

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 12, 2024

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF ELKO NEW MARKET, MINNESOTA (Scott County)

\$3,370,000* GENERAL OBLIGATION BONDS, SERIES 2024A

PROPOSAL OPENING: April 25, 2024, 10:00 A.M., C.T. **CONSIDERATION:** April 25, 2024, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,370,000* General Obligation Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and Section 475.58, subd. 3b, by the City of Elko New Market, Minnesota (the "City"), for the purpose of financing various assessable public improvements within the City and certain street reconstruction projects described in the City's 5-Year Street Reconstruction Plan. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: May 9, 2024

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$180,000	2031	\$205,000	2036	\$240,000
2027	185,000	2032	215,000	2037	250,000
2028	190,000	2033	220,000	2038	265,000
2029	200,000	2034	230,000	2039	265,000
2030	205,000	2035	240,000	2040	280,000

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2034 and thereafter are subject to call for prior optional redemption on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$3,329,560.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$67,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: U.S. Bank Trust Company, National Association.

BOND COUNSEL: Dorsey & Whitney LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. IF QUARLES IS DISCLOSURE COUNSEL - SEE THE COMMENT FOR LANGUAGE. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p>THE BONDS 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 2</p> <p style="padding-left: 20px;">SECURITY 3</p> <p style="padding-left: 20px;">RATING 4</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE..... 4</p> <p style="padding-left: 20px;">LEGAL OPINION 5</p> <p style="padding-left: 20px;">TAX CONSIDERATIONS 5</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR 8</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES..... 8</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS 9</p> <p style="padding-left: 20px;">RISK FACTORS..... 9</p> <p>VALUATIONS 11</p> <p style="padding-left: 20px;">OVERVIEW 11</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS..... 12</p> <p style="padding-left: 20px;">2022/23 NET TAX CAPACITY BY CLASSIFICATION .. 12</p> <p style="padding-left: 20px;">TREND OF VALUATIONS..... 13</p> <p style="padding-left: 20px;">LARGEST TAXPAYERS..... 13</p> <p>DEBT 14</p> <p style="padding-left: 20px;">DIRECT DEBT 14</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY 14</p> <p style="padding-left: 20px;">FUTURE FINANCING..... 14</p> <p style="padding-left: 20px;">DEBT LIMIT 15</p> <p style="padding-left: 20px;">SCHEDULES OF BONDED INDEBTEDNESS 16</p> <p style="padding-left: 20px;">OVERLAPPING DEBT 20</p> <p style="padding-left: 20px;">DEBT RATIOS 21</p>	<p>TAX LEVIES, COLLECTIONS AND RATES 21</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS 21</p> <p style="padding-left: 20px;">TAX CAPACITY RATES 22</p> <p>THE ISSUER 22</p> <p style="padding-left: 20px;">CITY GOVERNMENT..... 22</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS; UNIONS 22</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS 23</p> <p style="padding-left: 20px;">LITIGATION 23</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY..... 23</p> <p style="padding-left: 20px;">FUNDS ON HAND..... 24</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS..... 24</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION..... 25</p> <p>GENERAL INFORMATION 26</p> <p style="padding-left: 20px;">LOCATION 26</p> <p style="padding-left: 20px;">LARGER EMPLOYERS 26</p> <p style="padding-left: 20px;">BUILDING PERMITS 27</p> <p style="padding-left: 20px;">U.S. CENSUS DATA 28</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA 28</p> <p>FINANCIAL STATEMENTS..... A-1</p> <p>FORM OF LEGAL OPINION B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM C-1</p> <p>FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION)..... D-1</p> <p>TERMS OF PROPOSAL E-1</p> <p>PROPOSAL FORM</p>
---	---

**CITY OF ELKO NEW MARKET
CITY COUNCIL**

		<u>Term Expires</u>
Joe Julius	Mayor	January 2025
Josh Berg	Member	January 2027
Amanda Novak	Member	January 2025
Gina Styles	Member	January 2025
Kate Timmerman	Member	January 2027

ADMINISTRATION

Thomas Terry, City Administrator
Kellie Stewart, Financial Specialist

PROFESSIONAL SERVICES

Campbell Knutson P.A., City Counsel, Eagan, Minnesota

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Elko New Market, Minnesota (the "City") and the issuance of its \$3,370,000* General Obligation Bonds, Series 2024A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on April 25, 2024.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 9, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected U.S. Bank Trust Company, National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and Section 475.58, subd. 3b, by the City, for the purpose of financing certain street reconstruction projects described in the City's 5-Year Street Reconstruction Plan, dated March 25, 2021 (the "Street Reconstruction Portion") and various assessable public improvements (further breakout of portions listed below), within the City. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

ESTIMATED SOURCES AND USES*

Sources	Street Reconstruction Portion	Improvement Portion	Pavement Rehabilitation Portion	Total Bond Issue
Par Amount of Bonds	<u>\$900,000</u>	<u>\$1,395,000</u>	<u>\$1,075,000</u>	<u>\$3,370,000</u>
Total Sources	\$900,000	\$1,395,000	\$1,075,000	\$3,370,000
Uses				
Total Underwriter's Discount (1.200%)	\$10,800	\$16,740	\$12,900	\$40,440
Costs of Issuance	20,564	31,874	24,562	77,000
Capitalized Interest	21,264	32,968	25,401	79,633
Deposit to Construction Fund	847,014	1,311,430	1,012,428	3,170,872
Rounding Amount	<u>358</u>	<u>1,988</u>	<u>(292)</u>	<u>2,055</u>
Total Uses	\$900,000	\$1,395,000	\$1,075,000	\$3,370,000

Breakdown of Principal Payments*:

Payment Date	Street Reconstruction Portion	Improvement Portion	Pavement Rehabilitation Portion	Total Bond Issue
2/01/2026	\$50,000	\$75,000	\$55,000	\$180,000
2/01/2027	50,000	75,000	60,000	185,000
2/01/2028	50,000	80,000	60,000	190,000
2/01/2029	55,000	80,000	65,000	200,000
2/01/2030	55,000	85,000	65,000	205,000
2/01/2031	55,000	85,000	65,000	205,000
2/01/2032	55,000	90,000	70,000	215,000
2/01/2033	60,000	90,000	70,000	220,000
2/01/2034	60,000	95,000	75,000	230,000
2/01/2035	65,000	100,000	75,000	240,000
2/01/2036	65,000	100,000	75,000	240,000
2/01/2037	65,000	105,000	80,000	250,000
2/01/2038	70,000	110,000	85,000	265,000
2/01/2039	70,000	110,000	85,000	265,000
2/01/2040	<u>75,000</u>	<u>115,000</u>	<u>90,000</u>	<u>280,000</u>
Total	\$900,000	\$1,395,000	\$1,075,000	\$3,370,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service on the Street Reconstruction Portion of the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Street Reconstruction Portion of the Bonds.

The City anticipates that the debt service on the Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement and Pavement Rehabilitation Portions of the Bonds.

Although the special assessments and ad valorem property taxes are pledged to the payment of the debt service of the Improvement Portion of the Bonds, each year, the City intends to cancel the property taxes for the Improvement Portion of the Bonds to the extent the county has sufficient water and stormwater utility revenues on hand to meet its debt service obligations on the Improvement Portion of the Bonds as they come due.

The City anticipates that the debt service on the Pavement Rehabilitation Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Pavement Rehabilitation Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement and Pavement Rehabilitation Portions of the Bonds.

Should the special assessments and/or ad valorem property taxes pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA+" by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future.

In the Award Resolution, the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect to the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that OID on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued OID, if any), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity generally must, from time to time, reduce the holder's federal and Minnesota tax basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, or trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds.

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds, may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2022 have been audited by BerganKDV, Ltd. Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2021/22	2022/23	2023/24
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value¹	<u><u>\$711,493,997²</u></u>
2023/24 Assessor's Estimated Market Value	
Real Estate	\$693,093,100
Personal Property	<u>1,736,400</u>
Total Valuation	<u><u>\$694,829,500</u></u>
2023/24 Net Tax Capacity	
Real Estate	\$6,957,891
Personal Property	<u>33,953</u>
Net Tax Capacity	\$6,991,844
Less: Fiscal Disparities Contribution ³	<u>(135,154)</u>
Taxable Net Tax Capacity	\$6,856,690
Plus: Fiscal Disparities Distribution ³	<u>948,327</u>
Adjusted Taxable Net Tax Capacity	<u><u>\$7,805,017</u></u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2022/23 Assessor's Estimated Market Value (the "AEMV") for the City was about 92.44% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2022/23 Economic Market Value ("EMV") for the City of \$711,493,997.

³ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$6,542,190	93.57%
Agricultural	65,340	0.93%
Commercial/industrial	318,129	4.55%
Public utility	10,702	0.15%
Other	21,530	0.31%
Personal property	<u>33,953</u>	<u>0.49%</u>
 Total	 <u><u>\$6,991,844</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2019/20	\$471,522,400	\$449,427,000	\$4,647,527	\$5,380,209	6.65%
2020/21	489,252,500	466,806,800	4,830,624	5,632,861	3.76%
2021/22	510,408,500	489,424,020	5,047,574	5,954,386	4.32%
2022/23	657,629,800	641,686,351	6,609,922	7,465,766	28.84%
2023/24	694,829,500	676,766,210	6,991,844	7,805,017	5.66%

¹ Net Tax Capacity is before fiscal disparities adjustments.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

LARGEST TAXPAYERS

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of City's Total Net Tax Capacity
ENM Venture LLC	Commercial	\$64,250	0.92%
R&F Properties LLC	Commercial	54,331	0.78%
KJ Walk, Inc.	Commercial	31,284	0.45%
MN Energy Resource Corp.	Utility	29,086	0.42%
Copperhead Development, Inc.	Commercial	26,342	0.38%
LHA Group LLC	Commercial	24,679	0.35%
Elko 34 LLC	Commercial	22,578	0.32%
TDF Investments	Commercial	21,889	0.31%
IH2 Property Illinois LP	Residential	19,607	0.28%
Chase Development, Inc.	Commercial	16,553	0.24%
Total		\$310,599	4.44%

City's Total 2023/24 Net Tax Capacity \$6,991,844

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Scott County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement and Pavement Rehabilitation Portions of the Bonds)*	\$3,060,000
Total G.O. debt secured by taxes (includes the Street Reconstruction Portion of the Bonds)*	6,167,000
Total G.O. debt secured by utility revenues	9,548,000
Total General Obligation Debt*	<u>\$18,775,000</u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

Lease Obligations

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
11/1/2010	\$239,000	Wastewater Service Agreement Loan	6/1/2030	\$118,798
12/31/2020	1,200,000	SAC Reserve Capacity Loan	6/1/2040	<u>1,020,000</u>

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has plans to issue approximately \$7,500,000 in general obligation debt for well and water tower projects in the next 12 months.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Improvement and Pavement Rehabilitation Portions of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2023/24 Assessor's Estimated Market Value	\$694,829,500
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$20,844,885
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Street Reconstruction Portion of the Bonds)*	<u>(6,167,000)</u>
Unused Debt Limit*	<u><u>\$14,677,885</u></u>

*Preliminary, subject to change.

City of Elko New Market, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 05/09/2024)

Dated Amount	Improvement Refunding Bonds Series 2011A		Improvement Bonds 1) Series 2020A		Improvement and Pavement Rehabilitation Bonds 2) Series 2024A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	07/01/2011 \$1,380,000		06/11/2020 \$530,000		05/09/2024 \$2,470,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest						
2024	0	4,781	0	5,425	0	0	0	10,206	10,206	3,060,000	.00%	2024
2025	125,000	7,313	50,000	9,850	0	98,471	175,000	115,633	290,633	2,885,000	5.72%	2025
2026	135,000	2,531	50,000	8,100	130,000	78,058	315,000	88,689	403,689	2,570,000	16.01%	2026
2027			55,000	6,250	135,000	73,820	190,000	80,070	270,070	2,380,000	22.22%	2027
2028			55,000	3,775	140,000	69,628	195,000	73,403	268,403	2,185,000	28.59%	2028
2029			60,000	1,800	145,000	65,353	205,000	67,153	272,153	1,980,000	35.29%	2029
2030			60,000	600	150,000	60,928	210,000	61,528	271,528	1,770,000	42.16%	2030
2031					150,000	56,428	150,000	56,428	206,428	1,620,000	47.06%	2031
2032					160,000	51,778	160,000	51,778	211,778	1,460,000	52.29%	2032
2033					160,000	46,978	160,000	46,978	206,978	1,300,000	57.52%	2033
2034					170,000	41,985	170,000	41,985	211,985	1,130,000	63.07%	2034
2035					175,000	36,593	175,000	36,593	211,593	955,000	68.79%	2035
2036					175,000	30,905	175,000	30,905	205,905	780,000	74.51%	2036
2037					185,000	24,873	185,000	24,873	209,873	595,000	80.56%	2037
2038					195,000	18,266	195,000	18,266	213,266	400,000	86.93%	2038
2039					195,000	11,246	195,000	11,246	206,246	205,000	93.30%	2039
2040					205,000	3,844	205,000	3,844	208,844	0	100.00%	2040
	260,000	14,625	330,000	35,800	2,470,000	769,150	3,060,000	819,575	3,879,575			

* Preliminary, subject to change.

