>2,410,407</u>	<u>98,800</u>	<u>2,509,207</u>
Change in net position					349,711	327,864	677,575
Net position - beginning					<u>11,087,396</u>	<u>14,936,476</u>	<u>26,023,872</u>
Net position - ending					<u>\$ 11,437,107</u>	<u>\$ 15,264,340</u>	<u>\$ 26,701,447</u>

**City of Elko New Market
Balance Sheet - Governmental Funds
December 31, 2017**

	General Fund (101)	Special Revenue Fire Department (103)
Assets		
Cash and investments	\$ 1,344,179	\$ 86,666
Taxes receivable - current	7,309	-
Taxes receivable - delinquent	17,073	-
Special assessments receivable		
Current	-	-
Delinquent	712	-
Deferred	7,385	-
Accounts receivable	29,284	181,414
Due from other funds	-	-
Interfund loan receivable	-	-
Due from other governments	866	25,000
Land held for resale	-	-
Prepaid items	20,341	6,499
	<u>\$ 1,427,149</u>	<u>\$ 299,579</u>
Liabilities		
Accounts payable	\$ 52,358	\$ 4,364
Due to other funds	-	-
Due to other governments	13,726	-
Salaries and benefits payable	57,486	30
Total liabilities	<u>123,570</u>	<u>4,394</u>
Deferred Inflows of Resources		
Unavailable revenue - property taxes	17,073	-
Unavailable revenue - special assessments	8,097	-
Total deferred inflows of resources	<u>25,170</u>	<u>-</u>
Fund Balances (Deficits)		
Nonspendable	20,341	6,499
Restricted	-	-
Committed	-	288,686
Assigned	-	-
Unassigned	1,258,068	-
Total fund balances	<u>1,278,409</u>	<u>295,185</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,427,149</u>	<u>\$ 299,579</u>

See notes to financial statements.

Debt Service

2015B G.O. Refunding Bonds (315)	2011A G.O. Improvement Refunding Bond (318)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,064,282	\$ 3,495,127
-	-	-	7,309
-	-	-	17,073
752	-	-	752
678	-	-	1,390
29,249	1,187,450	2,460	1,226,544
-	-	1,622	212,320
-	-	442,333	442,333
-	-	93,347	93,347
-	-	75,000	100,866
-	35,434	-	35,434
-	-	77	26,917
<u>\$ 30,679</u>	<u>\$ 1,222,884</u>	<u>\$ 2,679,121</u>	<u>\$ 5,659,412</u>
\$ 177	\$ 513	\$ 23,738	\$ 81,150
109,277	141,318	5,724	256,319
-	-	-	13,726
-	-	-	57,516
<u>109,454</u>	<u>141,831</u>	<u>29,462</u>	<u>408,711</u>
-	-	-	17,073
29,927	1,187,450	2,460	1,227,934
<u>29,927</u>	<u>1,187,450</u>	<u>2,460</u>	<u>1,245,007</u>
-	35,434	-	62,274
-	-	233,722	233,722
-	-	168,270	456,956
-	-	2,271,223	2,271,223
(108,702)	(141,831)	(26,016)	981,519
<u>(108,702)</u>	<u>(106,397)</u>	<u>2,647,199</u>	<u>4,005,694</u>
<u>\$ 30,679</u>	<u>\$ 1,222,884</u>	<u>\$ 2,679,121</u>	<u>\$ 5,659,412</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, 2017**

Total fund balances - governmental funds \$ 4,005,694

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	15,669,185
Less accumulated depreciation	(4,924,453)

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	(4,380,717)
Unamortized bond premium	(66,096)
Compensated absences payable	(80,416)

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	17,073
Special assessments	1,390

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred special assessments	1,226,544
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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	(869,943)
Deferred outflows of resources related to pensions	737,376

Net pension liability	(731,999)
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Fire relief association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.

884,021

Governmental funds do not report a liability for accrued interest until due and payable.

(50,552)

Total net position - governmental activities	<u><u>\$ 11,437,107</u></u>
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**City of Elko New Market
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2017**

	General Fund (101)	Special Revenue Fire Department (103)
Revenues		
Property taxes	\$ 1,569,230	\$ 124,945
Special assessments	4,879	-
Licenses and permits	107,704	301
Intergovernmental	279,073	55,543
Charges for services	133,362	221,339
Fines and forfeitures	18,039	-
Miscellaneous		
Investment income	(689)	499
Contributions and donations	2,401	25,250
Other	42,005	8,686
Total revenues	2,156,004	436,563
Expenditures		
Current		
General government	741,235	-
Public safety	596,270	325,765
Public works	267,840	-
Parks and recreation	134,023	-
Debt service		
Principal	-	-
Interest and other charges	-	616
Capital outlay		
General government	9,209	-
Public safety	811	-
Public works	-	-
Total expenditures	1,749,388	326,381
Excess of revenues over (under) expenditures	406,616	110,182
Other Financing Sources (Uses)		
Proceeds from sale of capital asset	-	-
Transfers in	-	-
Transfers out	(312,604)	(107,514)
Total other financing sources (uses)	(312,604)	(107,514)
Net change in fund balances	94,012	2,668
Fund Balances		
Beginning of year	1,184,397	292,517
End of year	\$ 1,278,409	\$ 295,185

See notes to financial statements.

Debt Service			
2015B G.O. Refunding Bonds (315)	2011A G.O. Improvement Refunding Bond (318)	Other Governmental Funds	Total Governmental Funds
\$ 7,663	\$ 707	\$ 358,437	\$ 2,060,982
7,520	91,932	92,695	197,026
-	-	3,888	111,893
-	-	28,621	363,237
-	-	-	354,701
-	-	13,197	31,236
5,872	-	5,748	11,430
-	-	71,590	99,241
-	184,626	18,990	254,307
<u>21,055</u>	<u>277,265</u>	<u>593,166</u>	<u>3,484,053</u>
-	-	7,279	748,514
-	-	10,668	932,703
-	-	7,899	275,739
-	-	5,914	139,937
420,000	65,000	443,064	928,064
19,354	50,759	88,380	159,109
-	-	166,027	175,236
-	-	134,625	135,436
-	-	80,461	80,461
<u>439,354</u>	<u>115,759</u>	<u>944,317</u>	<u>3,575,199</u>
(418,299)	161,506	(351,151)	(91,146)
-	-	50,000	50,000
-	97,898	1,048,912	1,146,810
-	-	(726,692)	(1,146,810)
-	<u>97,898</u>	<u>372,220</u>	<u>50,000</u>
(418,299)	259,404	21,069	(41,146)
<u>309,597</u>	<u>(365,801)</u>	<u>2,626,130</u>	<u>4,046,840</u>
<u>\$ (108,702)</u>	<u>\$ (106,397)</u>	<u>\$ 2,647,199</u>	<u>\$ 4,005,694</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, 2017**

Net change in fund balances - governmental funds \$ (41,146)

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	280,209
Depreciation expense	(546,739)
Net capital asset disposal	(9,533)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (11,268)

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. 931,440

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. 13,708

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	27,643
-----------------	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes delinquent	5,964
Special assessments deferred and delinquent	(300,567)

Change in net position - governmental activities \$ 349,711

City of Elko New Market
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Over</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,563,638	\$ 1,563,638	\$ 1,569,230	\$ 5,592
Special assessments	-	-	4,879	4,879
Licenses and permits	80,409	80,409	107,704	27,295
Intergovernmental	236,139	236,139	279,073	42,934
Charges for services	129,348	129,348	133,362	4,014
Fines and forfeitures	15,000	15,000	18,039	3,039
Investment income	1,500	1,500	(689)	(2,189)
Contributions and donations	1,000	1,000	2,401	1,401
Other	3,000	3,000	42,005	39,005
Total revenues	<u>2,030,034</u>	<u>2,030,034</u>	<u>2,156,004</u>	<u>125,970</u>
Expenditures				
Current				
General government	812,659	812,659	741,235	(71,424)
Public safety	563,016	563,016	596,270	33,254
Public works	296,902	296,902	267,840	(29,062)
Parks and recreation	145,246	145,246	134,023	(11,223)
Capital outlay				
General government	7,300	7,300	9,209	1,909
Public safety	1,500	1,500	811	(689)
Total expenditures	<u>1,826,623</u>	<u>1,826,623</u>	<u>1,749,388</u>	<u>(77,235)</u>
Excess of revenues over expenditures	203,411	203,411	406,616	203,205
Other Financing Sources (Uses)				
Transfers out	(163,604)	(163,604)	(312,604)	(149,000)
Total other financing sources (uses)	<u>(163,604)</u>	<u>(163,604)</u>	<u>(312,604)</u>	<u>(149,000)</u>
Net change in fund balance	<u>\$ 39,807</u>	<u>\$ 39,807</u>	94,012	<u>\$ 54,205</u>
Fund Balance				
Beginning of year			<u>1,184,397</u>	
End of year			<u>\$ 1,278,409</u>	

**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, 2017**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget-Over</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	
Revenues			
Property taxes	\$ 181,139	\$ 124,945	\$ (56,194)
Licenses and permits	-	301	301
Intergovernmental	45,000	55,543	10,543
Charges for services	221,340	221,339	(1)
Miscellaneous revenues			
Investment income	-	499	499
Contributions and donations	25,000	25,250	250
Other	-	8,686	8,686
Total revenues	<u>472,479</u>	<u>436,563</u>	<u>(35,916)</u>
Expenditures			
Current			
Public safety	308,171	325,765	17,594
Debt service			
Principal	112,350	-	(112,350)
Interest and other charges	23,838	616	(23,222)
Total expenditures	<u>444,359</u>	<u>326,381</u>	<u>(117,978)</u>
Excess of revenues over expenditures	28,120	110,182	82,062
Other Financing Uses			
Transfers out	<u>(28,120)</u>	<u>(107,514)</u>	<u>(79,394)</u>
Net change in fund balance	<u>\$ -</u>	2,668	<u>\$ 2,668</u>
Fund Balance			
Beginning of year		<u>292,517</u>	
End of year		<u>\$ 295,185</u>	

See notes to financial statements.

City of Elko New Market
Statement of Net Position - Proprietary Funds
December 31, 2017

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
Assets and Deferred Outflows of Resources				
Current assets				
Cash and cash equivalents	\$ -	\$ -	\$ 79,143	\$ 79,143
Special assessments receivable				
Current	580	801	183	1,564
Delinquent	7,885	6,497	1,434	15,816
Deferred	84,905	91,900	37,447	214,252
Accounts receivable	66,078	52,143	19,243	137,464
Short-term due from other governments	188,216	26,528	7,504	222,248
Prepaid Expenses	4,242	3,682	434	8,358
Total current assets	351,906	181,551	145,388	678,845
Noncurrent assets				
Long-term due from other governments	88,060	92,847	26,265	207,172
Capital assets				
Water main and system	18,787,261	-	-	18,787,261
Sanitary sewer main and system	-	13,344,964	-	13,344,964
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	18,929,419	13,543,887	4,845,346	37,318,652
Less accumulated depreciation	(2,539,333)	(6,070,319)	(1,230,440)	(9,840,092)
Net capital assets	16,390,086	7,473,568	3,614,906	27,478,560
Total noncurrent assets	16,478,146	7,566,415	3,641,171	27,685,732
Deferred outflows of resources				
Deferred outflows of resources related to pensions	35,166	31,463	6,525	73,154
Total assets and deferred outflows of resources	\$ 16,865,218	\$ 7,779,429	\$ 3,793,084	\$ 28,437,731
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities				
Accounts payable	\$ 17,344	\$ 26,775	\$ 11,002	\$ 55,121
Salaries and benefits payable	7,531	6,737	1,348	15,616
Interest payable	47,051	12,696	4,479	64,226
Due to other funds	99,114	86,900	-	186,014
Interfund loan payable	-	-	93,347	93,347
Due to other governments	1,863	355,935	446	358,244
Compensated absences - current	6,779	6,072	1,293	14,144
Bonds payable due within one year	137,311	102,600	72,110	312,021
Loan payable due within one year	-	10,122	-	10,122
PFA notes payable due within one year	494,194	-	-	494,194
Total current liabilities	811,187	607,837	184,025	1,603,049
Noncurrent liabilities				
Compensated absences	9,717	8,847	1,872	20,436
Bonds payable	854,199	875,544	231,558	1,961,301
Loan payable	-	666,314	-	666,314
PFA notes payable	8,608,000	-	-	8,608,000
Net pension liability	129,688	116,033	24,064	269,785
Total noncurrent liabilities	9,601,604	1,666,738	257,494	11,525,836
Total liabilities	10,412,791	2,274,575	441,519	13,128,885
Deferred inflows of resources				
Deferred inflows of resources related to pensions	21,394	19,142	3,970	44,506
Net Position				
Net investment in capital assets	6,296,382	6,495,424	3,311,238	16,103,044
Unrestricted	134,651	(1,009,712)	36,357	(838,704)
Total net position	6,431,033	5,485,712	3,347,595	15,264,340
Total liabilities, deferred inflows of resources, and net position	\$ 16,865,218	\$ 7,779,429	\$ 3,793,084	\$ 28,437,731

See notes to financial statements.