- 1) This represents the \$530,000 Improvement portion of the \$4,585,000 General Obligation Bonds, Series 2020A.
- 2) This represents the \$2,470,000 Improvement and Pavement Rehabilitation Portions of the \$3,370,000 General Obligation Bonds, Series 2024A.

City of Elko New Market, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/09/2024)

	Taxable Library Note Series 2010		Capital Improvement Plan Bonds 1) Series 2013A		General Obligation Bonds Series 2015A		General Obligation Bonds Series 2015A		CIP, Street Reconstruction and Equipment 2) Series 2020A	
Dated	12/14/2010		12/15/2013		08/20/2015		08/20/2015		06/11/2020	
Amount	\$450,000		\$1,570,000		\$1,255,000		\$130,000		\$3,825,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year	Ending		Ending		Ending		Ending		Ending	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	3,715	0	10,006	0	1,913	0	394	0	38,900
2025	27,000	7,015	115,000	18,288	150,000	2,138	15,000	619	200,000	73,800
2026	28,000	6,171	115,000	14,694	15,000	225	15,000	225	205,000	66,725
2027	29,000	5,296	120,000	10,875					210,000	59,450
2028	30,000	4,390	125,000	6,738					225,000	49,625
2029	31,000	3,454	130,000	2,275					230,000	41,700
2030	32,000	2,487							240,000	37,000
2031	32,000	1,504							160,000	33,000
2032	33,000	507							160,000	29,800
2033									160,000	26,600
2034									170,000	23,300
2035									170,000	19,900
2036									175,000	16,450
2037									175,000	12,950
2038									185,000	9,350
2039									185,000	5,650
2040									190,000	1,900
2041										
	242,000	34,538	605,000	62,875	165,000	4,275	30,000	1,238	3,040,000	546,100

1) This represents the \$1,570,000 Capital Improvement Plan portion of the \$2,100,000 General Obligation Bonds, Series 2013A.

2) This represents the \$3,825,000 Capital Improvement Plan, Street Reconstruction and Equipment portions of the \$4,585,000 General Obligation Bonds, Series 2020A.

--Continued on next page

City of Elko New Market, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 05/09/2024)

	Capital Improvement Plan Bonds 3) series 2021A		Equipment Certificates 2023A Certificates		Street Reconstruction Bonds 4) Series 2024A							
Dated	06/10/2021		10/19/2023		05/09/2024							
Amount	\$445,000		\$780,000		\$900,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year					Estimated					Principal		Fiscal Year
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Outstanding	% Paid	Ending
2024	0	4,658	0	30,550	0	0	0	90,135	90,135	6,167,000	.00%	2024
2025	20,000	9,015	55,000	37,625	0	35,873	582,000	184,371	766,371	5,585,000	9.44%	2025
2026	20,000	8,415	75,000	34,375	50,000	28,393	523,000	159,222	682,222	5,062,000	17.92%	2026
2027	20,000	7,815	80,000	30,500	50,000	26,793	509,000	140,728	649,728	4,553,000	26.17%	2027
2028	20,000	7,215	85,000	26,375	50,000	25,268	535,000	119,610	654,610	4,018,000	34.85%	2028
2029	20,000	6,615	90,000	22,000	55,000	23,693	556,000	99,736	655,736	3,462,000	43.86%	2029
2030	20,000	5,915	95,000	17,375	55,000	22,043	442,000	84,819	526,819	3,020,000	51.03%	2030
2031	25,000	5,015	95,000	12,625	55,000	20,393	367,000	72,537	439,537	2,653,000	56.98%	2031
2032	25,000	4,328	100,000	7,750	55,000	18,743	373,000	61,127	434,127	2,280,000	63.03%	2032
2033	25,000	3,953	105,000	2,625	60,000	17,018	350,000	50,195	400,195	1,930,000	68.70%	2033
2034	25,000	3,578			60,000	15,203	255,000	42,080	297,080	1,675,000	72.84%	2034
2035	25,000	3,203			65,000	13,248	260,000	36,350	296,350	1,415,000	77.06%	2035
2036	25,000	2,828			65,000	11,135	265,000	30,413	295,413	1,150,000	81.35%	2036
2037	25,000	2,390			65,000	8,958	265,000	24,298	289,298	885,000	85.65%	2037
2038	25,000	1,890			70,000	6,610	280,000	17,850	297,850	605,000	90.19%	2038
2039	25,000	1,390			70,000	4,090	280,000	11,130	291,130	325,000	94.73%	2039
2040	30,000	855			75,000	1,406	295,000	4,161	299,161	30,000	99.51%	2040
2041	30,000	285					30,000	285	30,285	0	100.00%	2041
	405,000	79,360	780,000	221,800	900,000	278,861	6,167,000	1,229,046	7,396,046			

* Preliminary, subject to change.

- 3) This represents the \$445,000 Capital Improvement Plan portion of the \$3,965,000 General Obligation Bonds, Series 2021A.
- 4) This represents the \$900,000 Street Reconstruction Portion of the \$3,370,000 General Obligation Bonds, Series 2024A.

City of Elko New Market, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 05/09/2024)

	Utility Refunding Bonds 1) Series 2012B		Water Revenue Bonds Series 2014		Utility Revenue Bonds 2) Series 2020A		Utility Revenue Bonds 3) series 2021A							
Dated Amount	11/05/2012 \$1,175,000		09/11/2014 \$10,194,232		06/11/2020 \$230,000		06/10/2021 \$3,520,000							
Maturity	02/01		08/20		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	893	525,000	30,315	0	2,350	0	37,225	525,000	70,783	595,783	9,023,000	5.50%	2024
2025	85,000	893	530,000	55,380	15,000	4,400	150,000	72,200	780,000	132,873	912,873	8,243,000	13.67%	2025
2026			534,000	50,080	15,000	3,875	160,000	67,550	709,000	121,505	830,505	7,534,000	21.09%	2026
2027			540,000	44,740	15,000	3,350	160,000	62,750	715,000	110,840	825,840	6,819,000	28.58%	2027
2028			545,000	39,340	15,000	2,675	170,000	57,800	730,000	99,815	829,815	6,089,000	36.23%	2028
2029			551,000	33,890	15,000	2,150	170,000	52,700	736,000	88,740	824,740	5,353,000	43.94%	2029
2030			556,000	28,380	15,000	1,850	175,000	46,650	746,000	76,880	822,880	4,607,000	51.75%	2030
2031			562,000	22,820	15,000	1,550	185,000	39,450	762,000	63,820	825,820	3,845,000	59.73%	2031
2032			568,000	17,200	15,000	1,250	190,000	34,325	773,000	52,775	825,775	3,072,000	67.83%	2032
2033			574,000	11,520	15,000	950	195,000	31,438	784,000	43,908	827,908	2,288,000	76.04%	2033
2034			578,000	5,780	20,000	600	195,000	28,513	793,000	34,893	827,893	1,495,000	84.34%	2034
2035					20,000	200	195,000	25,588	215,000	25,788	240,788	1,280,000	86.59%	2035
2036							205,000	22,588	205,000	22,588	227,588	1,075,000	88.74%	2036
2037							205,000	19,000	205,000	19,000	224,000	870,000	90.89%	2037
2038							210,000	14,850	210,000	14,850	224,850	660,000	93.09%	2038
2039							210,000	10,650	210,000	10,650	220,650	450,000	95.29%	2039
2040							225,000	6,413	225,000	6,413	231,413	225,000	97.64%	2040
2041							225,000	2,138	225,000	2,138	227,138	0	100.00%	2041
	85,000	1,785	6,063,000	339,445	175,000	25,200	3,225,000	631,825	9,548,000	998,255	10,546,255			

- 1) This represents the \$1,175,000 Utility Refunding portion of the \$1,290,000 General Obligation Refunding Bonds, Series 2012B.
- 2) This represents the \$230,000 Utility Revenue portion of the \$4,585,000 General Obligation Bonds, Series 2020A.
- 3) This represents the \$3,520,000 Utility Revenue portion of the \$3,965,000 General Obligation Bonds, Series 2021A.

OVERLAPPING DEBT¹

Taxing District	2023/24 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Scott County	\$318,307,331	2.4520%	\$96,455,000	\$2,365,077
I.S.D. No. 194 (Lakeville Area Schools)	23,467,545	18.4339%	179,275,000 ³	33,047,374
I.S.D. No. 721 (New Prague Area Schools)	39,760,183	8.7500%	61,705,000 ³	5,399,188
Metropolitan Council	6,313,906,529	0.1236%	191,435,000 ⁴	<u>236,614</u>
City's Share of Total Overlapping Debt				<u><u>\$41,048,252</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Certificates.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$711,493,997	Debt/ Per Capita 5,003¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$3,060,000		
Taxes*	6,167,000		
Utility Revenues	9,548,000		
Total General Obligation Debt*	<u>\$18,775,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(9,548,000)</u>		
Tax Supported General Obligation Debt*	\$9,227,000	1.30%	\$1,844.29
City's Share of Total Overlapping Debt	<u>\$41,048,252</u>	<u>5.77%</u>	<u>\$8,204.73</u>
Total*	<u><u>\$50,275,252</u></u>	<u><u>7.07%</u></u>	<u><u>\$10,049.02</u></u>

*Preliminary, subject to change.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ³	Total Collected Following Year	Collected to Date	% Collected
2019/20	\$2,419,380	\$2,408,403	\$2,418,960	99.98%
2020/21	2,578,186	2,561,606	2,575,552	99.90%
2021/22	2,823,584	2,802,646	2,814,642	99.68%
2022/23	3,109,421	3,088,937	3,088,937	99.34%
2023/24	3,557,297	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.⁴ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ Estimated 2022 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

³ This reflects the Final Levy Certification of the City after all adjustments have been made.

⁴ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2019/20	2020/21	2021/22	2022/23	2023/24
Scott County	32.718%	31.025%	30.492%	26.578%	26.228%
Scott County WMO	1.166%	1.136%	1.102%	0.929%	0.918%
Scott County Vermillion	0.401%	0.378%	0.353%	0.297%	0.279%
City of Elko New Market	44.912%	45.992%	47.728%	40.748%	46.251%
I.S.D. No. 194 (Lakeville Area Schools)	34.851%	33.894%	33.983%	29.473%	29.650%
I.S.D. No. 721 (New Prague area Schools)	34.471%	33.993%	31.503%	25.287%	20.369%
Metropolitan Council	0.609%	0.634%	0.650%	0.538%	0.633%
Scott County CDA	1.594%	1.590%	1.597%	1.385%	1.442%
Mosquito Control	0.399%	0.375%	0.364%	0.303%	0.316%

Referendum Market Value Rates:

I.S.D. No. 194 (Lakeville Area Schools)	0.31225%	0.27269%	0.25582%	0.26581%	0.27666%
I.S.D. No. 721 (New Prague Area Schools)	0.18809%	0.18843%	0.17625%	0.14665%	0.14308%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Scott County.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1902. The City operates under a statutory form of government consisting of a 5-member City Council of which the Mayor is a voting member. The City Administrator/Clerk is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 21 full-time and three (3) part-time employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

Recognized and Certified Bargaining Unit

Bargaining Unit

International Union of Operationg Engineers - Local No. 49

Expiration Date of Current Contract

December 31, 2026

Status of Contract

The Contract which expired on December 31, 2023 are currently in negotiations.

POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (as of December 31, 2023)

Fund	Total Cash and Investments
General	\$1,626,125
Special Revenue	178,586
Debt Service	384,812
Capital Projects	1,791,765
Other Governmental Funds	1,414,444
Enterprise Funds	<u>1,332,987</u>
 Total Funds on Hand	 <u><u>\$6,728,719</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2020 Audited	2021 Audited	2022 Audited
Water			
Total Operating Revenues	\$1,233,113	\$1,609,157	\$1,347,770
Less: Operating Expenses	<u>(970,499)</u>	<u>(986,195)</u>	<u>(1,163,655)</u>
Operating Income	\$262,614	\$622,962	\$184,115
Plus: Depreciation	<u>432,502</u>	<u>432,710</u>	<u>440,181</u>
Revenues Available for Debt Service	<u><u>\$695,116</u></u>	<u><u>\$1,055,672</u></u>	<u><u>\$624,296</u></u>
 Sewer			
Total Operating Revenues	\$1,027,157	\$1,363,002	\$1,206,276
Less: Operating Expenses	<u>(1,508,299)</u>	<u>(1,208,796)</u>	<u>(1,077,197)</u>
Operating Income	(\$481,142)	\$154,206	\$129,079
Plus: Depreciation	<u>239,633</u>	<u>240,781</u>	<u>248,039</u>
Revenues Available for Debt Service	<u><u>(\$241,509)</u></u>	<u><u>\$394,987</u></u>	<u><u>\$377,118</u></u>
 Storm Sewer			
Total Operating Revenues	\$225,438	\$335,886	\$233,749
Less: Operating Expenses	<u>(238,759)</u>	<u>(237,631)</u>	<u>(228,105)</u>
Operating Income	(\$13,321)	\$98,255	\$5,644
Plus: Depreciation	<u>99,041</u>	<u>98,689</u>	<u>98,212</u>
Revenues Available for Debt Service	<u><u>\$85,720</u></u>	<u><u>\$196,944</u></u>	<u><u>\$103,856</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Adopted Budget ¹	2024 Adopted Budget ²
Revenues					
Property taxes	\$1,834,121	\$1,914,919	\$2,089,387	\$2,258,416	\$2,578,556
Special assessments	17,615	1,352	5,373	0	0
Licenses and permits	137,622	384,446	211,004	155,653	150,754
Intergovernmental	278,348	250,323	281,713	263,679	302,286
Charges for services	137,991	145,471	143,857	140,309	150,246
Fine and forfeitures	8,362	7,699	5,337	9,000	5,000
Interest on investments	2,441	2,386	5,846	1,400	9,000
Contributions and Donations	600	500	0	1,000	0
Other	21,944	24,160	51,268	5,000	5,000
Total Revenues	<u>\$2,439,044</u>	<u>\$2,731,256</u>	<u>\$2,793,785</u>	<u>\$2,834,457</u>	<u>\$3,200,842</u>
Expenditures					
Current:					
General government	\$833,697	\$785,426	\$856,773	\$868,344	\$978,397
Public safety	829,782	1,038,643	1,036,862	1,035,216	1,327,511
Public Works	319,064	369,690	359,414	434,662	495,532
Parks and recreation	185,120	215,764	201,831	241,496	254,939
Capital outlay	84,546	27,864	31,021	34,500	35,622
Total Expenditures	<u>\$2,252,209</u>	<u>\$2,437,387</u>	<u>\$2,485,901</u>	<u>\$2,614,218</u>	<u>\$3,092,001</u>
Excess of revenues over (under) expenditures	\$186,835	\$293,869	\$307,884	\$220,239	\$108,841
Other Financing Sources (Uses)					
Transfers in	\$235,415	\$0	\$0	\$0	\$0
Transfers (out)	(627,909)	(194,032)	(247,499)	(198,589)	(236,024)
Total Other Financing Sources (Uses)	<u>(392,494)</u>	<u>(194,032)</u>	<u>(247,499)</u>	<u>(198,589)</u>	<u>(236,024)</u>
Net changes in Fund Balances	(\$205,659)	\$99,837	\$60,385	\$21,650	(\$127,183)
General Fund Balance January 1	\$1,374,408	\$1,168,749	\$1,268,586		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	<u>\$1,168,749</u>	<u>\$1,268,586</u>	<u>\$1,328,971</u>		
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$18,336	\$24,491	\$5,072		
Unassigned	1,150,413	1,244,095	1,323,899		
Total	<u>\$1,168,749</u>	<u>\$1,268,586</u>	<u>\$1,328,971</u>		

¹ The 2023 budget was adopted on December 15, 2022.

² The 2024 budget was adopted on December 21, 2023.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 4,846 and a 2022 population estimate of 5,003, and comprising an area of 3.36 square miles, is located approximately 25 miles south of the Minneapolis, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Elko Speedway	Race track, stadiums & arenas	30
Boulder Pointe Golf Course	Golf course, bar & grill	30
Kwik Trip	Gas Station	30
The City	Government	24
Twin City Greetings, Inc.	Greeting cards-wholesale	22
Twin Cities Featherlite Trailers	Trailers repairing & service	20
Friedges Drywall	Dry wall contractors	18
Firehouse Grill	Full-service restaurant	15
China Town	Full-service restaurant	15
Mallery Pool & Construction	Swimming pool construction, dealers & design	15

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS (as of March 18, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	14	59	29	20	1
Valuation	\$5,012,077	\$23,306,153	\$8,559,511	\$6,808,051	\$579,948
<u>New Multiple Family Buildings</u>					
No. of building permits	1	3	1	3	0
Valuation	\$743,148	\$2,229,444	\$1,336,877	\$6,732,932	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	0	0	0	1	0
Valuation	\$0	\$0	\$0	\$2,300,000	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	15	62	30	24	1
Valuation	\$5,755,225	\$25,535,597	\$9,896,388	\$15,840,983	\$579,948

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	4,110
2020 U.S. Census population	4,846
Percent of Change 2010 - 2020	17.91%

2022 Metropolitan Council Population Estimate 5,003

Income and Age Statistics

	The City	Scott County	State of Minnesota	United States
2022 per capita income	\$51,624	\$51,259	\$44,947	\$41,261
2022 median household income	\$149,881	\$118,268	\$74,313	\$75,149
2022 median family income	\$149,881	\$133,884	\$107,072	\$92,646
2022 median gross rent	\$1,441	\$1,419	\$1,178	\$1,268
2022 median value owner occupied units	\$381,600	\$376,000	\$286,800	\$281,900
2022 median age	33.3 yrs.	37.3 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
City % of 2022 per capita income	114.86%	125.12%
City % of 2022 median family income	139.98%	161.78%

Housing Statistics

	<u>The City</u>		Percent of Change
	2020	2022	
All Housing Units	1,502	1,632	8.66%

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and 2022 Population Estimates, Metropolitan Council (<https://metro council.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Scott County	Scott County	State of Minnesota	
2019	82,278	2.8%	3.3%	
2020	80,460	5.9%	6.3%	
2021	79,886	3.4%	3.8%	
2022	82,334	2.3%	2.7%	
2023	82,752	2.7%	2.8%	
2024, February	82,197	3.3%	3.6%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

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

Basic Financial Statements

December 31, 2022



**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	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	26
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	27
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Fire Department Fund	28
Statement of Net Position – Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Notes to Basic Financial Statements	33
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability General Employees Retirement Fund	68
Schedule of City's Proportionate Share of Net Pension Liability Public Employees Police and Fire Retirement Fund	68
Schedule of City Contributions General Employees Retirement Fund	69
Schedule of City Contributions Public Employees Police and Fire Retirement Fund	69
Schedule of Changes in the Net Pension Liability and Related Ratios – Fire Relief Association	70
Schedule of City Contributions and Non Employer Contributing Entities – Fire Relief Association	72
Notes to Required Supplementary Information	75
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	84

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

Supplementary Information (Continued)	
Combining Balance Sheet – Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	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>	99
Minnesota Legal Compliance	101
Schedule of Findings and Responses on Internal Control and Legal Compliance	102

**City of Elko New Market
Elected Officials and Administration
December 31, 2022**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Joe Julius	Mayor	December 31, 2022
Josh Berg	Council Member	December 31, 2022
Kate Timmerman	Council Member	December 31, 2022
Amanda Novak	Council Member	December 31, 2024
Bryce Schuenke	Council Member	December 31, 2024
<u>Administration</u>		
Thomas Terry	City Administrator/Clerk	
Kellie Stewart	Accountant	

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Elko New Market, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Elko New Market's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Elko New Market, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Fire Department Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Elko New Market's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Elko New Market's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Elko New Market's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 is the responsibility of management and, 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.

Supplementary 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 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2023, on our consideration of the City of Elko New Market's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Elko New Market's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
July 27, 2023

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, 2022.

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

FINANCIAL HIGHLIGHTS

- The Cities of Elko and New Market consolidated effective January 1, 2007. 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 have been periodically updated 2011 through 2022.
- 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 \$30,629,875 (net position). Of this amount \$4,875,103 (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 \$195,982. The net position associated with governmental activities decreased by \$44,939. The decrease in net position was primarily due to principal bond payments made during the year.
- As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$1,323,899, this is an increase of \$79,804 from the end of the 2021 fiscal year. The unassigned fund balance is equivalent to 50% of the 2022 General Fund approved operating budget.
- The City's total outstanding debt decreased by \$1,564,775 during the current fiscal year.
- The net pension liability increased by \$2,336,985 in 2022 due to changes in the actuarial assumptions based on current market, trends, and inflation. Net pension liability is related to PERA paid by the City and is not expected to impact future expenditures.
- The Water Fund had net operating income of \$184,115. The Fund had an increase of net position in the amount of \$72,589 and prior period adjustment of \$(32,529) resulting in an overall \$40,060 increase.
- The Sewer Fund had net operating income of \$129,079. The Fund had an increase of net position in the amount of \$354,861 and prior period adjustment of \$(54,873) resulting in an overall \$299,988 increase.

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

FINANCIAL HIGHLIGHTS (CONTINUED)

- The Storm Sewer Fund had net operating income of \$5,644. The Fund had an increase of net position in the amount of \$9,238 and prior period adjustment of \$(30,048) resulting in an overall \$(20,810) decrease.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

Governmental Funds (Continued)

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 sewer, all of which are considered to be major funds of the City.

Notes to Financial Statements

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

Government-Wide Financial Analysis

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

The City's total net position is \$30,629,875, an increase of \$609,424 from previous year. Of the City's 2022 total net position, \$4,875,103 of the total is unrestricted. By far, the largest portion of the City's net position, \$23,786,902 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

Government-Wide Financial Analysis (Continued)

At the end of the current fiscal year, the City was able to report a positive balance and an increase from prior year 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	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 6,907,009	\$ 7,216,925	\$ 3,654,797	\$ 3,645,271	\$ 10,561,806	\$ 10,862,196
Net pension asset	-	934,953	-	-	-	934,953
Capital assets	13,970,431	13,931,206	27,792,300	28,184,181	41,762,731	42,115,387
Total assets	<u>20,877,440</u>	<u>22,083,084</u>	<u>31,447,097</u>	<u>31,829,452</u>	<u>52,324,537</u>	<u>53,912,536</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to	2,181,044	1,048,556	166,534	219,258	2,347,578	1,267,814
Total assets and deferred outflows of resources	<u>\$ 23,058,484</u>	<u>\$ 23,131,640</u>	<u>\$ 31,613,631</u>	<u>\$ 32,048,710</u>	<u>\$ 54,672,115</u>	<u>\$ 55,180,350</u>
Liabilities						
Current and other liabilities	\$ 1,778,728	\$ 1,815,451	\$ 1,313,878	\$ 1,078,321	\$ 3,092,606	\$ 2,893,772
Net pension liability	2,700,073	591,802	491,888	263,174	3,191,961	854,976
Long term liabilities	5,882,908	6,637,045	11,669,271	12,692,213	17,552,179	19,329,258
Total liabilities	<u>10,361,709</u>	<u>9,044,298</u>	<u>13,475,037</u>	<u>14,033,708</u>	<u>23,836,746</u>	<u>23,078,006</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	159,800	1,840,553	45,694	241,340	205,494	2,081,893
Net Position						
Net investment in capital assets	7,400,893	6,655,495	16,386,009	15,972,875	23,786,902	22,628,370
Restricted	1,967,870	1,968,897	-	-	1,967,870	1,968,897
Unrestricted	3,168,212	3,622,397	1,706,891	1,800,787	4,875,103	5,423,184
Total net position	<u>12,536,975</u>	<u>12,246,789</u>	<u>18,092,900</u>	<u>17,773,662</u>	<u>30,629,875</u>	<u>30,020,451</u>
Total liabilities, deferred inflows of and net position	<u>\$ 23,058,484</u>	<u>\$ 23,131,640</u>	<u>\$ 31,613,631</u>	<u>\$ 32,048,710</u>	<u>\$ 54,672,115</u>	<u>\$ 55,180,350</u>

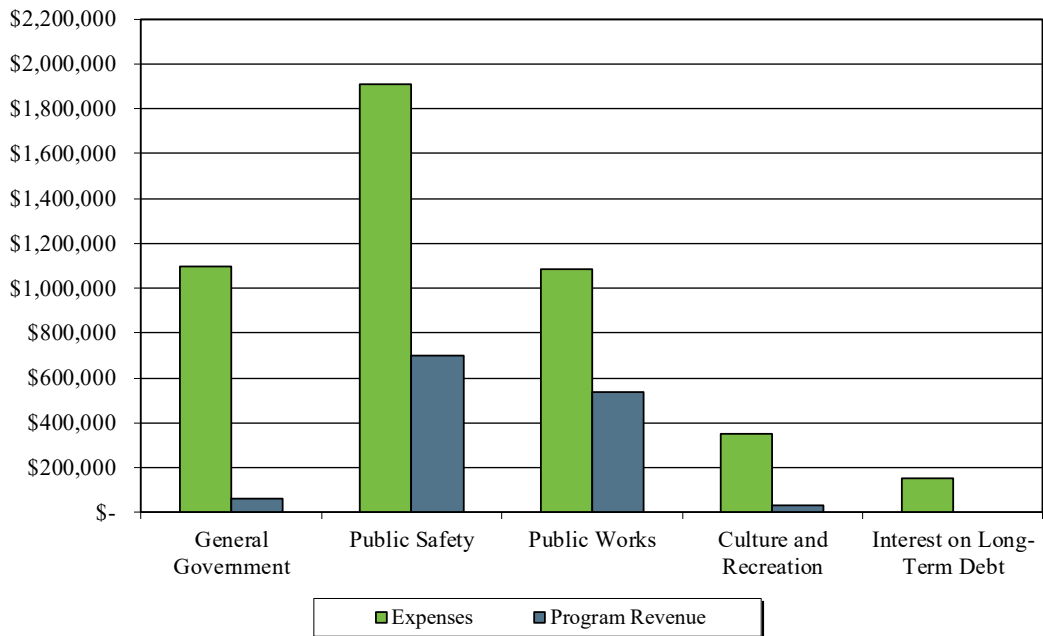
City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