City of Elko New Market
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2017

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
Operating Revenues				
Charges for services	\$ 1,034,544	\$ 717,350	\$ 214,680	\$ 1,966,574
Permits, hookup fees and penalties	188,830	115,035	99,455	403,320
Miscellaneous operating revenues	72,352	58,049	11,018	141,419
Total operating revenues	<u>1,295,726</u>	<u>890,434</u>	<u>325,153</u>	<u>2,511,313</u>
Operating Expenses				
Wages and salaries	139,015	123,867	27,913	290,795
Employee benefits	48,191	40,806	8,555	97,552
Materials and supplies	26,442	10,414	7,787	44,643
Repairs and maintenance	36,649	25,021	6,492	68,162
Professional services	51,749	82,106	60,813	194,668
Insurance	8,824	7,307	522	16,653
Utilities	69,175	12,144	393	81,712
Depreciation	183,443	247,004	100,016	530,463
Bad debt expense	5,934	5,794	-	11,728
Small tools	5,999	5,999	770	12,768
Miscellaneous	18,080	706,326	5,423	729,829
Total operating expenses	<u>593,501</u>	<u>1,266,788</u>	<u>218,684</u>	<u>2,078,973</u>
Operating income (loss)	702,225	(376,354)	106,469	432,340
Nonoperating Revenues (Expenses)				
Investment income	6,433	-	4,397	10,830
Special assessments	7,631	31,275	(1,771)	37,135
Interest expense	(120,234)	(20,939)	(11,268)	(152,441)
Total nonoperating revenues (expenses)	<u>(106,170)</u>	<u>10,336</u>	<u>(8,642)</u>	<u>(104,476)</u>
Change in net position	596,055	(366,018)	97,827	327,864
Net Position				
Beginning of year	<u>5,834,978</u>	<u>5,851,730</u>	<u>3,249,768</u>	<u>14,936,476</u>
End of year	<u>\$ 6,431,033</u>	<u>\$ 5,485,712</u>	<u>\$ 3,347,595</u>	<u>\$ 15,264,340</u>

City of Elko New Market
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2017

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 1,455,754	\$ 938,910	\$ 322,068	\$ 2,716,732
Payments to suppliers	(226,014)	(719,469)	(79,022)	(1,024,505)
Payments to employees	(174,885)	(154,178)	(32,945)	(362,008)
Net cash flows - operating activities	<u>1,054,855</u>	<u>65,263</u>	<u>210,101</u>	<u>1,330,219</u>
Cash Flows - Noncapital Financing Activities				
Payments to/from other funds for interfund borrowing	<u>50,385</u>	<u>57,739</u>	<u>(46,448)</u>	<u>61,676</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(1,123,182)	10,060	(322,103)	(1,435,225)
Interest paid on debt	(128,615)	(21,934)	(16,634)	(167,183)
Acquisition of capital assets	(187,817)	(111,128)	(3,769)	(302,714)
Net cash flows - capital and related financing activities	<u>(1,439,614)</u>	<u>(123,002)</u>	<u>(342,506)</u>	<u>(1,905,122)</u>
Cash Flows - Investing Activities				
Interest and dividends received	<u>6,433</u>	<u>-</u>	<u>4,397</u>	<u>10,830</u>
Net change in cash and cash equivalents	(327,941)	-	(174,456)	(502,397)
Cash and Cash Equivalents				
January 1	<u>327,941</u>	<u>-</u>	<u>253,599</u>	<u>581,540</u>
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,143</u>	<u>\$ 79,143</u>
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities				
Operating loss	\$ 702,225	\$ (376,354)	\$ 106,469	\$ 432,340
Adjustments to reconcile operating loss to net cash flows - operating activities				
Miscellaneous revenue	7,631	31,275	(1,771)	37,135
Depreciation expense	183,443	247,004	100,016	530,463
Pension related activity	8,735	7,490	2,944	19,169
Special assessments receivable	4,170	2,702	462	7,334
Accounts receivable	8,227	14,499	(1,776)	20,950
Due from other governments	140,000	-	-	140,000
Prepaid items	(257)	(441)	(54)	(752)
Accounts payable	(4,768)	12,025	2,786	10,043
Due to other governmental units	1,863	124,058	446	126,367
Salaries payable	2,139	1,870	387	4,396
Compensated absences payable	1,447	1,135	192	2,774
Total adjustments	<u>352,630</u>	<u>441,617</u>	<u>103,632</u>	<u>897,879</u>
Net cash flows - operating activities	<u>\$ 1,054,855</u>	<u>\$ 65,263</u>	<u>\$ 210,101</u>	<u>\$ 1,330,219</u>

City of Elko New Market
Statement of Fiduciary Net Position
December 31, 2017

	<u>Agency Funds</u> <u>(400) and (510)</u>
Assets	
Cash and investments	\$ 75,987
Other receivables	<u>18,499</u>
Total assets	<u>\$ 94,486</u>
Liabilities	
Accounts payable	<u>\$ 94,486</u>

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 \$17,821 in 2017. 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. The fiduciary funds are only reported in the statement of fiduciary net position at the fund financial statement level.

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.

Agency Funds are presented in the fiduciary fund financial statement. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide 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.

2015B General Obligation (G.O.) Refunding Bonds – This Fund accounts for resources accumulated and debt service payments made on this bond issue.

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.

Fiduciary Funds

Developer Chargeback Fund – This Fund accounts for professional fees incurred and paid by the City then charged to developers.

Developer Escrow Fund – This Fund accounts for development related funds held by the City in a strictly custodial capacity.

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.

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)

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.

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.

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

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.

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.

**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)**

4. Capital Assets (Continued)

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.

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(s) 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(s) of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of 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

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.

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.

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)**

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. 45, *Accounting, and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* has been recorded in the financial statements.

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.

**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 (Continued)

a. Classification (Continued)

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information (Continued)

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances

At December 31, 2017, the following Funds had deficit fund balances:

2011A G.O. Improvement Refunding Bonds	\$ (106,397)
2015B G.O. Refunding Bonds	(108,702)
2012B Refunding/ 2003 G.O. Bonds	(5,724)
Roundabout Construction	(20,292)

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.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

As of December 31, 2017, 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, 2017, the City had the following deposits and cash on hand:

Checking	\$ 81,946
Savings	2,254,722
CDARS	1,281,087
Petty cash	542
Total deposits	\$ 3,618,297

B. Investments

As of December 31, 2017, the City had the following investments:

Investment	Type	Maturity	Credit Rating	Market Value	Concentration Credit Risk
4M Fund	MM	N/A	NR	\$ 31,960	100.0%
Due within year				31,960	100.0%

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.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2017 were as follows:

Deposits and cash on hand (Note 3. A)	\$ 3,618,297
Investments (Note 3. B.)	<u>31,960</u>
Total deposits and investments	<u><u>\$ 3,650,257</u></u>

Deposits and investments are presented in the December 31, 2017 basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 3,574,270
Statement of Fiduciary Net Position	<u>75,987</u>
Total deposits and investments	<u><u>\$ 3,650,257</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. The 2017 payment will be made for \$29,596 in 2018 in addition to annual payments from 2018 to 2025 of \$29,596.

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

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land and easements	\$ 922,974	\$ 84,803	\$ -	\$ 1,007,777
Construction in progress	599,283	-	-	599,283
Total capital assets not being depreciated	<u>1,522,257</u>	<u>84,803</u>	<u>-</u>	<u>1,607,060</u>
Capital assets being depreciated				
Buildings	1,976,546	-	-	1,976,546
Machinery and equipment	2,693,826	151,044	150,670	2,694,200
Improvements	859,282	44,362	26,500	877,144
Infrastructure	8,514,235	-	-	8,514,235
Total capital assets being depreciated	<u>14,043,889</u>	<u>195,406</u>	<u>177,170</u>	<u>14,062,125</u>
Less accumulated depreciation for				
Buildings	490,118	48,861	-	538,979
Machinery and equipment	1,151,943	187,106	144,670	1,194,379
Improvements	330,922	42,909	22,967	350,864
Infrastructure	2,572,368	267,863	-	2,840,231
Total accumulated depreciation	<u>4,545,351</u>	<u>546,739</u>	<u>167,637</u>	<u>4,924,453</u>
Total capital assets being depreciated, net	<u>9,498,538</u>	<u>(351,333)</u>	<u>9,533</u>	<u>9,137,672</u>
Governmental activities capital assets, net	<u>\$ 11,020,795</u>	<u>\$ (266,530)</u>	<u>\$ 9,533</u>	<u>\$ 10,744,732</u>

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

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 10,264,799	\$ 59,901	\$ 10,137,320	\$ 187,380
Total capital assets not being depreciated	<u>10,264,799</u>	<u>59,901</u>	<u>10,137,320</u>	<u>187,380</u>
Capital assets being depreciated				
Water main and system	8,649,941	10,137,320	-	18,787,261
Sanitary sewer main and system	13,284,834	60,130	-	13,344,964
Storm sewer system	4,827,079	-	-	4,827,079
Machinery and equipment	<u>134,281</u>	<u>37,687</u>	<u>-</u>	<u>171,968</u>
Total capital assets being depreciated	<u>26,896,135</u>	<u>10,235,137</u>	<u>-</u>	<u>37,131,272</u>
Less accumulated depreciation for				
Water main and system	2,325,505	176,924	-	2,502,429
Sanitary sewer main and system	5,779,444	231,677	-	6,011,121
Storm sewer system	1,126,040	96,541	-	1,222,581
Machinery and equipment	<u>78,640</u>	<u>25,321</u>	<u>-</u>	<u>103,961</u>
Total accumulated depreciation	<u>9,309,629</u>	<u>530,463</u>	<u>-</u>	<u>9,840,092</u>
Total capital assets being depreciated, net	<u>17,586,506</u>	<u>9,704,674</u>	<u>-</u>	<u>27,291,180</u>
Business-type activities capital assets, net	<u>\$ 27,851,305</u>	<u>\$ 9,764,575</u>	<u>\$ 10,137,320</u>	<u>\$ 27,478,560</u>

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

Governmental activities	
General government	\$ 31,848
Public safety	138,315
Public works	331,010
Parks and recreation	<u>45,566</u>
Total depreciation expense - governmental activities	<u>\$ 546,739</u>
Business-type activities	
Water	\$ 183,443
Sewer	247,004
Storm sewer	<u>100,016</u>
Total depreciation expense - business-type activities	<u>\$ 530,463</u>

City of Elko New Market
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT

A. G.O. Bonds

The City issues 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.

In August 2015, the City issued \$970,000 G.O. Refunding Bonds for a crossover refunding of \$961,800 in G.O. Improvement bonds. The net proceeds of 4961,800 were used to purchase government agency securities. Those Securities were placed in an irrevocable trust with an escrow agent to provide for the payment of the principal maturities at the call date of the refunded bonds and for the interest on the refunding bonds through the call date. The City is responsible for the principal and interest payments on the remaining refunded bond issues through the call date. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the City until the call date of the refunded bonds, at which time the refunded bonds will be considered defeased and the related liability will be removed from the governmental activities column of the Statement of Net Position. The call date for the crossover refunding was February 1, 2017. The refunding resulted in a net present value savings of \$41,771.

B. Loans Payable

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 \$490,379. 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, 2017, but excluded from the maturity schedules due to uncertainty of future annual payments.

C. PFA Notes Payable

In 2017, the City received \$15,550 and submitted \$38,606 in expenditures for reimbursement from the Minnesota Public Facilities Authority. These disbursements along with prior disbursements that total \$9,600,194 are 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.

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. PFA Notes Payable (Continued)

Because a final amortization schedule has not been established by the Minnesota Public Facilities Authority, this note will be excluded from five-year maturity schedules until a schedule is finalized.

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.