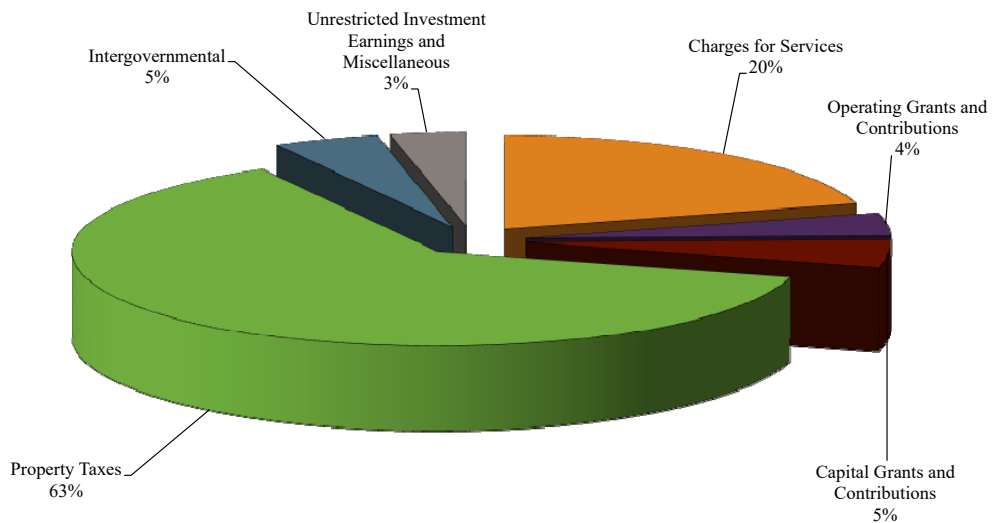
Governmental Activities

Total net position for Governmental activities is \$12,536,975. Governmental activities net position decreased by \$44,939. This is the result of total expenses of \$4,590,200 exceeding revenues of \$4,545,261.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



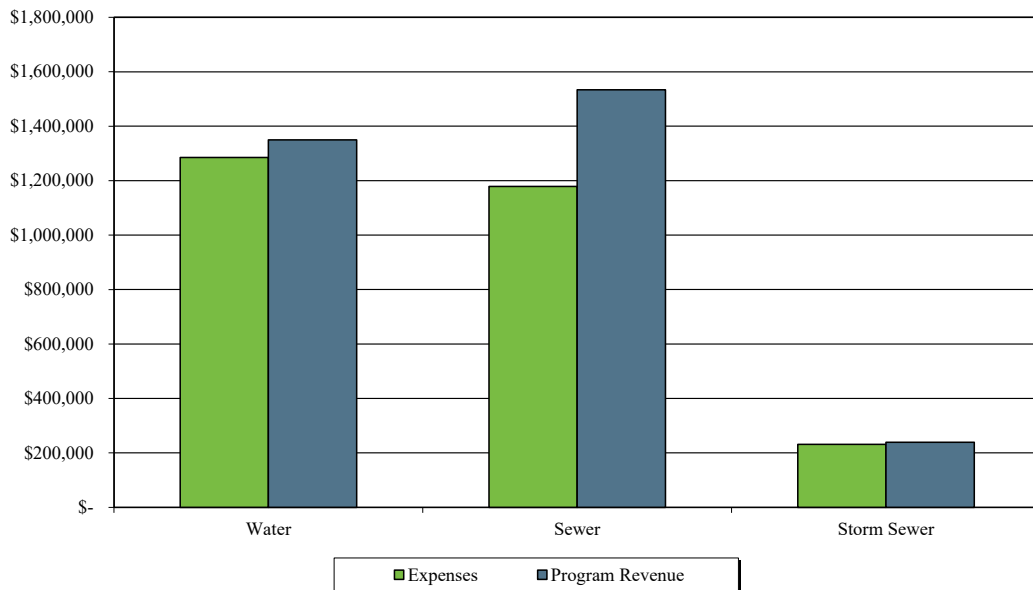
City of Elko New Market Management Discussion and Analysis

FINANCIAL HIGHLIGHTS (CONTINUED)

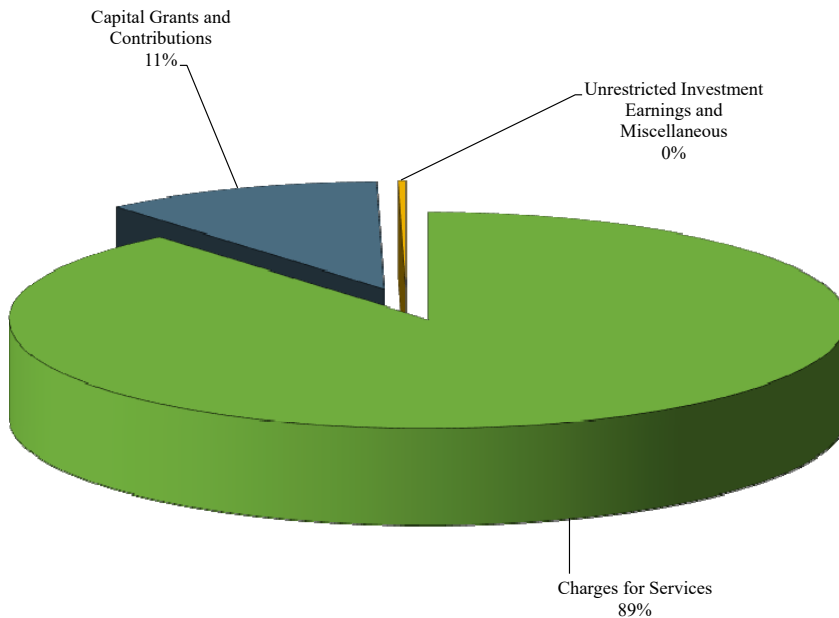
Business-Type Activities

Total net position for Business activities is \$18,092,900. Business activities net position increased by \$436,688. This is the result of total revenues of \$3,131,954 exceeding expenses of \$2,695,266.

**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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 937,793	\$ 887,143	\$ 2,785,833	\$ 3,232,925	\$ 3,723,626	\$ 4,120,068
Operating grants and contributions	179,018	140,645	-	-	179,018	140,645
Capital grants and contributions	213,885	451,229	336,792	1,607,075	550,677	2,058,304
General revenues						
Property taxes	2,851,397	2,575,608	-	-	2,851,397	2,575,608
Intergovernmental	211,597	195,124	-	64,586	211,597	259,710
Other general revenue	134,305	187,131	5,700	10,291	140,005	197,422
Gain on sale of capital assets	-	-	-	-	-	-
Investment earnings	17,266	5,910	3,629	1,799	20,895	7,709
Transfers	-	(152,102)	-	152,102	-	-
Total revenues	<u>4,545,261</u>	<u>4,290,688</u>	<u>3,131,954</u>	<u>5,068,778</u>	<u>7,677,215</u>	<u>9,359,466</u>
Expenses						
General government	1,094,467	509,524	-	-	1,094,467	509,524
Public safety	1,907,167	2,004,985	-	-	1,907,167	2,004,985
Public works	1,085,569	1,262,920	-	-	1,085,569	1,262,920
Culture and recreation	348,217	238,073	-	-	348,217	238,073
Interest on long-term debt	154,780	195,674	-	-	154,780	195,674
Water	-	-	1,285,147	1,129,223	1,285,147	1,129,223
Sewer	-	-	1,178,759	1,297,400	1,178,759	1,297,400
Storm sewer	-	-	231,360	240,831	231,360	240,831
Total expenses	<u>4,590,200</u>	<u>4,211,176</u>	<u>2,695,266</u>	<u>2,667,454</u>	<u>7,285,466</u>	<u>6,878,630</u>
Change in net position before special item	(44,939)	79,512	436,688	2,401,324	391,749	2,480,836
Prior period adjustment (See Note 11)	<u>335,125</u>	<u>-</u>	<u>(117,450)</u>	<u>-</u>	<u>217,675</u>	<u>-</u>
Change in net position after PPA	290,186	79,512	319,238	2,401,324	609,424	2,480,836
January 1	<u>12,246,789</u>	<u>12,167,277</u>	<u>17,773,662</u>	<u>15,372,338</u>	<u>30,020,451</u>	<u>27,539,615</u>
December 31	<u>\$ 12,536,975</u>	<u>\$ 12,246,789</u>	<u>\$ 18,092,900</u>	<u>\$ 17,773,662</u>	<u>\$ 30,629,875</u>	<u>\$ 30,020,451</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds

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

As of the end of the current fiscal year, the City governmental funds reported combined ending fund balances of \$4,960,422, a decrease of \$195,982 from the prior year fund balance. The decrease in fund balance was primarily due to project expenditures that will be reimbursed with upcoming bond proceeds.

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

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (CONTINUED)

Governmental Funds (Continued)

The General Fund is the chief operating fund of the City. At the end of the 2022 fiscal year the City's General Fund balance was \$1,328,971, an increase of \$60,385 from prior year. The unassigned fund balance of the General Fund was \$1,323,899. 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 50% of total 2022 General Fund budgeted expenditures.

The General Fund actual revenues exceeded budgeted revenues.

Significant revenue variances from final budget to actual where actual was over/(under) budget include:

- Licenses and permits in the amount of \$22,150.
- Intergovernmental in the amount of \$44,315.
- Charges for services in the amount of \$7,637.

Significant expense variances from final budget to actual where actual was over/(under) budget include:

- Public Safety in the amount of \$51,582.
- Public Works in the amount of \$5,384.
- Parks and Recreation in the amount of (\$10,178).

Overall, General Fund actual expenditures were over the final approved budget by \$56,656 and the excess of revenues over budgeted amounts was \$143,803. Actual expenditures do not reflect the contingency or the budgeted transfers in/out.

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 \$184,115 in the Water Fund. At year end, the unrestricted net position of the Water Fund amounted to \$1,578,907.

Total operating revenues exceeded operating expenses by \$129,079 in the Sewer Fund. At year end, the unrestricted net position of the sewer fund amounted to (\$330,778).

Total operating revenues exceeded operating expenses by \$5,644 in the Storm Sewer Fund. At year end, the unrestricted net position of the Storm Sewer Fund amounted to \$458,762.

Total unrestricted net position of the proprietary funds was \$1,706,891 at the end of 2022.

City of Elko New Market Management Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2022 Budget was amended February 23, 2023. The amendments are as follows:

- Amending Stormwater Connection Fee, from the 2022 Adopted Budget amount of \$80,331 to \$30,900.
- Amending Fire Contracts and Calls, to match the contract amounts from \$267,658 to \$264,573.
- Amending Transfer from Other Fund, to include a transfer from the General Fund to make up the difference in the amount of \$3,085. Changing the budgeted amount from \$81,058 to \$84,143.

Variances from General Fund budget are summarized as follows:

- Licenses and permit revenue in the amount of \$211,004 exceeded budget expectations by \$22,150 due to higher-than-expected building permit activity.
- Intergovernmental revenues in the amount of 281,713 exceeded budget expectations by \$44,315. This was due to higher-than-expected Police Aid and miscellaneous grants.
- Public Safety expenses in the amount of \$1,036,862 exceeded budget expectations by \$51,582.
- due to overall higher than anticipated expenditures.

As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$1,323,899, equivalent to 50% of the 2022 General Fund approved operating budget. This is an increase of \$79,804 from the end of the 2022 fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounted to \$41,762,731 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment and infrastructure.

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

- The City purchased a new PW Ford F-600, absentee voting tabulator, 2022 Toro lawnmower, 2022 John Deer mower, and upgraded visual equipment in Council chambers and Fire training meeting room.
- The City completed work on the 2022 Main Street Culvert Replacement, Wildwings Sewer Project, and the Woodcrest Sewer Project.
- The City completed construction of the skate park with new ramps at Rowena Park.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The City's Capital Assets

	Government Activities		Business Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,521,712	\$ 1,521,712	\$ -	\$ -	\$ 1,521,712	\$ 1,521,712
Construction in progress	166,477	7,942	630	3,438,606	167,107	3,446,548
Building	1,221,665	1,268,535	-	-	1,221,665	1,268,535
Machinery and equipment	2,178,110	2,129,884	39,275	43,087	2,217,385	2,172,971
Improvements	921,523	998,100	-	-	921,523	998,100
Infrastructure	7,960,944	8,005,033	-	-	7,960,944	8,005,033
Water main and system	-	-	16,181,573	14,630,572	16,181,573	14,630,572
Sanitary sewer main and system	-	-	8,367,322	6,782,948	8,367,322	6,782,948
Storm sewer system	-	-	3,203,422	3,288,968	3,203,422	3,288,968
Net capital assets	<u>\$ 13,970,431</u>	<u>\$ 13,931,206</u>	<u>\$ 27,792,222</u>	<u>\$ 28,184,181</u>	<u>\$ 41,762,653</u>	<u>\$ 42,115,387</u>

Long-Term Debt

At the end of the current fiscal year, the City had total bonds and notes outstanding of \$17,975,751 and loans payable of \$1,249,514. The total bonds, notes, and loans increased by \$1,564,776 during the 2022 fiscal year. City's debt related to the debt issuance of PFA General Obligation Drinking Water Revenue Note Series 2013 decreased from \$7,096,000 to \$6,582,000 in 2022.

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, this rating has remained through 2022.

The City's Outstanding Debt

	Government Activities		Business Activities		Total	
	2022	2021	2022	2021	2022	2021
G.O. bonds and notes	\$ 6,569,538	\$ 7,275,711	\$ 11,076,213	\$ 11,766,306	\$ 17,645,751	\$ 19,042,017
G.O. revenue bonds	-	-	330,000	445,000	330,000	445,000
Loans	-	-	1,249,514	1,303,023	1,249,514	1,303,023
Total	<u>\$ 6,569,538</u>	<u>\$ 7,275,711</u>	<u>\$ 12,655,727</u>	<u>\$ 13,514,329</u>	<u>\$ 19,225,265</u>	<u>\$ 20,790,040</u>

NEXT YEARS BUDGETS AND RATES

The City considered the following factors in preparing the City's budget for the 2023 fiscal year.

- 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.

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

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, P.O. Box 99, Elko New Market, Minnesota 55020.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

**City of Elko New Market
Statement of Net Position
December 31, 2022**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 5,750,892	\$ 1,354,332	\$ 7,105,224
Receivables			
Property tax receivable	49,768	-	49,768
Accounts receivable	48,294	220,566	268,860
Due from other governments	17,968	165	18,133
Interfund loan receivable (internal balances)	16,295	(16,295)	-
Special assessments receivable			
Current	16,789	84	16,873
Delinquent	2,136	9,169	11,305
Deferred	983,434	2,019,325	3,002,759
Land held for resale	13,689	-	13,689
Prepaid items	7,744	28,849	36,593
Lease receivable	-	38,680	38,680
Capital assets not being depreciated			
Land	1,521,712	-	1,521,712
Construction in progress	166,477	630	167,107
Capital assets net of accumulated depreciation			
Buildings	1,221,665	-	1,221,665
Machinery and equipment	2,178,110	39,353	2,217,463
Improvements	921,523	-	921,523
Infrastructure	7,960,944	-	7,960,944
Sewer and water improvements	-	27,752,239	27,752,239
Total assets	<u>20,877,440</u>	<u>31,447,097</u>	<u>52,324,537</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>2,181,044</u>	<u>166,534</u>	<u>2,347,578</u>
Total assets and deferred outflows of resources	<u>\$ 23,058,484</u>	<u>\$ 31,613,631</u>	<u>\$ 54,672,115</u>
Liabilities			
Accounts payable	\$ 66,317	\$ 164,777	\$ 231,094
Deposits payable	618,259	-	618,259
Due to other governments	30,998	3,004	34,002
Salaries and benefits payable	102,686	23,888	126,574
Interest payable	150,107	87,966	238,073
Bond principal payable			
Due within one year	722,971	437,998	1,160,969
Due in more than one year	5,846,567	4,386,215	10,232,782
Notes from direct borrowing			
Due within one year	-	55,686	55,686
Due in more than one year	-	1,193,828	1,193,828
PFA Notes from direct borrowings			
Due within one year	-	519,000	519,000
Due in more than one year	-	6,063,000	6,063,000
Compensated absences payable			
Due within one year	87,390	21,559	108,949
Due in more than one year	36,341	26,228	62,569
Net pension liability, due in more than one year	<u>2,700,073</u>	<u>491,888</u>	<u>3,191,961</u>
Total liabilities	<u>10,361,709</u>	<u>13,475,037</u>	<u>23,836,746</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	159,800	7,014	166,814
Deferred inflows of resources related to leases	-	38,680	38,680
	<u>159,800</u>	<u>45,694</u>	<u>205,494</u>
Net Position			
Net investment in capital assets	7,400,893	16,386,009	23,786,902
Restricted for			
Debt service	1,462,848	-	1,462,848
Other	505,022	-	505,022
Unrestricted	<u>3,168,212</u>	<u>1,706,891</u>	<u>4,875,103</u>
Total net position	<u>12,536,975</u>	<u>18,092,900</u>	<u>30,629,875</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 23,058,484</u>	<u>\$ 31,613,631</u>	<u>\$ 54,672,115</u>

See notes to basic financial statements.

**City of Elko New Market
Statement of Activities
Year Ended December 31, 2022**

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	\$ 1,094,467	\$ 57,756	\$ 3,172	\$ -	\$ (1,033,539)	\$ -	\$ (1,033,539)
Public safety	1,907,167	471,109	175,846	54,250	(1,205,962)	-	(1,205,962)
Public works	1,085,569	380,189	-	159,635	(545,745)	-	(545,745)
Parks and recreation	348,217	28,739	-	-	(319,478)	-	(319,478)
Interest on long-term debt	154,780	-	-	-	(154,780)	-	(154,780)
Total governmental activities	<u>4,590,200</u>	<u>937,793</u>	<u>179,018</u>	<u>213,885</u>	<u>(3,259,504)</u>	<u>-</u>	<u>(3,259,504)</u>
Business-type activities							
Water	1,285,147	1,342,070	-	7,792	-	64,715	64,715
Sewer	1,178,759	1,206,276	-	327,155	-	354,672	354,672
Storm sewer	231,360	237,487	-	1,845	-	7,972	7,972
Total business-type activities	<u>2,695,266</u>	<u>2,785,833</u>	<u>-</u>	<u>336,792</u>	<u>-</u>	<u>427,359</u>	<u>427,359</u>
Total governmental and business-type activities	<u>\$ 7,285,466</u>	<u>\$ 3,723,626</u>	<u>\$ 179,018</u>	<u>\$ 550,677</u>	<u>(3,259,504)</u>	<u>427,359</u>	<u>(2,832,145)</u>
General revenues							
Property taxes					2,851,397	-	2,851,397
Intergovernmental					211,597	-	211,597
Unrestricted investment earnings					17,266	3,629	20,895
Other general revenue					134,305	5,700	140,005
Total general revenues					<u>3,214,565</u>	<u>9,329</u>	<u>3,223,894</u>
Change in net position					(44,939)	436,688	391,749
Net position - beginning, as previously stated					<u>12,246,789</u>	<u>17,773,662</u>	<u>30,020,451</u>
Prior period adjustment (Note 11)					<u>335,125</u>	<u>(117,450)</u>	<u>217,675</u>
Net position - beginning, restated					<u>12,581,914</u>	<u>17,656,212</u>	<u>30,238,126</u>
Net position - ending					<u>\$ 12,536,975</u>	<u>\$ 18,092,900</u>	<u>\$ 30,629,875</u>

See notes to basic financial statements.

City of Elko New Market
Balance Sheet - Governmental Funds
December 31, 2022

	General Fund (101)	Special Revenue Fire Department (103)	Debt Service 2011A G.O. Improvement Refunding Bond (318)
Assets			
Cash and investments	\$ 1,416,540	\$ 52,989	\$ 351,048
Taxes receivable - delinquent	49,768	-	-
Special assessments receivable			
Current	16,664	-	-
Delinquent	368	-	-
Deferred	6,271	-	839,188
Accounts receivable	44,536	-	-
Due from other funds	-	-	-
Interfund loan receivable	-	-	-
Due from other governments	16,765	-	-
Land held for resale	-	-	13,689
Prepaid items	5,072	2,672	-
	<u>\$ 1,555,984</u>	<u>\$ 55,661</u>	<u>\$ 1,203,925</u>
Liabilities			
Accounts payable	\$ 30,839	\$ 2,468	\$ 424
Deposits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	22,407	540	-
Salaries and benefits payable	102,150	536	-
Unearned revenue	-	-	-
Total liabilities	<u>155,396</u>	<u>3,544</u>	<u>424</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	49,768	-	-
Unavailable revenue - special assessments	21,849	-	839,188
Total deferred inflows of resources	<u>71,617</u>	<u>-</u>	<u>839,188</u>
Fund Balances (Deficits)			
Nonspendable	5,072	2,672	-
Restricted	-	-	364,313
Committed	-	49,445	-
Assigned	-	-	-
Unassigned	1,323,899	-	-
Total fund balances	<u>1,328,971</u>	<u>52,117</u>	<u>364,313</u>
	<u>\$ 1,555,984</u>	<u>\$ 55,661</u>	<u>\$ 1,203,925</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,555,984</u>	<u>\$ 55,661</u>	<u>\$ 1,203,925</u>

Other Governmental Funds	Total Governmental Funds
\$ 3,930,315	\$ 5,750,892
-	49,768
125	16,789
1,768	2,136
137,975	983,434
3,758	48,294
172,879	172,879
16,295	16,295
1,203	17,968
-	13,689
-	7,744
<u>\$ 4,264,318</u>	<u>\$ 7,079,888</u>
\$ 32,586	\$ 66,317
618,259	618,259
172,879	172,879
8,051	30,998
-	102,686
77,779	77,779
<u>909,554</u>	<u>1,068,918</u>
-	49,768
139,743	1,000,780
<u>139,743</u>	<u>1,050,548</u>
-	7,744
713,618	1,077,931
155,750	205,195
2,525,951	2,525,951
(180,298)	1,143,601
<u>3,215,021</u>	<u>4,960,422</u>
<u>\$ 4,264,318</u>	<u>\$ 7,079,888</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of Elko New Market
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2022

Total fund balances - governmental funds	\$ 4,960,422
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	21,851,129
Less accumulated depreciation	(7,880,698)
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	(6,287,723)
Unamortized bond premium	(281,815)
Compensated absences payable	(123,731)
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	49,768
Special assessments	2,136
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	998,644
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	(159,800)
Deferred outflows of resources related to pensions	2,181,044
Net pension liability	(2,700,073)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(72,328)</u>
Total net position - governmental activities	<u><u>\$ 12,536,975</u></u>

City of Elko New Market
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

	General Fund (101)	Special Revenue Fire Department (103)	Debt Service 2011A G.O. Improvement Refunding Bond (318)
Revenues			
Property taxes	\$ 2,089,387	\$ 161,010	\$ 100,000
Special assessments	5,373	-	47,703
Licenses and permits	211,004	-	-
Intergovernmental	281,713	71,963	-
Charges for services	143,857	264,573	-
Fines and forfeitures	5,337	-	-
Miscellaneous			
Investment income	5,846	359	752
Contributions and donations	-	25,000	-
Other	51,268	6,962	-
Total revenues	<u>2,793,785</u>	<u>529,867</u>	<u>148,455</u>
Expenditures			
Current			
General government	856,773	-	-
Public safety	1,036,862	429,989	-
Public works	359,414	-	-
Parks and recreation	201,831	-	-
Debt service			
Principal	-	-	115,000
Interest and other charges	-	-	20,479
Capital outlay			
General government	28,852	-	-
Public safety	2,169	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Total expenditures	<u>2,485,901</u>	<u>429,989</u>	<u>135,479</u>
Excess of revenues over (under) expenditures	307,884	99,878	12,976
Other Financing Sources (Uses)			
Transfers in	-	-	35,743
Transfers out	(247,499)	(115,427)	-
Total other financing sources (uses)	<u>(247,499)</u>	<u>(115,427)</u>	<u>35,743</u>
Net change in fund balances	60,385	(15,549)	48,719
Fund Balances			
Beginning of year	<u>1,268,586</u>	<u>67,666</u>	<u>315,594</u>
End of year	<u>\$ 1,328,971</u>	<u>\$ 52,117</u>	<u>\$ 364,313</u>

Other Governmental Funds	Total Governmental Funds
\$ 497,001	\$ 2,847,398
27,716	80,792
2,795	213,799
129,005	482,681
279,550	687,980
10,475	15,812
10,309	17,266
58,450	83,450
77,051	135,281
<u>1,092,352</u>	<u>4,564,459</u>
125,833	982,606
10,147	1,476,998
279,550	638,964
11,110	212,941
566,914	681,914
168,576	189,055
26,218	55,070
185,424	187,593
253,032	253,032
82,268	82,268
<u>1,709,072</u>	<u>4,760,441</u>
(616,720)	(195,982)
763,143	798,886
(435,960)	(798,886)
<u>327,183</u>	<u>-</u>
(289,537)	(195,982)
<u>3,504,558</u>	<u>5,156,404</u>
<u>\$ 3,215,021</u>	<u>\$ 4,960,422</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, 2022

Net change in fund balances - governmental funds \$ (195,982)

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	533,410
Depreciation expense	(827,828)
Net capital asset disposal	(1,482)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	3,728
---	-------