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. Improvement						
Bonds 2006A	11/01/06	3.75%-4.20%	\$ 515,000	02/01/18	\$ 55,000	\$ 55,000
G.O. Improvement						
Bonds 2007A	07/25/07	3.85%-4.20%	1,259,063	02/01/18	133,179	133,179
G.O. Equipment certificate						
2009A	04/08/09	4.00%	60,500	02/01/19	15,500	7,500
G.O. Taxable library notes 2010A	12/14/10	3.07%	426,323	02/01/32	392,323	22,000
G.O. Improvement Refunding						
Bonds 2011A	07/01/11	2.00%-3.75%	1,380,000	02/01/26	1,040,000	105,000
G.O. Refunding Bonds 2012A	01/24/12	0.50%-1.70%	75,000	02/01/19	20,000	10,000
G.O. Refunding Bonds 2012B	11/05/12	0.60%-2.10%	115,000	02/01/24	70,000	10,000
G.O. Bonds 2013A	12/15/13	3.00%-3.50%	1,272,000	02/01/29	1,029,715	84,800
G.O. Bonds 2015A	08/20/15	2.00%-3.00%	1,385,000	02/01/26	1,260,000	140,000
G.O. Refunding Bonds 2015B	08/20/15	2.00%-2.50%	365,000	02/01/24	365,000	75,000
Bond premium					66,096	-
Total G.O. Bonds and notes					<u>4,446,813</u>	<u>642,479</u>
Compensated absences					<u>80,416</u>	<u>55,232</u>
Total governmental activities					<u>\$ 4,527,229</u>	<u>\$ 697,711</u>

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Components of Long-Term Liabilities (Continued)

	<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. Improvement						
Bonds 2007A	07/25/07	3.85%-4.20%	475,937	02/01/18	\$ 61,821	\$ 61,821
G.O. Refunding Bonds 2012B	11/05/12	0.60%-2.10%	1,175,000	02/01/25	895,000	115,000
G.O. Bonds 2013A	12/15/13	3.00%-3.50%	828,000	02/01/29	670,285	55,200
G.O. PFA note water treatment facility 2013 PFA	10/29/14	0.11%-2.85%	8,976,885	08/20/34	9,102,194	494,194
G.O. Refunding Bonds 2015B	08/20/15	2.00%-2.50%	605,000	02/01/24	605,000	80,000
Bond premium/discount					<u>41,216</u>	<u>-</u>
Total G.O. Bonds and notes					11,375,516	806,215
Metropolitan council loan payable	2010	4.07%	239,000	2031	186,057	10,122
Metropolitan council loan payable	2012	4.07%	353,900	2031	490,379	-
Compensated absences					<u>34,580</u>	<u>14,144</u>
Total business-type activities					<u>\$ 12,086,532</u>	<u>\$ 830,481</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, 2017 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	\$ 5,308,781	\$ -	\$ 928,064	\$ 4,380,717	\$ 642,479
Bond premium	69,472	-	3,376	66,096	-
Total bonds and notes payable	<u>5,378,253</u>	<u>-</u>	<u>931,440</u>	<u>4,446,813</u>	<u>642,479</u>
Compensated absences	69,148	66,500	55,232	80,416	55,232
Total governmental Activities	<u>5,447,401</u>	<u>66,500</u>	<u>-</u>	<u>4,527,229</u>	<u>697,711</u>
Business-type activities					
Bonds payable					
G.O. Revenue bonds	1,050,000	-	155,000	895,000	115,000
G.O. Bonds	2,107,542	-	770,436	1,337,106	197,021
Bond premium/discount	41,041	-	(175)	41,216	-
Total bonds payable	<u>3,198,583</u>	<u>-</u>	<u>925,261</u>	<u>2,273,322</u>	<u>312,021</u>
PFA note	9,561,588	38,606	498,000	9,102,194	494,194
Loan payable	563,776	359,100	246,440	676,436	10,122
Compensated absences	31,806	31,063	28,289	34,580	14,144
Total business-type activities	<u>13,355,753</u>	<u>428,769</u>	<u>1,697,990</u>	<u>12,086,532</u>	<u>830,481</u>
Total long-term liabilities	<u>\$ 18,803,154</u>	<u>\$ 495,269</u>	<u>\$ 1,697,990</u>	<u>\$ 16,613,761</u>	<u>\$ 1,528,192</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>
2018	\$ 642,479	\$ 112,190	\$ 754,669
2019	433,829	97,870	531,699
2020	426,886	87,430	514,316
2021	437,886	76,671	514,557
2022	451,914	65,300	517,214
2023-2027	1,692,942	151,660	1,844,602
2028-2032	<u>294,781</u>	<u>17,800</u>	<u>312,581</u>
Total	<u>\$ 4,380,717</u>	<u>\$ 608,921</u>	<u>\$ 4,989,638</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
2018	\$ 115,000	\$ 13,408	\$ 128,408	\$ 197,021	\$ 34,399	\$ 231,420
2019	110,000	12,285	122,285	142,171	29,765	171,936
2020	110,000	10,965	120,965	146,114	26,186	172,300
2021	115,000	9,387	124,387	141,114	22,497	163,611
2022	115,000	7,548	122,548	153,086	18,609	171,695
2023-2027	330,000	9,480	339,480	457,057	41,781	498,838
2028-2032	-	-	-	100,543	3,554	104,097
Total	\$ 895,000	\$ 63,073	\$ 958,073	\$ 1,337,106	\$ 176,791	\$ 1,513,897

Years Ending December 31,	Loans			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 10,122	\$ 7,573	\$ 17,695	\$ 322,143	\$ 55,380	\$ 377,523
2019	10,534	7,161	17,695	262,705	49,211	311,916
2020	10,963	6,732	17,695	267,077	43,883	310,960
2021	11,409	6,286	17,695	267,523	38,170	305,693
2022	11,874	5,821	17,695	279,960	31,978	311,938
2023-2027	67,023	21,452	88,475	854,080	72,713	926,793
2028-2032	64,132	6,648	70,780	164,675	10,202	174,877
Total	\$ 186,057	\$ 61,673	\$ 247,730	\$ 2,418,163	\$ 301,537	\$ 2,719,700

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

NOTE 7 – EQUITY

	General	Fire Department	2011A G.O. Improvement Refunding Bond	2015B G.O. Refunding Bonds	Nonmajor Governmental Funds	Total
Nonspendable						
Land held for resale	\$ -	\$ -	\$ 35,434	\$ -	\$ -	\$ 35,434
Prepaid items	20,341	6,499	-	-	-	26,840
Restricted						
Police forfeitures	-	-	-	-	12,970	12,970
Park dedication	-	-	-	-	14,336	14,336
Charitable gambling	-	-	-	-	21,845	21,845
Debt service	-	-	-	-	184,571	184,571
Bond proceeds for capital	-	-	-	-	-	-
Committed						
Fire department	-	286,686	-	-	-	286,686
Economic development	-	-	-	-	147,058	147,058
Community events	-	-	-	-	14,071	14,071
PEG programming	-	-	-	-	7,141	7,141
Assigned						
Capital projects	-	-	-	-	2,271,223	2,271,223
Unassigned	1,258,068	-	(141,831)	(108,702)	(26,016)	981,519
Total	\$ 1,278,409	\$ 293,185	\$ (106,397)	\$ (108,702)	\$ 2,647,199	\$ 4,003,694

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 2017 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2017, 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, 2017 was \$256,696. The components of pension expense are noted in the following plan summaries.

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

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

Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**City of 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

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. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For 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.

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. For Police and Fire Plan who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in calendar year 2017. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$43,041. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$51,233. The City's contributions were equal to the required contributions as set by state statute.

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$612,858 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 \$6 million to the fund in 2017. 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 \$7,705. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0096%, which was an increase of 0.0004% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$93,210 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$223 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,199	\$ 37,698
Changes in actuarial assumptions	97,508	61,440
Difference between projected and actual investment earnings	-	790
Changes in proportion	26,952	1,174
Contributions paid to PERA subsequent to the measurement date	21,521	-
	\$ 166,180	\$ 101,102

**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)

\$21,521 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, 2018. Other amounts reported as deferred outflows and deferred 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>
2018	\$ 32,566
2019	41,666
2020	(4,660)
2021	(26,015)
Total	\$ 43,557

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$388,925 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0290%, which was an increase of 0.0040% from its proportion measured as of June 30, 2016. The City also recognized \$2,610 for the year ended December 31, 2017 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, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$106,458 for its proportionate share of the Police and Fire Fund's pension expense.

**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 (Continued)

At December 31, 2017, the City reported its proportionate share of the Police and Fire Fund'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	\$ 9,011	\$ 90,235
Changes in actuarial assumptions	441,724	555,881
Difference between projected and actual investment earnings	-	12,499
Changes in proportion	149,970	-
Contributions paid to PERA subsequent to the measurement Date	25,617	-
	\$ 626,322	\$ 658,615

\$25,617 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2018	\$ 18,660
2019	18,661
2020	6,287
2021	(18,898)
2022	(82,620)
Total	\$ (57,910)

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees plan through 2044 and the Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, 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 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (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% per year for all years to 1% per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund

- 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.

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

- Assumed termination rates were decreased to 3.0% 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%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 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 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 Re: Rate of Retur
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	21	0.00
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G Pension Liability Sensitivity

The following table 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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 950,588	\$ 612,858	\$ 336,364
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 734,764	\$ 388,925	\$ 103,415

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.

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.

**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)

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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>28</u>
Total	<u><u>36</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 \$55,543 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions.

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Salary increase	N/A average, including inflation
Investment rate of return	6.50 net of pensions plan investment expenses: including inflation

**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)

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 %	0.79 %
International equity	10	5.20
Domestic equity	50	5.39
Fixed income	35	1.98
Real estate	0	4.25
	<hr/>	
Total	<u>100 %</u>	

F. Discount Rate

Discount rate

The discount rate used to measure the total pension liability was 6.50%. 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 years 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.

**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)

G. 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, 2017	\$ 1,906,628	\$ 2,428,839	\$ (522,211)
Changes for the year			
Service cost	72,898	-	72,898
Interest cost	129,323	-	129,323
Differences between expected and actual experience	(47,669)	-	(47,669)
Changes of assumptions	12,969	-	12,969
Changes of benefit terms	39,950	-	39,950
State and local contributions	-	168,064	(168,064)
Donations and other income	-	9,000	(9,000)
Projected investment return	-	-	-
Net Investment Income	-	392,217	(392,217)
Benefit payments	(127,273)	(127,273)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net charges	80,198	442,008	(361,810)
Balances at December 31, 2017	\$ 1,986,826	\$ 2,870,847	\$ (884,021)

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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.5%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's net pension liability	\$ (843,770)	\$ (884,021)	\$ (922,790)

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.

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

NOTE 9 – PENSION PLANS (CONTINUED)

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

For the year ended December 31, 2017, the City recognized pension expense of \$57,028. At December 31, 2017, 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	\$ -	\$ 41,148
Changes of assumptions	18,028	20,839
Net difference between projected and actual earnings on pension plan investments	-	92,745
Total	\$ 18,028	\$ 154,732

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending December 31,	Total
2018	\$ (10,599)
2019	(10,599)
2020	(49,035)
2021	(52,940)
2022	(7,607)
Thereafter	(5,924)
Total	\$ (136,704)

I. Payable to the Pension Plan

At December 31, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

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

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due from/to Other Funds

The composition of interfund balances as of December 31, 2017, was as follows:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	2011A G.O. Improvement Refunding Bond	\$ 141,318
Other Governmental Funds	2015B G.O. Refunding Bonds	109,277
Other Governmental Funds	Other Governmental Funds	5,724
Other Governmental Funds	Water	99,114
Other Governmental Funds	Sewer	86,900
Total Interfund Balances		<u>\$ 442,333</u>

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

B. Interfund Loan Payable

	Payable Fund	Amount
Other Governmental Funds	Storm Sewer	<u>\$ 93,347</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		Total
	2011A G.O. Improvement Bond	Other Governmental Funds	
Transfers out			
General Fund	\$ -	\$ 312,604	\$ 312,604
Fire Department	-	107,514	107,514
Other Governmental Funds	97,898	628,794	726,692
Total transfers	<u>\$ 97,898</u>	<u>\$ 1,048,912</u>	<u>\$ 1,146,810</u>

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 Fund and Capital Projects Fund to debt service funds to eliminate negative fund balances and assist with debt service requirements. Transfers were also made with Capital Project Funds to close out inactive funds.

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

NOTE 11 – CONTINGENCIES

In the normal course of operations, the City is exposed to various claims and litigation. As of December 31, 2017, none of these activities are deemed to have a material impact on the City's financial statements.

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***

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.0096%	\$ 612,858	\$ 7,705	\$ 620,563	\$ 618,387	99.11%	75.90%
2016	0.0092%	746,994	9,840	756,834	573,013	130.36%	68.91%
2015	0.0091%	471,609	-	471,609	525,533	89.74%	78.19%

* 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***

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.0290%	\$ 388,925	\$ 301,537	128.98%	85.43%
2016	0.0250%	1,001,044	238,173	420.30%	63.88%
2015	0.0250%	284,059	224,852	126.33%	86.61%

* 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***

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2017	\$ 43,041	\$ 43,041	\$ -	\$ 573,880	7.50%
2016	40,907	40,907	-	545,427	7.50%
2015	41,511	41,511	-	553,480	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***

<u>Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2017	\$ 51,233	\$ 51,233	\$ -	\$ 316,253	16.20%
2016	41,339	41,339	-	255,179	16.20%
2015	36,157	36,157	-	223,191	16.20%

* 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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability (TPL)			
Service cost	\$ 67,600	\$ 82,614	\$ 72,898
Interest on the pension liability	97,341	109,560	129,323
Differences between expected and actual experience	-	-	(47,669)
Changes of assumptions	10,394	(28,933)	12,969
Changes of benefit terms	136,386	-	39,950
Benefit payments	<u>(116,388.0)</u>	<u>-</u>	<u>(127,273)</u>
Net change in TPL	195,333	163,241	80,198
TPL - beginning	<u>1,548,054</u>	<u>1,743,387</u>	<u>1,906,628</u>
TPL - ending	<u>\$ 1,743,387</u>	<u>\$ 1,906,628</u>	<u>\$ 1,986,826</u>
Plan fiduciary net position (PFNP)			
Fire state aid	\$ 43,428	\$ 44,342	\$ 44,722
Fire supplemental aid	10,626	10,756	10,821
Municipal contribution	103,144	107,833	112,521
Donations and other income	29,000	16,000	9,000
Net investment income	(57,138)	111,403	392,217
Administrative fee	(13)	-	-
Benefit payments	<u>(116,388)</u>	<u>-</u>	<u>(127,273)</u>
Net change in PFNP	12,659	290,334	442,008
PFNP - beginning	<u>2,125,846</u>	<u>2,138,505</u>	<u>2,428,839</u>
PFNP - ending	<u>\$ 2,138,505</u>	<u>\$ 2,428,839</u>	<u>\$ 2,870,847</u>
Net pension liability - ending	<u>\$ (395,118)</u>	<u>\$ (522,211)</u>	<u>\$ (884,021)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.7%	127.4%	144.5%

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 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>
Employer			
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -
Actual contribution	<u>(103,144)</u>	<u>(107,833)</u>	<u>(112,521)</u>
Contribution deficiency (excess)	<u>\$ (103,144)</u>	<u>\$ (107,833)</u>	<u>\$ (112,521)</u>
Non-employer			
2% aid	\$ 54,054	\$ 55,098	\$ 55,543

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

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

City of Elko New Market
Notes to Required Supplementary Information

POLICE AND FIRE FUND

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%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 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.

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 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 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%.

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.

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, 2017**

	Budgeted Amount		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 1,563,638	\$ 1,563,638	\$ 1,569,230	\$ 5,592
Special assessments	-	-	4,879	4,879
Licenses and permits	80,409	80,409	107,704	27,295
Intergovernmental revenue				
Local government aid	218,139	218,139	216,188	(1,951)
Market value credit	-	-	383	383
Police aid	18,000	18,000	26,400	8,400
Other grants and aids	-	-	36,102	36,102
Total intergovernmental revenue	<u>236,139</u>	<u>236,139</u>	<u>279,073</u>	<u>42,934</u>
Charges for services				
General government	42,000	42,000	41,031	(969)
Public safety	-	-	(395)	(395)
Public works	84,848	84,848	90,176	5,328
Parks and recreation	2,500	2,500	2,550	50
Total charges for services	<u>129,348</u>	<u>129,348</u>	<u>133,362</u>	<u>4,014</u>
Fines and forfeitures	15,000	15,000	18,039	3,039
Miscellaneous revenues				
Investment income	1,500	1,500	(689)	(2,189)
Contributions and donations	1,000	1,000	2,401	1,401
Other	3,000	3,000	42,005	39,005
Total miscellaneous revenues	<u>5,500</u>	<u>5,500</u>	<u>43,717</u>	<u>38,217</u>
Total revenues	<u>2,030,034</u>	<u>2,030,034</u>	<u>2,156,004</u>	<u>125,970</u>
Expenditures				
General government				
Mayor and council	43,769	43,769	43,008	(761)
Administrative and finance	626,530	626,530	566,783	(59,747)
Other general government	142,360	142,360	131,444	(10,916)
Capital outlay	7,300	7,300	9,209	1,909
Total general government	<u>819,959</u>	<u>819,959</u>	<u>750,444</u>	<u>(69,515)</u>
Public safety				
Police				
Current	497,108	497,108	497,010	(98)
Capital outlay	1,500	1,500	811	(689)
Total police	<u>498,608</u>	<u>498,608</u>	<u>497,821</u>	<u>(787)</u>
Other				
Current	65,908	65,908	99,260	33,352
Total public safety	<u>564,516</u>	<u>564,516</u>	<u>597,081</u>	<u>32,565</u>

**City of Elko New Market
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2017**

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Public works				
Streets and highways				
Street maintenance and storm sewers	\$ 296,902	\$ 296,902	\$ 245,097	\$ (51,805)
Street engineering	-	-	22,743	22,743
Total public works	<u>296,902</u>	<u>296,902</u>	<u>267,840</u>	<u>(29,062)</u>
Parks and recreation				
Parks and recreation				
Current	<u>145,246</u>	<u>145,246</u>	<u>134,023</u>	<u>(11,223)</u>
Total expenditures	<u>1,826,623</u>	<u>1,826,623</u>	<u>1,749,388</u>	<u>(77,235)</u>
Excess of revenues over expenditures	203,411	203,411	406,616	203,205
Other Financing Sources (Uses)				
Transfers out	<u>(163,604)</u>	<u>(163,604)</u>	<u>(312,604)</u>	<u>(149,000)</u>
Total other financing sources (uses)	<u>(163,604)</u>	<u>(163,604)</u>	<u>(312,604)</u>	<u>(149,000)</u>
Net change in fund balance	<u>\$ 39,807</u>	<u>\$ 39,807</u>	<u>94,012</u>	<u>\$ 54,205</u>
Fund Balance				
Beginning of year			<u>1,184,397</u>	
End of year			<u>\$ 1,278,409</u>	

**City of Elko New Market
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017**

	Special Revenue			
	Police Forfeitures (104)	Park Dedication (230)	Charitable Gambling (240)	Economic Development (260)
Assets				
Cash and investments	\$ 12,970	\$ 14,336	\$ 16,410	\$ 147,620
Special assessments receivable				
Deferred	-	-	-	-
Accounts receivable	-	-	435	-
Due from other funds	-	-	-	-
Interfund loan receivable	-	-	-	-
Due from other governments	-	-	5,000	-
Prepaid expenses	-	-	-	77
Total assets	\$ 12,970	\$ 14,336	\$ 21,845	\$ 147,697
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 639
Due to other funds	-	-	-	-
Total liabilities	-	-	-	639
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances (Deficits)				
Restricted	12,970	14,336	21,845	-
Committed	-	-	-	147,058
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	12,970	14,336	21,845	147,058
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,970	\$ 14,336	\$ 21,845	\$ 147,697

Special Revenue			Debt Service			
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 Bond (311)	G.O. Equipment Certificate Fire Department 2009A (316)
\$ 14,597	\$ 5,954	\$ 211,887	\$ 12,096	\$ -	\$ 23,593	\$ 5,704
-	-	-	545	-	-	-
-	1,187	1,622	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,000	-	-	-	-
-	-	77	-	-	-	-
\$ 14,597	\$ 7,141	\$ 218,586	\$ 12,641	\$ -	\$ 23,593	\$ 5,704
\$ 526	\$ -	\$ 1,165	\$ 205	\$ -	\$ -	\$ -
-	-	-	-	5,724	-	-
<u>526</u>	<u>-</u>	<u>1,165</u>	<u>205</u>	<u>5,724</u>	<u>-</u>	<u>-</u>
-	-	-	545	-	-	-
-	-	49,151	11,891	-	23,593	5,704
14,071	7,141	168,270	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(5,724)	-	-
<u>14,071</u>	<u>7,141</u>	<u>217,421</u>	<u>11,891</u>	<u>(5,724)</u>	<u>23,593</u>	<u>5,704</u>
\$ 14,597	\$ 7,141	\$ 218,586	\$ 12,641	\$ -	\$ 23,593	\$ 5,704

**City of Elko New Market
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017**

	Debt Service			
	2010 G.O. Library Note (317)	2007A France Avenue Improvement Bond (313)	2013A G.O. Bonds (319)	Total
Assets				
Cash and investments	\$ 24,974	\$ 104,371	\$ 14,601	\$ 185,339
Special assessments receivable				
Deferred	-	-	-	545
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Interfund loan receivable	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 24,974	\$ 104,371	\$ 14,601	\$ 185,884
Liabilities				
Accounts payable	\$ -	\$ -	\$ 563	\$ 768
Due to other funds	-	-	-	5,724
Total liabilities	-	-	563	6,492
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	545
Fund Balances (Deficits)				
Restricted	24,974	104,371	14,038	184,571
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(5,724)
Total fund balances	24,974	104,371	14,038	178,847
Total liabilities, deferred inflows of resources, and fund balances	\$ 24,974	\$ 104,371	\$ 14,601	\$ 185,884

Capital Projects

Capital Projects (250)	Road Construction and Maintenance (290)	Fishrock Carwash Removal (433)	2015 Public Safety Improvements (442)	Roundabout Construction (445)	General Capital Outlay (501)	Capital Outlay Fire Department (503)
\$ 549,229	\$ 24,704	\$ 3,541	\$ 64,210	\$ -	\$ 698,587	\$ 326,785
-	-	1,915	-	-	-	-
442,333	-	-	-	-	-	-
93,347	-	-	-	-	-	-
-	-	-	-	-	-	70,000
-	-	-	-	-	-	-
\$ 1,084,909	\$ 24,704	\$ 5,456	\$ 64,210	\$ -	\$ 698,587	\$ 396,785
\$ -	\$ -	\$ -	\$ 513	\$ 20,292	\$ -	\$ 1,000
-	-	-	-	-	-	-
-	-	-	513	20,292	-	1,000
-	-	1,915	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,084,909	24,704	3,541	63,697	-	698,587	395,785
-	-	-	-	(20,292)	-	-
1,084,909	24,704	3,541	63,697	(20,292)	698,587	395,785
\$ 1,084,909	\$ 24,704	\$ 5,456	\$ 64,210	\$ -	\$ 698,587	\$ 396,785

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City of Elko New Market
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017

	<u>Capital Projects</u>	
	Total	Total Governmental Funds
Assets		
Cash and investments	\$ 1,667,056	\$ 2,064,282
Special assessments receivable		
Deferred	1,915	2,460
Accounts receivable	-	1,622
Due from other funds	442,333	442,333
Interfund loan receivable	93,347	93,347
Due from other governments	70,000	75,000
Prepaid expenses	-	77
	\$ 2,274,651	\$ 2,679,121
Liabilities		
Accounts payable	\$ 21,805	\$ 23,738
Due to other funds	-	5,724
Total liabilities	21,805	29,462
Deferred Inflows of Resources		
Unavailable revenue - special assessments	1,915	2,460
Fund Balances (Deficits)		
Restricted	-	233,722
Committed	-	168,270
Assigned	2,271,223	2,271,223
Unassigned	(20,292)	(26,016)
Total fund balances	2,250,931	2,647,199
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,274,651	\$ 2,679,121

City of Elko New Market
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2017

	Special Revenue			
	Police Forfeitures (104)	Park Dedication (230)	Charitable Gambling (240)	Economic Development (260)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	28,621
Fines and forfeitures	13,197	-	-	-
Miscellaneous				
Investment income	22	17	28	220
Contributions and donations	-	-	-	-
Other	-	10,080	6,207	-
Total revenues	13,219	10,097	6,235	28,841
Expenditures				
Current				
General government	-	-	-	7,279
Public safety	10,668	-	-	-
Park and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	84,802
Public safety	-	-	-	-
Public works	-	-	-	-
Total expenditures	10,668	-	-	92,081
Excess of revenues over (under) expenditures	2,551	10,097	6,235	(63,240)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	2,551	10,097	6,235	(63,240)
Fund Balances				
Beginning of year	10,419	4,239	15,610	210,298
End of year	\$ 12,970	\$ 14,336	\$ 21,845	\$ 147,058

Special Revenue			Debt Service			
Community Events (280)	Public Education and Government Programming (270)	Total	2012A Refunding/1998 G.O. Bonds (306)	2012B Refunding/2003 G.O. Bond (307)	2006A G.O. Improvement Bond (311)	G.O. Equipment Certificate Fire Department 2009A (316)
\$ 2,300	\$ -	\$ 2,300	\$ 10,269	\$ 11,631	\$ 32,851	\$ -
-	-	-	605	-	-	-
-	3,888	3,888	-	-	-	-
-	-	28,621	-	-	-	-
-	-	13,197	-	-	-	-
25	17	329	-	-	14	-
1,590	-	1,590	-	-	-	-
2,703	-	18,990	-	-	-	-
<u>6,618</u>	<u>3,905</u>	<u>68,915</u>	<u>10,874</u>	<u>11,631</u>	<u>32,865</u>	<u>-</u>
-	-	7,279	-	-	-	-
-	-	10,668	-	-	-	-
5,914	-	5,914	-	-	-	-
-	-	-	10,000	10,000	55,000	7,500
-	-	-	590	1,078	2,801	774
-	10,350	95,152	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,914</u>	<u>10,350</u>	<u>119,013</u>	<u>10,590</u>	<u>11,078</u>	<u>57,801</u>	<u>8,274</u>
704	(6,445)	(50,098)	284	553	(24,936)	(8,274)
-	-	-	-	-	-	-
-	-	-	10,385	-	-	8,463
-	-	-	-	-	-	-
-	-	-	<u>10,385</u>	<u>-</u>	<u>-</u>	<u>8,463</u>
704	(6,445)	(50,098)	10,669	553	(24,936)	189
13,367	13,586	267,519	1,222	(6,277)	48,529	5,515
<u>\$ 14,071</u>	<u>\$ 7,141</u>	<u>\$ 217,421</u>	<u>\$ 11,891</u>	<u>\$ (5,724)</u>	<u>\$ 23,593</u>	<u>\$ 5,704</u>

City of Elko New Market
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2017