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.	706,173
--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the funds because interest is recognized as an expenditure in the funds when it is due and thus governmental 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.	10,016
--	--------

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	(253,776)
State contribution	23,793

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes delinquent	3,999
Special assessments deferred and delinquent	(46,990)

Change in net position - governmental activities	\$ (44,939)
--	-------------

City of Elko New Market
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Over (Under)
	Original and Final		
Revenues			
Property taxes	\$ 2,066,110	\$ 2,089,387	\$ 23,277
Special assessments	-	5,373	5,373
Licenses and permits	188,854	211,004	22,150
Intergovernmental	237,398	281,713	44,315
Charges for services	136,220	143,857	7,637
Fines and forfeitures	15,000	5,337	(9,663)
Investment income	1,400	5,846	4,446
Contributions and donations	1,000	-	(1,000)
Other	4,000	51,268	47,268
Total revenues	<u>2,649,982</u>	<u>2,793,785</u>	<u>143,803</u>
Expenditures			
Current			
General government	853,226	856,773	3,547
Public safety	985,280	1,036,862	51,582
Public works	354,030	359,414	5,384
Parks and recreation	212,009	201,831	(10,178)
Capital outlay			
General government	21,000	28,852	7,852
Public safety	3,700	2,169	(1,531)
Total expenditures	<u>2,429,245</u>	<u>2,485,901</u>	<u>56,656</u>
Excess of revenues over expenditures	220,737	307,884	87,147
Other Financing Sources (Uses)			
Transfers out	<u>(194,499)</u>	<u>(247,499)</u>	<u>(53,000)</u>
Net change in fund balance	<u>\$ 26,238</u>	60,385	<u>\$ 34,147</u>
Fund Balance			
Beginning of year		<u>1,268,586</u>	
End of year		<u>\$ 1,328,971</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, 2022**

	Budgeted Amounts		Variance with Final Budget- Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Property taxes	\$ 161,010	\$ 161,010	\$ -
Intergovernmental	66,010	71,963	5,953
Charges for services	264,573	264,573	-
Miscellaneous revenues			
Investment income	-	359	359
Contributions and donations	25,000	25,000	-
Other	-	6,962	6,962
Total revenues	<u>516,593</u>	<u>529,867</u>	<u>13,274</u>
Expenditures			
Current			
Public safety	404,253	429,989	25,736
Debt service			
Principal	156,000	-	(156,000)
Interest and other charges	14,685	-	(14,685)
Total expenditures	<u>574,938</u>	<u>429,989</u>	<u>(144,949)</u>
Excess of revenues over (under) expenditures	(58,345)	99,878	158,223
Other Financing Sources (Uses)			
Transfers In	84,145	-	(84,145)
Transfers out	<u>(25,800)</u>	<u>(115,427)</u>	<u>(89,627)</u>
Total other financing Sources (uses)	<u>58,345</u>	<u>(115,427)</u>	<u>(173,772)</u>
Net change in fund balance	<u>\$ -</u>	<u>(15,549)</u>	<u>\$ (15,549)</u>
Fund Balance			
Beginning of year		<u>67,666</u>	
End of year		<u>\$ 52,117</u>	

City of Elko New Market
Statement of Net Position - Proprietary Funds
December 31, 2022

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
Assets and Deferred Outflows of Resources				
Current assets				
Cash and cash equivalents	\$ 811,843	\$ 100,511	\$ 441,978	\$ 1,354,332
Special assessments receivable				
Current	41	35	8	84
Delinquent	4,881	3,621	667	9,169
Deferred	955,632	1,007,689	56,004	2,019,325
Accounts receivable	96,162	103,873	20,531	220,566
Short-term due from other governments	94	21	50	165
Lease receivable	38,680	-	-	38,680
Prepaid Expenses	2,980	25,536	333	28,849
Total current assets	<u>1,910,313</u>	<u>1,241,286</u>	<u>519,571</u>	<u>3,671,170</u>
Noncurrent assets				
Capital assets				
Water main and system	20,841,868	-	-	20,841,868
Sanitary sewer main and system	-	15,562,116	-	15,562,116
Storm sewer system	-	-	4,911,328	4,911,328
Machinery and equipment	76,057	111,545	18,267	205,869
Construction in progress	-	630	-	630
Total capital assets	<u>20,917,925</u>	<u>15,674,291</u>	<u>4,929,595</u>	<u>41,521,811</u>
Less accumulated depreciation	<u>(4,713,586)</u>	<u>(7,289,752)</u>	<u>(1,726,251)</u>	<u>(13,729,589)</u>
Net capital assets	<u>16,204,339</u>	<u>8,384,539</u>	<u>3,203,344</u>	<u>27,792,222</u>
Total noncurrent assets	<u>16,204,339</u>	<u>8,384,539</u>	<u>3,203,344</u>	<u>27,792,222</u>
Deferred outflows of resources				
Deferred outflows of resources related to pensions	<u>81,031</u>	<u>70,567</u>	<u>14,936</u>	<u>166,534</u>
Total assets and deferred outflows of resources	<u>\$ 18,195,683</u>	<u>\$ 9,696,392</u>	<u>\$ 3,737,851</u>	<u>\$ 31,629,926</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities				
Accounts payable	\$ 38,873	\$ 119,291	\$ 6,613	\$ 164,777
Salaries and benefits payable	11,698	9,844	2,346	23,888
Interest payable	55,955	31,178	833	87,966
Interfund loan payable	-	-	16,295	16,295
Due to other governments	2,156	694	154	3,004
Compensated absences - current	10,369	9,115	2,075	21,559
Bonds payable due within one year	203,514	193,514	40,970	437,998
Loan payable due within one year	-	55,686	-	55,686
PFA Notes from direct borrowings due within one year	519,000	-	-	519,000
Total current liabilities	<u>841,565</u>	<u>419,322</u>	<u>69,286</u>	<u>1,330,173</u>
Noncurrent liabilities				
Compensated absences	11,954	11,590	2,684	26,228
Bonds payable	2,259,543	2,086,913	39,759	4,386,215
Loan payable	-	1,193,828	-	1,193,828
PFA Notes from direct borrowings	6,063,000	-	-	6,063,000
Net pension liability	239,339	208,433	44,116	491,888
Total noncurrent liabilities	<u>8,573,836</u>	<u>3,500,764</u>	<u>86,559</u>	<u>12,161,159</u>
Total liabilities	<u>9,415,401</u>	<u>3,920,086</u>	<u>155,845</u>	<u>13,491,332</u>
Deferred inflows of resources				
Deferred inflows of resources related to pensions	3,413	2,972	629	7,014
Deferred inflows of resources related to leases	38,680	-	-	38,680
	<u>42,093</u>	<u>2,972</u>	<u>629</u>	<u>45,694</u>
Net Position				
Net investment in capital assets	7,159,282	6,104,112	3,122,615	16,386,009
Unrestricted	<u>1,578,907</u>	<u>(330,778)</u>	<u>458,762</u>	<u>1,706,891</u>
Total net position	<u>8,738,189</u>	<u>5,773,334</u>	<u>3,581,377</u>	<u>18,092,900</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,192,270</u>	<u>\$ 9,693,420</u>	<u>\$ 3,737,222</u>	<u>\$ 31,622,912</u>

See notes to basic financial statements.

City of Elko New Market
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
Operating Revenues				
Charges for services	\$ 1,093,444	\$ 935,900	\$ 202,299	\$ 2,231,643
Permits, hookup fees, and penalties	248,351	265,351	13,250	526,952
Miscellaneous operating revenues	5,975	5,025	18,200	29,200
Total operating revenues	<u>1,347,770</u>	<u>1,206,276</u>	<u>233,749</u>	<u>2,787,795</u>
Operating Expenses				
Wages and salaries	255,625	222,645	46,800	525,070
Employee benefits	98,987	84,754	18,293	202,034
Materials and supplies	44,573	12,550	9,381	66,504
Repairs and maintenance	64,815	4,612	6,083	75,510
Professional services	108,706	24,716	29,826	163,248
Insurance	21,436	18,006	4,287	43,729
Utilities	89,784	18,612	656	109,052
Depreciation	440,181	248,039	98,212	786,432
Bad debt expense	7,275	7,275	-	14,550
Small tools	4,364	4,364	358	9,086
MCES charges	-	420,142	-	420,142
Miscellaneous	27,909	11,482	14,209	53,600
Total operating expenses	<u>1,163,655</u>	<u>1,077,197</u>	<u>228,105</u>	<u>2,468,957</u>
Operating income (loss)	184,115	129,079	5,644	318,838
Nonoperating Revenues (Expenses)				
Investment income	2,174	189	1,266	3,629
Special assessments	-	-	3,738	3,738
Interest expense	(121,492)	(101,562)	(3,255)	(226,309)
Total nonoperating revenues (expenses)	<u>(119,318)</u>	<u>(101,373)</u>	<u>1,749</u>	<u>(218,942)</u>
Change in net position before capital contributions	64,797	27,706	7,393	99,896
Capital contributions - intergovernmental	-	166,000	-	166,000
Capital contributions - special assessments	7,792	161,155	1,845	170,792
Change in net position	72,589	354,861	9,238	436,688
Net Position				
Beginning of year, as previously stated	<u>8,698,129</u>	<u>5,473,346</u>	<u>3,602,187</u>	<u>17,773,662</u>
Prior Period Adjustment (Note 11)	<u>(32,529)</u>	<u>(54,873)</u>	<u>(30,048)</u>	<u>(117,450)</u>
Beginning of year, restated	<u>8,665,600</u>	<u>5,418,473</u>	<u>3,572,139</u>	<u>17,656,212</u>
End of year	<u>\$ 8,738,189</u>	<u>\$ 5,773,334</u>	<u>\$ 3,581,377</u>	<u>\$ 18,092,900</u>

City of Elko New Market
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Storm Sewer (620)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 1,424,980	\$ 1,107,756	\$ 241,213	\$ 2,773,949
Payments to suppliers	(333,446)	(481,219)	(64,267)	(878,932)
Payments to employees	(329,932)	(285,719)	(60,403)	(676,054)
Net cash flows - operating activities	<u>761,602</u>	<u>340,818</u>	<u>116,543</u>	<u>1,218,963</u>
Cash Flows - Noncapital Financing Activities				
Payments to/from other funds for interfund borrowing	-	-	(15,993)	(15,993)
Net cash flows - noncapital financing activities	<u>-</u>	<u>-</u>	<u>(15,993)</u>	<u>(15,993)</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(635,543)	(170,052)	(39,030)	(844,625)
Interest paid on debt	(137,461)	(113,543)	(4,343)	(255,347)
Proceeds from disposal of capital assets	22,455	-	-	22,455
Acquisition of capital assets	(2,919)	(66,575)	(10,642)	(80,136)
Net cash flows - capital and related Financing activities	<u>(753,468)</u>	<u>(350,170)</u>	<u>(54,015)</u>	<u>(1,157,653)</u>
Cash Flows - Investing Activities				
Interest and dividends received	<u>2,174</u>	<u>189</u>	<u>1,266</u>	<u>3,629</u>
Net change in cash and cash equivalents	10,308	(9,163)	47,801	48,946
Cash and Cash Equivalents				
January 1	<u>801,535</u>	<u>109,674</u>	<u>394,177</u>	<u>1,305,386</u>
December 31	<u>\$ 811,843</u>	<u>\$ 100,511</u>	<u>\$ 441,978</u>	<u>\$ 1,354,332</u>
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities				
Operating loss	\$ 184,115	\$ 129,079	\$ 5,644	\$ 318,838
Adjustments to reconcile operating loss To net cash flows - operating activities				
Miscellaneous revenue	-	-	3,738	3,738
Depreciation expense	440,181	248,039	98,212	786,432
Pension related activity	22,705	20,247	4,160	47,112
Special assessments receivable	59,711	(85,964)	6,348	(19,905)
Accounts receivable	17,593	(12,535)	(2,572)	2,486
Due from other governments	(94)	(21)	(50)	(165)
Prepaid items	10,749	(18,095)	1,495	(5,851)
Accounts payable	24,796	58,667	(955)	82,508
Due to other governmental units	(129)	(32)	(7)	(168)
Salaries payable	952	706	518	2,176
Compensated absences payable	1,023	727	12	1,762
Total adjustments	<u>577,487</u>	<u>211,739</u>	<u>110,899</u>	<u>900,125</u>
Net cash flows - operating activities	<u>\$ 761,602</u>	<u>\$ 340,818</u>	<u>\$ 116,543</u>	<u>\$ 1,218,963</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of Elko New Market
Notes to Basic 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 \$5,009 in 2022. 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 Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Governmental Funds:

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

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.

Proprietary Funds:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

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

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

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value.