	Debt Service			
	2010 G.O. Library Note (317)	2007A France Avenue Improvement Bond (313)	2013A G.O. Bonds (319)	2015A G.O. Improvement Bond (320)
Revenues				
Property taxes	\$ 36,316	\$ 23,728	\$ 57,542	\$ -
Special assessments	-	90,960	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	15	113	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	36,331	114,801	57,542	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	-	-
Debt service				
Principal	21,000	129,764	84,800	125,000
Interest and other charges	12,909	8,286	33,854	27,575
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Total expenditures	33,909	138,050	118,654	152,575
Excess of revenues over (under) expenditures	2,422	(23,249)	(61,112)	(152,575)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	-	-	131,893	154,321
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	131,893	154,321
Net change in fund balances	2,422	(23,249)	70,781	1,746
Fund Balances				
Beginning of year	22,552	127,620	(56,743)	(1,746)
End of year	\$ 24,974	\$ 104,371	\$ 14,038	\$ -

<u>Debt Service</u>		<u>Capital Projects</u>				
<u>Total</u>	<u>Capital Projects (250)</u>	<u>Road Construction and Maintenance (290)</u>	<u>Fishrock Carwash Removal (433)</u>	<u>Library Construction (436)</u>	<u>2012 Trail Improvements (437)</u>	<u>Police Garage (439)</u>
\$ 172,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91,565	-	-	1,130	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
142	3,479	44	5	-	20	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>264,044</u>	<u>3,479</u>	<u>44</u>	<u>1,135</u>	<u>-</u>	<u>20</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
443,064	-	-	-	-	-	-
87,867	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>530,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,899</u>	<u>-</u>
(266,887)	3,479	44	1,135	-	(7,879)	-
-	-	-	-	-	-	-
305,062	534,580	-	-	952	-	26,901
-	(323,566)	-	-	-	(70,429)	-
<u>305,062</u>	<u>211,014</u>	<u>-</u>	<u>-</u>	<u>952</u>	<u>(70,429)</u>	<u>26,901</u>
38,175	214,493	44	1,135	952	(78,308)	26,901
140,672	870,416	24,660	2,406	(952)	78,308	(26,901)
<u>\$ 178,847</u>	<u>\$ 1,084,909</u>	<u>\$ 24,704</u>	<u>\$ 3,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Elko New Market
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2017

	Capital Projects			
	Elko Main Streets (441)	Water Treatment Facility (440)	Public Works Facility (438)	2015 Public Safety Improvements (442)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	-	-	7	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	7	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	513
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Total expenditures	-	-	-	513
Excess of revenues over (under) expenditures	-	-	7	(513)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers in	4,288	9	-	-
Transfers out	-	-	(23,880)	-
Total other financing sources (uses)	4,288	9	(23,880)	-
Net change in fund balances	4,288	9	(23,873)	(513)
Fund Balances				
Beginning of year	(4,288)	(9)	23,873	64,210
End of year	\$ -	\$ -	\$ -	\$ 63,697

Capital Projects

Roundabout Construction (445)	General Capital Outlay (501)	Capital Outlay Fire Department (503)	Total	Total Other Governmental Funds
\$ -	\$ 183,800	\$ -	183,800	\$ 358,437
-	-	-	1,130	92,695
-	-	-	-	3,888
-	-	-	-	28,621
-	-	-	-	13,197
-	1,115	607	5,277	5,748
-	-	70,000	70,000	71,590
-	-	-	-	18,990
-	<u>184,915</u>	<u>70,607</u>	<u>260,207</u>	<u>593,166</u>
-	-	-	-	7,279
-	-	-	-	10,668
-	-	-	-	5,914
-	-	-	-	443,064
-	-	-	513	88,380
-	70,875	-	70,875	166,027
-	71,910	62,715	134,625	134,625
20,292	60,169	-	80,461	80,461
<u>20,292</u>	<u>202,954</u>	<u>62,715</u>	<u>294,373</u>	<u>944,317</u>
(20,292)	(18,039)	7,892	(34,166)	(351,151)
-	-	50,000	50,000	50,000
-	149,000	28,120	743,850	1,048,912
-	(308,817)	-	(726,692)	(726,692)
-	<u>(159,817)</u>	<u>78,120</u>	<u>67,158</u>	<u>372,220</u>
(20,292)	(177,856)	86,012	32,992	21,069
-	<u>876,443</u>	<u>309,773</u>	<u>2,217,939</u>	<u>2,626,130</u>
<u>\$ (20,292)</u>	<u>\$ 698,587</u>	<u>\$ 395,785</u>	<u>\$ 2,250,931</u>	<u>\$ 2,647,199</u>

City of Elko New Market
Statement of Changes in Agency Fund Assets and Liabilities
December 31, 2017

	Developer Chargebacks (510)			12/31/17
	12/31/16	Additions	Deductions	
Assets				
Cash and investments	\$ (7,898)	\$ 7,898	\$ -	\$ -
Other receivables	7,898	-	(7,898)	-
Total assets	<u>\$ -</u>	<u>\$ 7,898</u>	<u>\$ (7,898)</u>	<u>\$ -</u>

	Developer Escrow (400)			12/31/17
	12/31/16	Additions	Deductions	
Assets				
Cash and investments	\$ 128,344	\$ 148,136	\$ (200,493)	\$ 75,987
Other receivables	10,200	31,737	(23,438)	18,499
Total assets	<u>\$ 138,544</u>	<u>\$ 179,873</u>	<u>\$ (223,931)</u>	<u>\$ 94,486</u>

Liabilities				
Accounts payable	<u>\$ 138,544</u>	<u>\$ 176,642</u>	<u>\$ (220,700)</u>	<u>\$ 94,486</u>

	Totals			12/31/17
	12/31/16	Additions	Deductions	
Assets				
Cash and investments	\$ 120,446	\$ 156,034	\$ (200,493)	\$ 75,987
Other receivables	18,098	31,737	(31,336)	18,499
Total assets	<u>\$ 138,544</u>	<u>\$ 187,771</u>	<u>\$ (231,829)</u>	<u>\$ 94,486</u>

Liabilities				
Accounts payable	<u>\$ 138,544</u>	<u>\$ 176,642</u>	<u>\$ (220,700)</u>	<u>\$ 94,486</u>

**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, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 16, 2018.

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.

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 were not identified. However, as described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



Internal Control over Financial Reporting (Continued)

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. 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 2017-001 and 2017-002.

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.

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 cursive script that reads "BerganKDV Ltd." followed by a period.

Minneapolis, Minnesota
May 16, 2018



Report on 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, 2017, and the related notes to financial statements, and have our report thereon dated May 16, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because it is not applicable to the City.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance. 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.

BerganKDV Ltd.

Minneapolis, Minnesota
May 16, 2018

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Audit Finding 2017-001 – 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 Utility Billing Clerk enters new accounts into the utility billing system and uploads meter readings via interfacing with electronic readers. The Utility Billing Clerk enters any rate changes to the system. The Utility Billing Clerk can enter manual adjustments, calculates, and enters final bills, prints, and mails utility bills, reconciles receipts to billed amounts, and enters receipt batches.

Payroll Process

The City Clerk enters employee's time, processes and posts payroll, generates a payroll report, distributes paystubs to employees, and posts the journal entries related to payroll. In addition, this same employee reconciles payroll accruals and time off balances. The City Administrator does review payroll reports and time off balances, and calculates compensated absences balances for the audit.

Capital Assets Process

The Finance Director records, processes, reconciles, and posts journal entries related to capital assets. Department heads review their listing for accuracy

Cash Receipts

The Office Specialist or City Administrator enters cash and checks into the point of sale system, reconcile the entries, and prepare the deposit. The Police Records Specialist records police receipts, receives payments, and reconciles the collections. The Finance Director or police take deposits to the bank.

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING (CONTINUED)

Audit Finding 2017-001 – Lack of Segregation of Accounting Duties (Continued)

Cash Reconciliation and Access

The Finance Director performs the above noted responsibilities while also reconciling cash and generating journal entries.

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

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 2017-002 – 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:

- PFA notes payable and related expense
- Due to other governments and related expense
- Accounts receivable and related revenue

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
Schedule of Findings and Responses on
Internal Control and Legal Compliance**

CURRENT YEAR LEGAL COMPLIANCE FINDING

Audit Finding 2017-003 – Contracting and Bidding

During the course of our audit, we identified issues surrounding the contracting and bidding process and noted instances where *Minnesota State Statutes* were not followed for the Well No. 3 project.

City's Response

The City will review the contracting and bidding process to ensure *Minnesota State Statutes* are being followed.



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MEMORANDUM

Date: May 24, 2018
To: Mayor Crawford and Members of the City Council of Elko New Market
Tom Terry, City Administrator
From: Rich Revering, PE – City Engineer
Subject: Scott County Transportation Improvement Program (TIP) Solicitations
Years 2019-2028
Elko New Market
Project No.: T15.100719

BACKGROUND

Council is being asked for approval of the attached solicitations for three projects the City seeks to have included in Scott County's 2019 -2023 Transportation Improvement Program.

DISCUSSION

The attached projects were included in submittals from the City for the past two years and include the reconstruction of CSAH 2 from I-35 to Pillsbury, Interim interchange improvements, and County participation in the CSAHs 2 and 91 roundabout. No city-endorsed project was selected for inclusion in the TIP in 2016 or 2017.

Staff is suggesting a revised approach to the roundabout request this year based on feedback in past years and information from Scott County officials. It is clear there will be no participation on the roundabout itself. However, the Class III bikeways (trails) proposed for inclusion in the project by the City are eligible for Scott County participation per its Policies for Cost Participation with Municipalities, State of Minnesota and Other Agencies. The bikeways are eligible for 50% County participation. Staff is suggesting the City request this policy be honored for this City-sponsored project, just as the City would be (and has been) expected to honor it for a County sponsored project.

The resulting County participation is estimated at \$178,000.

Should Council not concur with this approach staff would resubmit last year's version with updated particulars.

RECOMMENDATION

Approve the attached solicitations for submittal to Scott County, including the revised roundabout solicitation approach.

End of Memo

2019-2028 Transportation Improvement Program Solicitation Submittal

Applicant: City of Elko New Market
Contact Person: Renee Christianson
Contact Phone: 952-461-2710
Contact Email: rchristianson@ci.enm.mn.us

Proposed Project: Elko New Market Roundabout
Location: Intersection of CSAHs 2 and 91 and County Highway 91

Category: Management
Project Cost: \$3,616,000 (Class III bikeway portion of project cost is \$356,000, including \$50,000 in R/W costs)
Year: 2020

Project Summary: *The purpose of the underlying project is address existing operational and safety problems at this intersection. The purpose of this submittal is to formally solicit County participation in project elements not funded by HSIP. The request is consistent with the Scott County Cost Participation Policy for the non-roundabout project elements.*



Image provided by Google Earth

The City of Elko New Market, with the assistance and support of Scott County, applied for and was approved for funding for the safety-related components of this project under the Highway Safety Improvement Program (HSIP). The HSIP funds were awarded for construction of the project in 2020. The award is 90 percent of eligible construction costs. The City has committed to covering the remaining 10% of eligible construction, ineligible construction costs, and design and overhead costs associated with the project.

The concept submitted with the application called for a roundabout and required approach work to address safety concerns with the intersection. An earlier study of the intersection prepared by the City included additional work related to improving access to development sites on the south side of CSAH 2 at the intersection, and amenities enhancing the roundabout as a gateway into downtown Elko New Market. The access and gateway work was not part of the HSIP award.

The City has completed a concept phase design study and determined it will pursue further the following associated items with the roundabout: the extension of shared use paths (Class III bikeways) to improve pedestrian safety along CSAHs 2 and 91 and crossings at their intersection; the inclusion of functional and/or decorative lighting for safety, traffic calming, and to promote walking and biking in the corridor, possible inclusion of landscaping in the roundabout and along the corridor to reduce mowing needs and enhance aesthetics.

This solicitation supports the following Scott County Board of Commissioners' Strategic Initiatives:

- *Stewardship: Ensuring the responsible and stable investment of taxpayer dollars and communicating its value to the public*
- *Partnership: Aligning existing resources, volunteers and programs to achieve shared goals*

While the City remains desirous of County assistance on the local share of the roundabout itself, the outcome of past discussions is that other intersections in Scott County are a higher County priority from a safety standpoint making it not possible to participate in the City's share of this roundabout with resources available. The City is not formally requesting participation in the roadway improvement per this understanding and its original commitment to covering the local share of the roundabout. However, the construction of the roundabout creates an opportunity for significant pedestrian/bike safety improvements in the vicinity of the intersection by getting pedestrians and bikes off of the roadway and by providing safer highway crossing points due to the reduced vehicle speeds and shorter crossing distances associated with the roundabout.

The City is requesting County participation in the Class III bikeway costs at 50% per County Cost Participation Policy. The estimated County participation would be \$178,000.

I – Safety (40 Points Possible)

CSAH 2 carries 9,200 vehicles per day while CSAH 91 carries 4,050 vehicles per day (2015). By 2040, CSAH 2 is projected to carry 19,700 vehicles per day while CSAH 91 is anticipated to carry 11,700 vehicles per day. This indicates a traffic increase of 37% over 25 years. This traffic will have an effect on all users of the corridor, not just motorized vehicles.

Gaps in the bikeway network adjacent to County highways in the City result in pedestrians and bicyclists using the shoulder and/or travel lanes of the County roads or crossing the higher speed roadways in uncontrolled locations. Completing the trail gaps with the roundabout allows non-motorized traffic to safely use the corridor and cross both CR 91 and CSAH 2 at a controlled location. The City believes these safety benefits will extend to roadway users beyond the City limits of Elko New Market. While a crash between a vehicle and non-motorized user may be less severe for the motorist, safety risks are still present. Elko New Market is not positioned to recover costs from these additional benefitting users as they are beyond its taxing authority. Many of the users are within County borders. In addition, the County has access to State Aid funds for transportation projects – especially those that benefit users outside the County such as arterial and minor arterial roadways.

The City asks that consideration be given to participation by the County in recognition of the safety benefit and the County's ability to spread costs to benefitting users.

II – Structural Deficiency (40 Points Possible)

The project addresses no known significant structural deficiencies.

III – System Continuity (20 Points Possible)

The proposed trails complete gaps in the trail system at a key intersection for southern Scott County arterials.

IV – Multi-Modal Projects (20 Points Possible)

The bikeways increase modality for the CSAHs 2 and 91 corridors in this area by providing a separated route from motorized traffic.

V – Other Considerations (Bonus Points)

- **Financial (0-20 points)**

The HSIP Application and resulting award of funding indicates the project does have a favorable benefit to cost ratio and safety benefit to the traveling public on a regional basis. The trail connections add to that safety benefit. The City feels this project will not only benefit Scott County residents in terms of safety, but will save them money in the long term. The City is seeking participation in the bikeway elements of the project from the County on that basis. The County's Cost Participation Policy recognizes the shared benefits of certain project elements by stipulating County financial participation for those features. Class III bikeways such as those proposed with this project are included in the policy.

- **Right-of-Way (0-20 points)**

It is anticipated the roundabout project can be constructed within existing rights of way. Trail extensions may require some rights of way acquisition, depending upon development activity at the corner.

- **Consensus (0-10 points)**

Scott County Hwy Department staff conceived of and supported the HSIP application with the consent and endorsement of the County Board of Commissioners. The County planned for future traffic controls to be implemented when warrants were met in recognition that existing levels of service (and inversely, associated safety concerns) would decrease as traffic volumes grew.

The City feels the proposed bikeway extensions are important given the current trail system gaps and safety improvement opportunities afforded by the roundabout and should be included if at all possible. The City anticipates County officials would share that opinion.

2019-2028 Transportation Improvement Program Solicitation Submittal

Applicant: City of Elko New Market
Contact Person: Renee Christianson
Contact Phone: 952-461-2710
Contact Email: rchristianson@ci.enm.mn.us

Proposed Project: Reconstruct CSAH 2 at Park I35
Location: CSAH 2 – I-35 to CSAH 46
Category: Management
Project Cost: \$5,850,000
Requested Year: 2021

Project Summary: *The purpose of this project is to support economic development along the CSAH 2 A-Minor Arterial corridor.*

CSAH 2 is the only Scott County roadway with an existing interchange with Interstate 35 (I-35). I-35 is an essential principal arterial freeway connecting the Twin Cities region with other regional and national economic centers. The area surrounding the interchange is undeveloped, and offers economic development and employment potential to the County due to its proximity to twin cities metropolitan drivers of economic activity, the International Airport, rail and barge shipping centers, employees, and services.



*Image provided by Google Earth

This segment of CSAH 2 consists of a 2-lane rural section roadway with some private accesses and an intersection with Dupont Avenue. Dupont Avenue is a gravel township road serving rural residential parcels. The spacing of the Dupont intersection from the I-35 Interchange is 1,000 feet, considered to be substandard for access spacing.

This project would involve the reconstruction and widening of the roadway to provide capacity and access for development adjacent to the roadway east of I-35. In particular, the Park I-35 project on the south side of CSAH 2 is currently being promoted for development by Ryan Companies and the City of Elko New Market with past support from Scott County via its CDA, and the State of Minnesota via MnDOT participation in studies of the interchange, and DEED via promotion of the site to prospects through its resources.

This segment would improve access to the I-35 interchange for development projects as well as to CSAH 46, providing an additional route for commerce and employees, and redundancy in the event of disruption to the I-35 Interchange.

The project would have the potential for economies of scale and cost sharing in storm water management facilities coordinated with the Park I-35 project. The project would facilitate pedestrian and bike facilities as connections become available and demand increases.

This application proposes a three-lane roadway concept as prepared by County staff in support of the interchange. The environmental study is available and familiar to reviewers but is not attached.

The proposed project is consistent with the Scott County Board of Commissioners' Strategic Initiatives - in particular:

- *Partnership: Aligning existing resources, volunteers and programs to achieve shared goals*
- *Commitment: Developing a high quality workforce that is dedicated to advancing a safe, healthy, and livable community*

I – Safety (40 Points Possible)

CSAH 2 east of I-35 carries an existing daily volume of 5,300 (2015). Recent projections from the Interchange Study indicate traffic growth to 21,800 vehicles per day by 2040. This is due to the surrounding development growth anticipated in the area east of I-35. Full development of the area would be anticipated to increase traffic to over 30,000 vehicles per day. The proposed three-lane would provide both capacity and safety improvements. While not anticipated to serve the full build volumes, the three lane improvements would serve the traffic out to 2040. The three lane section will result in left turn lanes to Dupont Avenue, existing residential and commercial accesses, and for proposed development access that would be served by the roadway. It is anticipated that right turn lanes would be developed and constructed for each access concurrent with development as needed.

There have been three crashes in the past ten years on the roadway segment. While there are few crashes on the roadway segment it is anticipated that the crashes will increase as the volume increases and the number of high volume access points are increased along the roadway. The three-lane roadway would be anticipated to provide a safety benefit by reducing all crashes by 48%. The left turn lanes would be anticipated to reduce the illegal right-shoulder bypass by vehicles by allowing left turning vehicles their own lane and keeping through vehicles in the travel lanes. This provides a safer shoulder environment for other uses as noted below.

The project would provide a consistent shoulder width which is currently between five and ten feet. A wider shoulder provides a run-off-road recoverable area, emergency pull-over, and bicycle use of the roadway connection.

II – Structural Deficiency (40 Points Possible)

The project, in conjunction with development south of the roadway, would have the potential to reduce channel erosion downstream of the project by capturing/attenuating, and/or redirecting Stormwater runoff affecting adjacent property.

III – System Continuity (20 Points Possible)

CSAH 2 connects Scott County to I-35 and Dakota County. The project links what is expected to be significant light industrial and commercial development with the CSAH 2/I-35 Interchange, CSAH 46, and Dodd Road into Dakota County with a higher capacity, safer roadway compatible with the future reconstruction of the interchange. CSAH 2 serves as a critical link for southern Scott County communities to southern Dakota County communities. Recent projections from the Interchange Study indicate traffic growth to 21,800 vehicles per day by 2040. The current 2-lane roadway would be considered over-capacity by 2040. The three-lane section would be compatible with the recently constructed roundabout on the east end of the segment at CSAH 46.

IV – Multi-Modal Projects (20 Points Possible)

The project will facilitate pedestrian and bike connections from development sites to proposed facilities on the future interchange and a trail network currently in place west of I-35. The project would provide for wide shoulders to serve the multi-modal use until the trail network is completed adjacent to development and across I-35. The left turn lanes are anticipated to reduce the illegal right shoulder bypass around left turning vehicles, providing a safer environment for pedestrians and bicycles on the shoulders.

V – Other Considerations (Bonus Points)

• Financial (0-20 points)

The project would include opportunities for developer participation in items such as turn lane equivalencies and perhaps schedule acceleration costs. The City would endorse and support additional funding opportunities identified from other local, state, or federal agencies.

Non-inclusion of this project in the TIP may have the effect of discouraging development or types of development that would not be eager to incur the inconvenience of roadway construction shortly after opening. This road would ideally be ready to help attract and launch endeavors rather than pose a threat to newly operating businesses choosing to locate in this area. The project would provide a shelf-ready status to facilitate site promotion and delivery of the project as development occurs.

• Right-of-Way (0-20 points)

The project would require the acquisition of rights of way in areas not adjacent to Park I-35. Delays in this project could lead to loss of opportunity to gain the needed rights-of-way from undeveloped and minimally developed sites unless needs are identified in advance.

- **Consensus (0-10 points)**

There is agreement between the City and County on the need for the project assuming the area develops as previously proposed. An AUAR and traffic study has been completed, with Developer and County participation, for the area to be served by the roadway. Construction plans for utility extensions have also been completed, again with County and Developer participation, to be shelf ready when a site user is identified. A study of the Interchange has been completed with State, County, and City participation leading to identification and concept layout of the future interchange. Of concern to the City is the timing of investment in the design and construction of the improvement so as to not discourage or delay potential economic development projects.

2019-2028 Transportation Improvement Program Solicitation Submittal

Applicant: City of Elko New Market
Contact Person: Renee Christianson
Contact Phone: 952-461-2710
Contact Email: rchristianson@ci.enm.mn.us

Proposed Project: Interim Traffic Control Improvements

Location: Ramp Terminals I-35 at CSAH 2

Category: Management

Project Cost: \$500,000 (does not include ROW, but minimal to none anticipated to be needed)

Requested Year: 2019

Project Summary:

The purpose of this project is to decrease safety concerns at the CSAH 2 Interchange at I-35 and improve levels of service for left turn movements at the ramp terminals during peak traffic periods. Left turn lanes on CSAH 2 and traffic control signals are proposed at the interchange ramp terminals. Traffic conditions are projected to meet justification for signals at the east ramp in 2020 based on projected traffic growth and signal warrants. Confirmation of justification would be required prior to implementation of the signals.

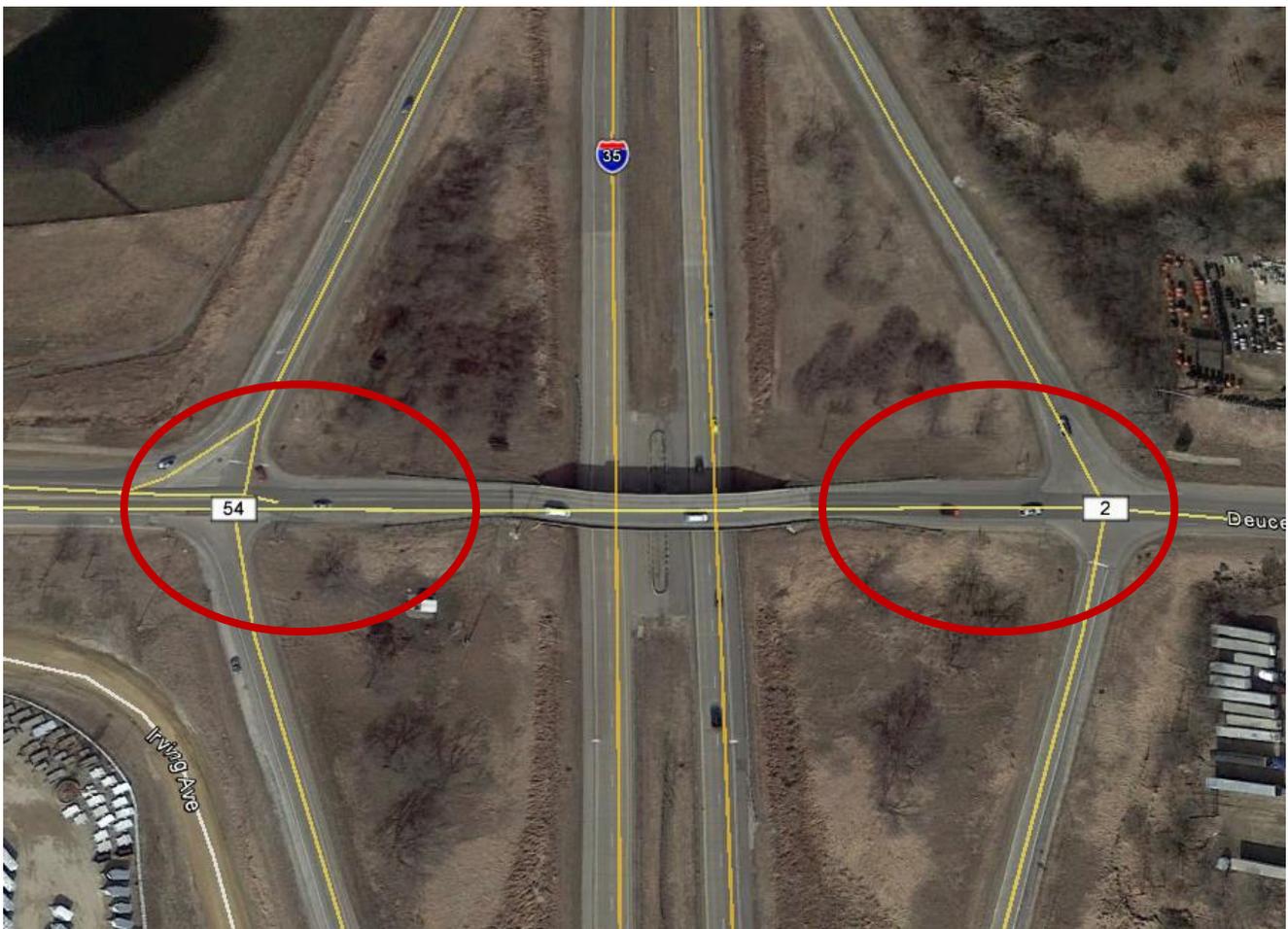


Image provide by Google Earth

CSAH 2 is the only road in Scott County with access to I-35. Consequently, much of the population of southern Scott and northern Rice counties travel through the interchange when commuting to employment in the Twin Cities Metropolitan area to the north. This results in a high number of left turns from Eastbound CSAH 2 to Northbound I-35 during the AM peak time period. Delays for Southbound I-35 to Westbound CSAH 2 are also high due to the high right turning volumes.