2. Receivables and Payables

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

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Scott County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

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

3. Land Held for Resale

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/Inflows of Resources (Continued)

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

6. Compensated Absences

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

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

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

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.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

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

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

8. Pensions

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

9. Other Post Employment Benefits

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

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.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Equity

a. Classification (Continued)

- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Administrator.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance and Net Position

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

11. Net Position

Net position represents the difference between assets and 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.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

F. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General, Fire Department, and Proprietary Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances

At December 31, 2022, the following Funds had deficit fund balances:

2021A 641 Main St. Land Purchase	\$ (7,585)
2012B Refunding/2003 G.O. Bonds	(5,464)
2023 New Market Street Reconstruction Project	(57,249)
2023 Fire Tanker Truck	(110,000)

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

City of Elko New Market
Notes to Basic Financial Statements

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 state pg42s all depositories approved by the City Council must maintain a sufficient level of depository insurance and collateralized securities to cover deposits made by the City.

As of December 31, 2022, the City's bank balance was exposed to custodial credit risk because it was not 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, 2022, the City had the following deposits and cash on hand:

Checking	\$ 500,299
Savings	5,223,426
CDARS	1,347,219
Petty cash	542
Total deposits	\$ 7,071,486

B. Investments

As of December 31, 2022, the City had the following investments:

Investment	Type	Maturity	Credit Rating	Market Value	Concentration Credit Risk
4M Fund	MM	N/A	NR	\$ 33,738	100.0%
Due within year				\$ 33,738	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.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all investments of City funds must be covered by security investor protection or other acceptable brokerage insurance to limit the City's exposure to custodial credit risk.

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2022, were as follows:

Deposits and cash on hand (Note 3. A)	\$ 7,071,486
Investments (Note 3. B.)	<u>33,738</u>
Total deposits and investments	<u><u>\$ 7,105,224</u></u>

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 7,105,224</u></u>

City of Elko New Market
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Prior period adjustment	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land and easements	\$ 1,521,712	\$ -	\$ -	\$ -	\$ 1,521,712
Construction in progress	7,942	-	158,535	-	166,477
Total capital assets not being depreciated	<u>1,529,654</u>	<u>-</u>	<u>158,535</u>	<u>-</u>	<u>1,688,189</u>
Capital assets being depreciated					
Buildings	1,998,134	-	-	-	1,998,134
Machinery and equipment	3,836,533	-	354,923	74,631	4,116,825
Improvements	1,697,631	-	19,952	-	1,717,583
Infrastructure	<u>11,958,898</u>	<u>371,500</u>	<u>-</u>	<u>-</u>	<u>12,330,398</u>
Total capital assets being depreciated	<u>19,491,196</u>	<u>371,500</u>	<u>374,875</u>	<u>74,631</u>	<u>20,162,940</u>
Less accumulated depreciation for					
Buildings	729,599	-	46,870	-	776,469
Machinery and equipment	1,706,649	-	305,215	73,149	1,938,715
Improvements	699,531	-	96,529	-	796,060
Infrastructure	<u>3,953,865</u>	<u>36,375</u>	<u>379,214</u>	<u>-</u>	<u>4,369,454</u>
Total accumulated depreciation	<u>7,089,644</u>	<u>36,375</u>	<u>827,828</u>	<u>73,149</u>	<u>7,880,698</u>
Total capital assets being depreciated, net	<u>12,401,552</u>	<u>335,125</u>	<u>(452,953)</u>	<u>1,482</u>	<u>12,282,242</u>
Governmental activities capital assets, net	<u>\$ 13,931,206</u>	<u>\$ 335,125</u>	<u>\$ (294,418)</u>	<u>\$ 1,482</u>	<u>\$ 13,970,431</u>

See Note 11 for more information on the prior period adjustment.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 3,438,606	\$ 283,418	\$ 3,721,394	\$ 630
Capital assets being depreciated				
Water main and system	18,853,061	1,988,807	-	20,841,868
Sanitary sewer main and system	13,730,883	1,831,233	-	15,562,116
Storm sewer system	4,898,841	12,487	-	4,911,328
Machinery and equipment	212,649	-	6,780	205,869
Total capital assets being depreciated	37,695,434	3,832,527	6,780	41,521,181
Less accumulated depreciation for				
Water main and system	4,222,489	437,806	-	4,660,295
Sanitary sewer main and system	6,947,935	246,859	-	7,194,794
Storm sewer system	1,609,872	98,034	-	1,707,906
Machinery and equipment	169,563	3,733	6,702	166,594
Total accumulated depreciation	12,949,859	786,432	6,702	13,729,589
Total capital assets being depreciated, net	24,745,575	3,046,095	78	27,791,592
Business-type activities capital assets, net	\$ 28,184,181	\$ 3,329,513	\$ 3,721,472	\$ 27,792,222

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

Governmental activities	
General government	\$ 49,622
Public safety	241,843
Public works	430,962
Parks and recreation	105,401
Total depreciation expense - governmental activities	\$ 827,828
Business-type activities	
Water	\$ 440,181
Sewer	248,039
Storm sewer	98,212
Total depreciation expense - business-type activities	\$ 786,432

City of Elko New Market
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT

A. General Obligation Bonds

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

B. Notes from Direct Borrowings

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

A Reserve Capacity Loan from the Metropolitan Council was recorded during 2012 for the sum of \$197,568 to cover the increment cost of City trunk sewer connections. Since 2012, additional borrowing and payments occurred resulting in an ending balance of \$1,200,000. Interest on financing is effective at 4.07%. Principal and interest is payable on the loan annually through June 30, 2040.

C. PFA Notes from Direct Borrowings

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

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

City of Elko New Market
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental activities						
G.O. Bonds and Notes, including						
refunding bonds						
G.O. Taxable Library Notes 2010A	12/14/10	3.07%	\$ 450,000	02/01/32	\$ 275,323	\$ 25,000
G.O. Improvement Refunding						
Bonds 2011A	07/01/11	2.00%-3.75%	1,380,000	02/01/26	500,000	120,000
G.O. Refunding Bonds 2012B	11/05/12	0.60%-2.10%	115,000	02/01/24	20,000	10,000
G.O. Bonds 2013A	12/15/13	3.00%-3.50%	1,272,000	02/01/29	572,400	102,971
G.O. Bonds 2015A	08/20/15	2.00%-3.00%	1,385,000	02/01/26	520,000	160,000
G.O. Refunding Bonds 2015B	08/20/15	2.00%-2.50%	335,000	02/01/24	100,000	50,000
G.O. Bonds 2020A	06/11/20	2.00%-4.00%	4,355,000	02/01/40	3,855,000	235,000
G.O. Bonds 2021A	06/10/21	1.50%-4.00%	445,000	02/01/41	445,000	20,000
Bond premium					281,815	-
Total G.O. Bonds and Notes					6,569,538	722,971
Compensated absences					123,731	87,390
Total governmental activities					<u>\$ 6,693,269</u>	<u>\$ 810,361</u>
Business-type activities						
G.O. Bonds and Notes, including						
Refunding Bonds						
G.O. Refunding Bonds 2012B	11/05/12	0.60%-2.10%	\$ 1,175,000	02/01/25	\$ 330,000	\$ 120,000
G.O. Bonds 2013A	12/15/13	3.00%-3.50%	828,000	02/01/29	372,600	67,998
G.O. PFA Water Revenue Note 2013	10/29/14	0.11%-2.85%	10,194,232	08/20/34	6,582,000	519,000
G.O. Refunding Bonds 2015B	08/20/15	2.00%-2.50%	605,000	02/01/24	185,000	90,000
G.O. Bonds 2020A	06/11/20	2.00%-4.00%	230,000	02/01/40	205,000	15,000
G.O. Bonds 2021A	06/10/21	1.50%-4.00%	3,520,000	02/01/41	3,520,000	145,000
Bond premium/discount					211,613	-
Total G.O. Bonds and Notes					11,406,213	956,998
Metropolitan council loan payable	2010	4.07%	239,000	2031	131,155	12,357
Metropolitan council loan payable	2021	4.07%	1,200,000	2040	1,118,359	43,329
Compensated absences					47,787	21,559
Total business-type activities					<u>\$ 12,703,514</u>	<u>\$ 1,034,243</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 Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Change in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable					
G.O. Bonds and notes	\$ 6,969,637	\$ -	\$ 681,914	\$ 6,287,723	\$ 722,971
Bond premium	306,074	-	24,259	281,815	-
Total bonds and notes payable	<u>7,275,711</u>	<u>-</u>	<u>706,173</u>	<u>6,569,538</u>	<u>722,971</u>
Compensated absences	<u>127,459</u>	<u>83,662</u>	<u>87,390</u>	<u>123,731</u>	<u>87,390</u>
Total governmental Activities	<u>7,403,170</u>	<u>83,662</u>	<u>793,563</u>	<u>6,693,269</u>	<u>810,361</u>
Business-type activities					
Bonds payable					
G.O. Revenue bonds	445,000	-	115,000	330,000	120,000
G.O. Bonds	4,445,685	-	163,086	4,282,599	317,998
Bond premium/discount	224,621	-	13,007	211,614	-
Total bonds payable	<u>5,115,306</u>	<u>-</u>	<u>291,093</u>	<u>4,824,213</u>	<u>437,998</u>
PFA note from direct borrowing	7,096,000	-	514,000	6,582,000	519,000
Notes from direct borrowing	1,303,023	-	53,509	1,249,514	55,686
Compensated absences	<u>46,025</u>	<u>45,128</u>	<u>43,366</u>	<u>47,787</u>	<u>21,559</u>
Total business-type activities	<u>13,560,354</u>	<u>45,128</u>	<u>901,968</u>	<u>12,703,514</u>	<u>1,034,243</u>
Total long-term liabilities	<u>\$ 20,963,524</u>	<u>\$ 128,790</u>	<u>\$ 1,695,531</u>	<u>\$ 19,396,783</u>	<u>\$ 1,844,604</u>

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

Years Ending December 31,	G.O. Bonds and Notes		
	Principal	Interest	Total
2023	\$ 722,971	\$ 163,099	\$ 886,070
2024	743,971	142,371	886,342
2025	656,657	120,825	777,482
2026	537,657	101,292	638,949
2027	386,687	85,398	472,085
2028-2032	1,594,780	244,188	1,838,968
2033-2037	975,000	115,150	1,090,150
2038-2041	<u>670,000</u>	<u>21,320</u>	<u>691,320</u>
Total	<u>\$ 6,287,723</u>	<u>\$ 993,643</u>	<u>\$ 7,281,366</u>

City of Elko New Market
Notes to Basic Financial Statements

NOTE 5 – 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
2023	\$ 120,000	\$ 5,490	\$ 125,490	\$ 317,998	\$ 100,907	\$ 418,905
2024	125,000	3,098	128,098	326,060	91,708	417,768
2025	85,000	893	85,893	210,343	83,810	294,153
2026	-	-	-	220,343	77,218	297,561
2027	-	-	-	222,314	70,388	292,702
2028-2032	-	-	-	1,065,541	243,954	1,309,495
2033-2037	-	-	-	1,050,000	128,875	1,178,875
2038-2041	-	-	-	870,000	34,050	904,050
Total	\$ 330,000	\$ 9,481	\$ 339,481	\$ 4,282,599	\$ 830,910	\$ 5,113,509

Years Ending December 31,	Notes from Direct Borrowing			PFA Note from Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
	2023	\$ 55,686	\$ 50,855	\$ 106,541	\$ 519,000	\$ 65,820
2024	57,952	48,589	106,541	525,000	60,630	585,630
2025	60,311	46,230	106,541	530,000	55,380	585,380
2026	62,757	43,776	106,533	534,000	50,080	584,080
2027	65,320	41,221	106,541	540,000	44,740	584,740
2028-2032	351,024	163,987	515,011	2,782,000	141,720	2,923,720
2033-2037	350,225	94,007	444,232	1,152,000	17,300	1,169,300
2038-2041	246,239	20,310	266,549	-	-	-
Total	\$ 1,249,514	\$ 508,975	\$ 1,758,489	\$ 6,582,000	\$ 435,670	\$ 7,017,670

Years Ending December 31,	Total Business-Type Activities		
	Principal	Interest	Total
2023	\$ 1,012,684	\$ 223,072	\$ 1,235,756
2024	1,034,012	204,025	1,238,037
2025	885,654	186,313	1,071,967
2026	817,100	171,074	988,174
2027	827,634	156,349	983,983
2028-2032	4,198,565	549,661	4,748,226
2033-2037	2,552,225	240,182	2,792,407
2037-2041	1,116,239	54,360	1,170,599
Total	\$ 12,444,113	\$ 1,785,036	\$ 14,229,149

City of Elko New Market
Notes to Basic Financial Statements

NOTE 6 – EQUITY

	General	Fire Department	2011A G.O. Improvement Refunding Bond	Nonmajor Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 5,072	\$ 2,672	\$ -	\$ -	\$ 7,744
Restricted					
Police forfeitures	-	-	-	11,300	11,300
Park dedication	-	-	-	100,611	100,611
Charitable gambling	-	-	-	23,334	23,334
Debt service	-	-	364,313	564,126	928,439
Bond proceeds for capital	-	-	-	14,247	14,247
Committed					
Fire department	-	49,445	-	-	49,445
Economic development	-	-	-	116,911	116,911
Community events	-	-	-	12,228	12,228
PEG programming	-	-	-	26,050	26,050
COVID cares act funding	-	-	-	561	561
Assigned					
Capital projects	-	-	-	2,525,951	2,525,951
Unassigned	1,323,899	-	-	(180,298)	1,143,601
Total	\$ 1,328,971	\$ 52,117	\$ 364,313	\$ 3,215,021	\$ 4,960,422

NOTE 7 – 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 2022 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2022, 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 Basic Financial Statements

NOTE 8 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2022, was \$503,120. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$74,208. The City's contributions were equal to the required contributions as set by state statute.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$101,014. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,045,444 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$30,679. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0132% at the end of the measurement period and 0.0130% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,045,444
State of Minnesota's proportionate share of the net pension liability associated with the City	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">30,679</div>
Total	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 1,076,123</div>

For the year ended December 31, 2022, the City recognized pension expense of \$183,458 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$4,584 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,733	\$ 10,946
Changes in actuarial assumptions	233,126	3,962
Difference between projected and actual investment earnings	21,330	-
Changes in proportion	53,652	-
Contributions paid to PERA subsequent to the measurement date	37,104	-
Total	\$ 353,945	\$ 14,908

The \$37,104 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2023	\$ 129,424
2024	107,126
2025	(29,162)
2026	94,545
Total	\$ 301,933

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,027,848 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0466% at the end of the measurement period and 0.0393% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$307,860 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$88,523 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$17,171 for the year ended December 31, 2022, 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.