The project would involve installation of a temporary wood pole traffic signal system that would provide gaps for left turning traffic and ramp traffic. To the extent possible with the existing two-lane bridge, short left turn lanes would be provided to facilitate added capacity. State and County road authorities anticipate the existing interchange will require reconstruction at some point in the future. The time horizon is expected to be less than the useful life of conventional pole-mounted signals with buried cables and would allow for re-use of the signal heads, control cabinet, and other components with any future interchange. To avoid the higher expenditure for an asset that may require removal prematurely, the temporary wood pole signal systems (normally reserved for temporary installations, but once the norm) are proposed.

The project would support the following Scott County Board of Commissioners' Strategic Initiatives:

- Stewardship: Ensuring the responsible and stable investment of taxpayer dollars and communicating its value to the public*
- Leadership: Anticipating changes and managing challenges based on reliable information and citizen input*

I – Safety (40 Points Possible) Cite supporting data when appropriate, including **current and forecasted traffic volumes**, crash data, research or studies, etc.)

Traffic volumes collected in 2014 indicated the following volumes:

- East Ramp (NB I-35) – AM peak hour*
 - Eastbound left: 714 vehicles*
 - Westbound thru and right: 151 vehicles*
 - Northbound left: 16 vehicles*
- West Ramp (SB I-35) – PM peak hour*
 - Westbound thru: 164 vehicles*
 - Southbound right: 672 vehicles*
 - Eastbound thru: 343 vehicles*
 - Southbound left: 111 vehicles*

The confluence of all of the traffic, especially the high volume movements results in the intersections operating very close to capacity. While the intersections operate acceptably, the northbound movement has a Level of Service (LOS) F at the east ramp in the AM peak hour and LOS D in the PM peak hour due to the high volume of conflicting traffic. The west ramp southbound approach operates at LOS C in the AM and PM peak hours. As the volumes increase, the service levels continue to decrease.

The traffic analysis for the Final Elko-New Market AUAR dated July 2015 indicates the east ramp terminal will operate at Level of Service (LOS) F in 2020 - even with no additional development due to the study area. This background growth includes primarily residential growth to the west of I-35 in Elko New Market and adjacent townships. The delay associated with this level of service leads

motorists to take increasingly higher risks as frustration over waiting for adequate gaps. The risky maneuvers include aggressively making left turns despite the inadequate gaps, forcing oncoming and crossing motorists to – hopefully - stop or slow to permit the crossing maneuver. The risk taking can be a cause of crashes. Signals would be anticipated to improve the LOS by providing gaps in traffic so motorists can make the desired maneuvers without undue delay.

Lack of gaps can also lead to queues on the ramps. Queues backing up to the freeway would also pose a significant safety hazard. Signals would provide the gaps needed to prevent this. The signals can be timed to allow traffic to traverse through both interchanges effectively and

Development in the study area is being actively pursued. Any project in the SE quadrant of the CSAH2/I35 interchange would likely exacerbate and accelerate the deterioration in Level of Service at the ramp terminals.

There have been 27 crashes over the last ten years at the ramp terminals. The crashes are primarily three types:

- rear-end (33%)
- right-angle (33%)
- left turn and sideswipe (30%)

The right-angle, left turn, and sideswipe crashes would all be anticipated to be reduced with left turn lanes and the signals. The total crash reduction is estimated to be 46% with the left turn lanes and signals, providing a significant safety benefit. With a project cost of \$500,000, the potential **benefit to cost ratio** is at least **2.03**, indicating a positive benefit to the project from a safety perspective (this assumes 1.5% growth per year). If there is **5% traffic growth per year** as indicated by past county models, the **benefit to cost ratio** increases to **2.76**.

II – Structural Deficiency (40 Points Possible)

No significant structural deficiencies would be expected to be addressed.

III – System Continuity (20 Points Possible)

The signals would reduce the congestion at the interchange in the AM and PM peak hours for commuters using CSAH 2 and I-35. This increases the viability of the interchange with less congestion and increased safety for the important CSAH 2 to I-35 travel system mobility.

IV – Multi-Modal Projects (20 Points Possible)

Traffic unable to gain a sufficient gap to make a left turn from Southbound I-35 to Westbound CSAH 2 has a significant probability of an increase in freight traffic due to the existing and proposed types of development on the east side of the interchange. Trucks require a longer gap in traffic to make the desired movements. A truck can be forced to make a right turn then look for a way to reverse direction, or may take another route, or may choose to proceed, blocking traffic with the right of way. Any choice can increase delays and some may increase the crash potential. Trucks are longer than passenger vehicles and contribute proportionally per vehicle to queue lengths.

The signal would be constructed with pedestrian facilities including push buttons and pedestrian signal heads, providing an opportunity for pedestrians to take advantage of the gaps the signal provides through phasing for pedestrians.

V – Other Considerations (Bonus Points)

- **Financial (0-20 points)**

The traffic controls, especially associated roadway improvements, would best be in place in order to attract economic development to the interchange area. Prospects may be deterred by inadequate infrastructure and/or the prospect of road closures for improvements at the same time the site is under construction (increasing delays and costs) or while the site is operating.

- **Right-of-Way (0-20 points)**

It is anticipated the improvements could be made with no additional rights of way.

- **Consensus (0-10 points)**

Interim improvements were identified by County staff as a potential way to improve LOS and mitigate potential development impacts with the remaining life of the bridge and be provided as an interim measure until the reconstruction of the interchange is scheduled.



STAFF MEMORANDUM

SUBJECT:	Letter of Support for MVTA Request for Pilot Transit Project Inclusion in the Scott County Capital Improvement Program
MEETING DATE:	May 24, 2018
PREPARED BY:	Thomas Terry, City Administrator
REQUESTED ACTION:	Approve Letter of Support

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 Council is being asked to approve and provide a letter supporting the request of MVTA for funding a pilot transit project inclusion in the Scott County Capital Improvement Program.

DISCUSSION:

On April 12, Luther Wynder, Richard Crawford and Matthew Rosenbloom-Jones of the Minnesota Valley Transit Authority (MVTA) provided the City Council with a presentation on potential service concepts and funding opportunities for transit in Elko New Market. The Council directed staff to continue working with MVTA on refining information on service, funding and costs for further discussion.

In subsequent discussions with the MVTA, the intended next steps were to approach the Scott County Board for funding for funding a pilot transit project inclusion in the Scott County Capital Improvement Program. The information needed to submit the proposal would be used to continue the discussion with the Elko New Market City Council. The MVTA and Elko New Market would engage the Cities of New Prague and Lonsdale on the topic to determine the possible nature and level of support for expanding transit south on the I35 Corridor. Additionally, the MVTA would review the results of the transit questions in the Community survey.

MVTA has now asked for a letter supporting the request of MVTA for funding a pilot transit project inclusion in the Scott County Capital Improvement Program (see attached). MVTA has indicated that the Scott County Capital Improvement Program submittal deadline (June 1) will not provide for the full process described above prior to the deadline. MVTA is still proposing to submit the request. However, their concern is that waiting until the next Scott County Capital Improvement Program submittal cycle in 2019 may move a potential pilot project out to 2020 or 2021. MVTA would not submit the request unless the City of Elko New Market is comfortable supporting the request.

Representative(s) from MVTA will be at the meeting to answer questions.

BUDGET IMPACT:

At this time, no specific financial contribution by Elko New Market has been identified for the pilot project.

Attachments:

- Request for Pilot Transit Project Inclusion in the Scott County Capital Improvement Program

Scott County Board of Commissioners

Barbara Weckman Brekke, First District; Thomas Wolf, Second District; Michael Beard, Third District; David Beer, Fourth District; Jon Ulrich, Fifth District

RE: Request for pilot transit project inclusion in the Scott County Capital Improvement Program

Dear Commissioners:

The city of Elko New Market supports the submission by Minnesota Valley Transit Authority of a pilot transit project for funding consideration in the Scott County Capital Improvement Plan.

More than 55 percent of Elko New Market workers commute outside of the city with 78 percent using 35W, according to our recent city survey. The 35W construction project will provide challenges to the region for the next five years. The pilot project would get more vehicles off the interstate while at the same time offer residents a commuting option with transit advantages.

The proposed service would connect the Elko New Market region to Burnsville Transit Station and downtown Minneapolis.

The service would not only provide a transportation link for Elko New Market residents, it also would enhance public transportation options for neighboring residents in southeast Scott County and beyond.

The proposed service to and from Elko New Market would provide two trips during the morning peak hours, one midday trip, and two trips during the afternoon peak period.

The connection in Burnsville would provide a new link to allow passengers to commute to and from population and employment centers in Scott County.

The proposed pilot project would align with Elko New Market's vision statement calling for an effective and efficient transportation system, including access to the greater metropolitan area, transit opportunities, and improved connectivity to the interstate. The improved transportation options will help support a growing commercial tax base.

A recently completed city survey has shown strong potential for the pilot transit service, particularly in light of the 35W construction project. The earliest the pilot service could begin would be in May 2019.

Elko New Market appreciates your efforts to secure funding for expanded transit service in Scott County and is supportive of MVTA moving forward with this project that would provide a public service during 35W construction.

Signed:



Elko New Market consideration of pilot MVTA transit service

PURPOSE/GOAL: Authorize funding from the Scott County CIP to fund a two-year pilot project provided by the Minnesota Valley Transit Authority (MVTA) for the extension of transit services to Elko New Market.

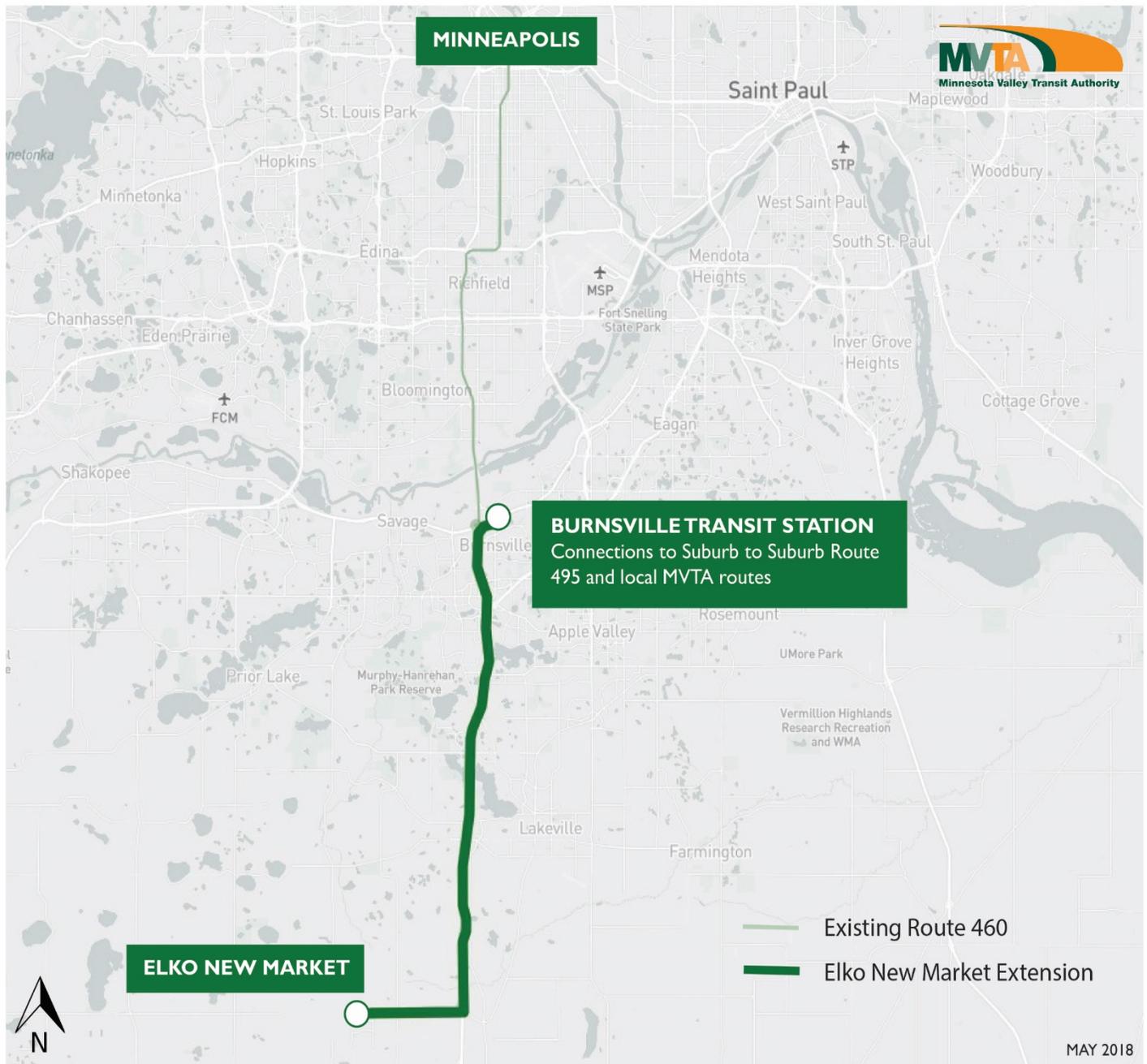
SUMMARY: The city of Elko New Market approved a vision statement in 2011 calling for developing an effective and efficient transportation system serving the Elko New Market area in southeast Scott County. The city initiated discussions with Minnesota Valley Transit Authority to plan for future transit needs in the area. A city survey has identified growing interest in commuter service to the Twin Cities and outreach has begun with neighboring communities regarding the proposed pilot service.

Minnesota Valley Transit Authority has outlined several concepts to provide new transit service to Elko New Market.

- The selected pilot project would provide year-round service to and from Elko New Market and would include two trips during the morning peak hours, one midday trip, and two trips during the afternoon peak period.
- The route would be an extension of current Route 460, which currently serves the Burnsville Transit Station hub with a direct connection to downtown Minneapolis. The stop at Burnsville Transit Station also provides connections to additional local routes in Dakota and Scott counties, including a link to Route 495, which serves Shakopee.
- The estimated annual operating cost of the pilot project is \$220,000 per year.
- MVTA proposes operation of this service improvement on a trial basis at an estimated cost of \$220,000 per year for two years, a period typically needed to determine whether new service is meeting its goals and should be continued on a permanent basis. This service would be considered part of the MVTA's transit system, and all agency fare and service policies would apply. At the conclusion of the pilot project, MVTA would meet with stakeholders to assess and potentially diversify funding options for continued service.

MVTA RECOMMENDATION: A Letter of Support for the pilot project is requested from the city of Elko New Market for inclusion in the request for Scott County CIP funding.

Elko New Market Extension Concept



35W@94: Downtown to Crosstown Reconstruction Project 2018 - 2021

35W@94: Downtown to Crosstown is an ongoing reconstruction project in I-35W between 43rd Street and downtown.

Project Benefits

- Improve transit service on I-35W and Lake Street
- Better access to the Lake Street Business District
- Reconstructing pavement and bridges
- Improved accessibility on local street system
- Enhanced bicycle and pedestrian facilities

Overview of Construction Work

- Constructing new online transit station at I-35W and Lake Street
- Building new I-35W exit ramps: from northbound to 28th Street and southbound to Lake Street
- Reconstructing the pavement and bridges in the project area
- Updating existing pedestrian bridges, sidewalks, noise walls and storm sewers
- Rehabilitating the existing noise walls throughout the corridor
- Adding MnPASS lanes on northbound and southbound I-35W between 26th Street and 46th Street

Project Schedule

- Summer 2017-Fall 2021

Upcoming Construction Activities in 2018

- I-35W will have at least two southbound lanes and three northbound lanes (one will be a MnPASS lane) open for the majority of the construction season
- Anticipated Closures:
 - Access from northbound I-35W to 5th Ave S/E. Grant St. into downtown Minneapolis
 - Access from S. 12th Street/4th Ave S out of downtown Minneapolis to southbound I-35W
 - Northbound I-35W to westbound I-94 ramp
 - Eastbound I-94 to southbound I-35W ramp
 - Additional closures of ramps to/from I-35W
 - Bridge closures over I-35W: 26th Street bridge, 28th Street bridge, 38th Street bridge

For More Information:

Website: www.mndot.gov/35w94

Hotline: 612-284-6125

Email: info@35w94.com

- If you need this information in an alternative format or language, contact:
- Si necesita esta información en un formato o idioma alternativo, póngase en contacto con:
- Haddii aad dooneyso in aad macluumaadkan ku hesho siyaabo kale ama afaf kale, la xiriir:
Janet Miller at 651-366-4720 or email janet.rae.miller@state.mn.us



CAMPBELL KNUTSON
PROFESSIONAL ASSOCIATION

MEMORANDUM

TO: Elko New Market Mayor and City Councilmembers
CC: Tom Terry, City Administrator
FROM: Andrea McDowell Poehler
DATE: May 24, 2018
RE: Barsness Project Collection

BACKGROUND

Since August 2016, Warren Barsness has filed land use applications with the City for his project located in the southeast corner of County Roads 2 & 91, including a grading permit, PUD Sketch Plan, Rezoning and Preliminary Plat. He owes the following amounts related to those applications:

Barsness Grading project

Service Dates: August 2016 – 1/11/18
Amount owed: \$4,537
Originally billed 1/3/18, sent 2nd notice on 2/14/18

PUD Concept Plan

Service Dates: 2/16/18 - current
Overage of initial application fee - \$40.50
The applicant provided a cashier's check of \$5,000 for the initial application.

PUD Sketch Plan (Rezone & Prelim Plat)

Service Dates: April – current
Amount owed: \$4190.50
Campbell Knutson April bill - \$232.50
Campbell Knutson May bill - \$1,080
BMI April/May bill - \$2,848
Return check fee - \$30
The applicant provided a \$5,000 check for the application and escrow, but later stopped payment on the check.

Total Bills Outstanding = \$8,768.00

DISCUSSION

Staff is requesting direction from the City Council concerning collection of the outstanding amount owed on the Barsness project.

While the amounts incurred would normally constitute a lien against the property that is the subject of the application, the recent foreclosure and sale of the property to new owners that have not signed on the applications would bar a lien against the property.

The City may, however, bring a civil action against the applicant who signed the application and acknowledgment regarding fees related to the project. This may be done through a conciliation court action which provides a cost-effective method for collection of amounts under \$15,000.

If a judgment is obtained in a conciliation court action, the judgment can be filed with any County in which the defendant owns property and will constitute a lien against property owned by defendant. The judgment lien will continue for a period of 10 years and can be renewed for an additional 10 years. The judgment lien will allow for collection of the judgment upon sale of the property owned by the defendant within the County, assuming that there are no prior liens that exist against the properties that reduce the value of the property below what is owed on the judgment.

In addition, the City can attempt to collect the judgment against any assets held by the defendant in the action. However, collection can be time-consuming, results in added costs, and its outcome will depend upon the availability of assets held by the defendant.

ACTION

Direction to staff regarding collection of amounts owed on the Barsness project applications.

**ELKO NEW MARKET PARKS COMMISSION
TUESDAY, MAY 10, 2018
REGULAR MEETING MINUTES**

PRESENT:

Present at Roll Call were Commissioner Eve Zahratka and Chair Mike Sutton. Also present were Assistant City Administrator Mark Nagel and Mayor Bob Crawford. Chair Sutton declared that a quorum wasn't present to formally approve items, but that discussion on the Agenda items could take place.

CALL TO ORDER:

The meeting was called to order at 4:07 PM in Conference Room B at Elko New Market City Hall, 601 Main Street.

APPROVE AGENDA:

Mr. Nagel passed out an updated Agenda for the meeting that included additional business items on a request for a water fountain at Wagner Park; Review of the Summer Program Schedule at the Wagner Park Shelter; Discussion on the KOMO Heights Subdivision; and two more bills for approval.

CITIZEN COMMENTS:

There were no citizens present at the May Parks Commission Meeting to make comments; however, Mr. Nagel said that he would be presenting a request from a citizen later on in the meeting for a water fountain at Wagner Park.

APPROVAL OF MINUTES OF APRIL 10, 2018 PARKS COMMISSION MEETING:

There was not a quorum present of Parks Commissioners, so this item was tabled until the June 12, 2018 meeting.

PETITIONS, REQUESTS, AND COMMUNICATIONS:

Mr. Nagel handed out an article from the National Recreation and Parks Association on parks stewardship, which provided some interesting statistics on how citizens felt nationally about the role of parks and recreation in their daily lives. It should provide some interesting comparisons to the community survey results that should be ready for the June Parks Commission meeting.

Mr. Nagel also passed out a copy of the Spring, 2018 issue of the Minnesota Recreation and Parks Magazine to Commissioners.

UPDATES:

Mr. Nagel reviewed the April 27, 2018 ENM Parks Commission Update, which contained 20 items, with the Commissioners. He noted that the Fence Request from the Elko Express was finalized at the April 12th City Council Meeting and that he was waiting for them to get back to him on the fence design and schedule.

Chair Sutton reported that the CCEC had not met since the April Parks Commission meeting, so he would have an update at the June Parks Commission Meeting. He noted that the focus is on Fire Rescue Days, which is coming up beginning on June 21st.

Mr. Nagel reported that a Park Dedication Fee of \$38,000 had been paid by developers of the Boulder Pointe 7th Addition for 19 lots of housing.

OLD/NEW BUSINESS:

Mr. Nagel called Commissioner's attention to an email from Leiviska Golf Design offering to design and build a disc golf course in Elko New Market at either Pete's Hill or Windrose Park. Mr. Nagel said that he would schedule a meeting with the company and report back at the June Parks Commission meeting, if Commissioners were interested. Consensus of the Commissioners present was for Mr. Nagel to meet with company and report back at the June Parks Commission meeting.

Mr. Nagel handed out a Memo from Jessica Davidson regarding the tentative "lineup" for the Summer Family Fun Nights at the Wagner Park Shelter. Once again, he said, there will be 7 events – one of which is in support of Night to

Unite” – on Thursday evenings. The total cost, he noted, will be around \$3,000, including the Coordinator’s time and expenses. Consensus of those Commissioners present was to move forward in scheduling the events with consideration of final approval at the June Parks Commission Meeting.

Mr. Nagel shared an email he had received from a resident, Robert Satrom, regarding a water fountain for Wagner Park with the Commissioners present. While concerns were expressed regarding vandalism, consensus of those present was to explore the options and bring the item back for further discussion at the June Parks Commission Meeting. No further action was taken on this item by the Parks Commission.

Parks Commission members present reviewed the KOMO Heights subdivision plan. Their thoughts were that they would like to have a trail easement around the pond for a future trail that would connect with the trail easement on the other side of the pond, but were open to options as to where the easement for the trail would be placed to get to the pond. Mr. Nagel said that the developer would be present at the May 22nd Project Staff Meeting for further discussion and he would convey these initial thoughts. He said that he would bring back results from the Project Staff Meeting at the June 12th. No further action was taken.

Mr. Nagel and Mayor Crawford reviewed the Agenda for the ribbon cutting for the financial contribution that the Shakopee Mdewakanton Sioux Community made for the construction of the Pete’s Hill “Lookout” Project, which would take place at 5 PM this afternoon. The meeting would move to the “Lookout”, but return to City Hall for Adjournment after the ribbon cutting.

Mr. Nagel reviewed the 2018 Parks Department Financials through the month of April with Commissioners. He said that the City Council approved a budget of \$171,234.00 for the Parks Department for 2018. Through April 30, 2018, expenditures total \$38,162.96, or about 22.3%, of the total budgeted. We are well under the 33% guideline for the first 4 months of 2018.

Mr. Nagel presented the Bill List to the Commissioners – Amazon Services for portable signs for \$156.48; Reptile and Amphibian Discovery Zoo (RAD) for their Winter Program for \$260.00; and Flagship Recreation for Engineered Wood Fiber for \$2,107.43. There was not a quorum present of Parks Commissioners, so this item was tabled until the June 12, 2018 meeting.

OTHER BUSINESS:

There were no additional business items to come before the Parks Commission at the May 10th meeting.

NEXT MEETING:

The next meeting of the ENM Parks Commission was set for Tuesday, June 12, 2018 at 4:00 PM in Conference Room B of Elko New Market City Hall.

PARK COMMISSIONER COMMENTS:

There were no comments provided at the May Parks Commission Meeting by Parks Commissioners.

PETE’S HILL “LOOKOUT” RIBBON CUTTING

At 4:48 PM, the Parks Commission and City Council, together with invited guests, held a ribbon cutting at the new “lookout” at the top of Pete’s Hill. The Shakopee Mdewakanton Sioux Community were thanked for assisting in the funding of the “lookout” by the City Council and Parks Commission.

ADJOURNMENT:

There being no further business to come before the Parks Commission, the May Parks Commission meeting was adjourned by voice vote of Commissioners present, at 5:56 PM.

**Respectfully Submitted,
Mark Nagel, Assistant City Administrator**