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

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 114,739	\$ -
Changes in actuarial assumptions	1,127,447	8,799
Difference between projected and actual investment earnings	103,094	-
Changes in proportion	107,078	1,776
Contributions paid to PERA subsequent to the measurement Date	51,132	-
Total	<u>\$ 1,503,490</u>	<u>\$ 10,575</u>

The \$51,132 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, 2023. 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
2023	\$ 292,752
2024	287,597
2025	267,928
2026	415,393
2027	178,113
Total	<u>\$ 1,441,783</u>

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees 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 Basic Financial Statements**

NOTE 8 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate (Continued)

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,651,334	\$ 1,045,444	\$ 541,521
	1% Decrease in Discount Rate (4.4%)	Current Discount Rate (5.4%)	1% Increase in Discount Rate (6.4%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,068,888	\$ 2,027,848	\$ 1,186,230

I. Pension Plan Fiduciary Net Position

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

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

NOTE 8 – PENSION PLANS (CONTINUED)

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

A. Plan Description

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

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

B. Benefits Provided

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

C. Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>27</u>
Total	<u><u>31</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 \$66,010 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

E. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary increase	N/A average, including inflation
Investment rate of return	5.75 net of pensions plan investment expenses: including inflation

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5 %	-0.33 %
International equity	10	4.91
Domestic equity	50	4.42
Fixed income	35	1.00
Real estate	<u>0</u>	3.98
Total	<u><u>100 %</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.75%. 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 Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

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

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2022	\$ 3,754,386	\$ 4,689,339	\$ (934,953)
Changes for the year			
Service cost	142,976	-	142,976
Interest cost	224,098	-	224,098
Changes of benefit terms	113,571	-	113,571
State and local contributions	-	216,022	(216,022)
Donations and other income	-	25,000	(25,000)
Net Investment Income	-	(813,999)	813,999
Net changes	480,645	(572,977)	1,053,622
Balances at December 31, 2022	\$ 4,235,031	\$ 4,116,362	\$ 118,669

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 5.75%, 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 (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease Discount Rate 4.75%	Current Discount Rate 5.75%	1% Increase Discount Rate 6.75%
City's net pension liability (asset)	\$ 188,377	\$ 118,669	\$ 51,003

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 Basic Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

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

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

For the year ended December 31, 2022, the City recognized pension expense of \$204,220. At December 31, 2022, 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	\$ 75,710	\$ 140,727
Changes of assumptions	38,542	604
Net difference between projected and actual earnings on pension plan investments	375,891	-
Total	\$ 490,143	\$ 141,331

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

Year Ending December 31,	Total
2023	\$ (32,200)
2024	52,802
2025	151,575
2026	208,038
2027	(19,875)
Thereafter	(11,528)
Total	\$ 348,812

H. Payable to the Pension Plan

At December 31, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due from/to Other Funds

The composition of interfund balances as of December 31, 2022, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	Other governmental funds	\$ 172,879
Total Interfund Balances		<u>\$ 172,879</u>

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

B. Interfund Loan Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	Storm Sewer	<u>\$ 16,295</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

	<u>Transfers in</u>		<u>Total</u>
	<u>2011A G.O. Improvement Refunding Bond</u>	<u>Other Governmental Funds</u>	
Transfers out			
General fund	\$ -	\$ 247,499	\$ 247,499
Fire department	-	115,427	115,427
Other governmental funds	35,743	400,217	435,960
Total transfers	<u>\$ 35,743</u>	<u>\$ 763,143</u>	<u>\$ 798,886</u>

A transfer was made from the General Fund to the Capital Projects Fund and Economic Development Fund for amounts over 50% of fund reserves. Transfers were made from the Fire Department Fund and Capital Projects Fund to debt service funds to eliminate negative fund balances and assist with debt service requirements. A transfer was also made from the Fire Department Fund to the Capital Outlay Fire Department Fund for capital purchases. Transfers were made from the Capital Projects Fund to debt service funds to assist with debt service requirements. Transfers were made to and from various other governmental funds to close some funds as they are no longer in use.

City of Elko New Market
Notes to Basic Financial Statements

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the City is exposed to various claims and litigation. As of December 31, 2022, none of these activities are deemed to have a material impact on the City's financial statements.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of \$32,529 in the water fund, \$54,873 in the sewer fund, and \$30,048 in the storm sewer fund were made to deferred special assessment receivables.

Additionally, a prior period adjustment of \$335,125 was recorded in governmental activities to record additional capital assets of solar panels.

NOTE 12 – GASB STANDARDS ISSUED AND NOT YET IMPLEMENTED

GASB Statement No. 96, Subscription-Based Information Technology Arrangements establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered-Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0091%	\$ 471,609	\$ -	\$ 471,609	\$ 525,533	89.74%	78.19%
2016	0.0092%	746,994	9,840	756,834	573,013	130.36%	68.91%
2017	0.0096%	612,858	7,705	620,563	618,387	99.11%	75.90%
2018	0.0103%	571,402	18,852	590,254	693,653	82.38%	79.53%
2019	0.0104%	574,993	17,833	592,826	733,053	78.44%	80.23%
2020	0.0123%	737,441	22,598	760,039	874,480	84.33%	79.06%
2021	0.0130%	555,159	16,957	572,116	935,253	59.36%	87.00%
2022	0.0132%	1,045,444	30,679	1,076,123	991,120	105.48%	76.67%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered-Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0250%	\$ 284,059	N/A	\$ 284,059	\$ 224,852	126.33%	86.61%
2016	0.0250%	1,001,044	N/A	1,001,044	238,173	420.30%	63.88%
2017	0.0290%	388,925	N/A	388,925	301,537	128.98%	85.43%
2018	0.0313%	330,809	N/A	330,809	330,315	100.15%	88.84%
2019	0.0308%	327,897	N/A	327,897	324,698	100.99%	89.26%
2020	0.0365%	477,824	\$ 11,346	489,170	412,106	115.95%	87.19%
2021	0.0393%	299,817	13,616	313,433	416,168	72.04%	93.66%
2022	0.0466%	2,027,848	88,523	2,116,371	577,559	351.11%	70.53%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 41,511	\$ 41,511	\$ -	\$ 553,480	7.50%
2016	40,907	40,907	-	545,427	7.50%
2017	43,041	43,041	-	573,880	7.50%
2018	55,232	55,232	-	736,427	7.50%
2019	59,288	59,288	-	790,507	7.50%
2020	66,234	66,234	-	883,120	7.50%
2021	70,872	70,872	-	944,960	7.50%
2022	74,208	74,208	-	989,440	7.50%

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

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

Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 36,157	\$ 36,157	\$ -	\$ 223,191	16.20%
2016	41,339	41,339	-	255,179	16.20%
2017	51,233	51,233	-	316,253	16.20%
2018	55,577	55,577	-	343,068	16.20%
2019	64,092	64,092	-	378,124	16.95%
2020	79,161	79,161	-	447,237	17.70%
2021	95,689	95,689	-	540,616	17.70%
2022	101,014	101,014	-	570,701	17.70%

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

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

	Measurement Date			
	2015	2016	2017	2018
Total pension liability (TPL)				
Service cost	\$ 67,600	\$ 82,614	\$ 72,898	\$ 75,141
Interest on the pension liability	97,341	109,560	129,323	120,993
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	232,390
Benefit payments	(116,388)	-	(127,273)	(401,080)
Net change in TPL	195,333	163,241	80,198	27,444
TPL - beginning	1,548,054	1,743,387	1,906,628	1,986,826
TPL - ending	<u>\$ 1,743,387</u>	<u>\$ 1,906,628</u>	<u>\$ 1,986,826</u>	<u>\$ 2,014,270</u>
Plan fiduciary net position (PFNP)				
Fire state aid	\$ 43,428	\$ 44,342	\$ 44,722	\$ 46,244
Fire supplemental aid	10,626	10,756	10,821	11,003
Municipal contribution	103,144	107,833	112,521	118,447
Donations and other income	29,000	16,000	9,000	8,100
Net investment income	(57,138)	111,403	392,217	(109,642)
Administrative fee	(13)	-	-	-
Benefit payments	(116,388)	-	(127,273)	(401,080)
Net change in PFNP	12,659	290,334	442,008	(326,928)
PFNP - beginning	2,125,846	2,138,505	2,428,839	2,870,847
PFNP - ending	<u>\$ 2,138,505</u>	<u>\$ 2,428,839</u>	<u>\$ 2,870,847</u>	<u>\$ 2,543,919</u>
Net pension liability - ending	<u>\$ (395,118)</u>	<u>\$ (522,211)</u>	<u>\$ (884,021)</u>	<u>\$ (529,649)</u>
Plan fiduciary net position as a percentage of the total pension lia	122.7%	127.4%	144.5%	126.3%

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

Measurement Date			
2019	2020	2021	2022
\$ 89,215	\$ 94,524	\$ 114,335	\$ 142,976
127,199	133,644	175,867	224,098
164,778	-	(179,562)	-
30,554	-	28,909	-
-	455,749	798,052	113,571
(293,148)	-	-	-
<u>118,598</u>	<u>683,917</u>	<u>937,601</u>	<u>480,645</u>
<u>2,014,270</u>	<u>2,132,868</u>	<u>2,816,785</u>	<u>3,754,386</u>
<u>\$ 2,132,868</u>	<u>\$ 2,816,785</u>	<u>\$ 3,754,386</u>	<u>\$ 4,235,031</u>
\$ 48,828	\$ 52,118	\$ 54,549	\$ 59,878
19,304	11,505	11,461	12,085
124,380	132,607	137,170	144,059
13,000	-	-	25,000
565,067	670,679	597,900	(813,999)
-	-	-	-
(293,148)	-	-	-
<u>477,431</u>	<u>866,909</u>	<u>801,080</u>	<u>(572,977)</u>
<u>2,543,919</u>	<u>3,021,350</u>	<u>3,888,259</u>	<u>4,689,339</u>
<u>\$ 3,021,350</u>	<u>\$ 3,888,259</u>	<u>\$ 4,689,339</u>	<u>\$ 4,116,362</u>
<u>\$ (888,482)</u>	<u>\$ (1,071,474)</u>	<u>\$ (934,953)</u>	<u>\$ 118,669</u>
141.7%	138.0%	124.9%	97.2%

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

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

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

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ - <u>(124,380)</u>	\$ - <u>(132,607)</u>	\$ - <u>(137,170)</u>	\$ - <u>(144,059)</u>
<u>\$ (124,380)</u>	<u>\$ (132,607)</u>	<u>\$ (137,170)</u>	<u>\$ (144,059)</u>
<u>\$ 60,132</u>	<u>\$ 63,623</u>	<u>\$ 66,010</u>	<u>\$ 71,963</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of Elko New Market
Notes to Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

City of Elko New Market
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Elko New Market
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Elko New Market
Notes to Required Supplementary Information

Police and Fire Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

City of Elko New Market
Notes to Required Supplementary Information

2019 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

City of Elko New Market
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

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

City of Elko New Market
Notes to Required Supplementary Information

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

2022 Changes

Changes in Plan Provisions

- The annual lump sum benefit increased from \$11,720 to \$11,785 per year, effective May 26, 2022.

2021 Changes

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.00% to 5.75% to reflect updated capital market assumptions.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2019, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2021, Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%.

2020 Changes

Changes in Plan Provisions

- The annual lump sum benefit increased from \$7,445 to \$8,795 per year, effective February 27, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

(THIS PAG LEFT BLANK INTENTIONALLY)

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, 2022**

	Budgeted Amounts		Variance with Final Budget- Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Property taxes	\$ 2,066,110	\$ 2,089,387	\$ 23,277
Special assessments	-	5,373	5,373
Licenses and permits	188,854	211,004	22,150
Intergovernmental revenue			
Local government aid	194,499	195,188	689
Market value credit	-	409	409
Police aid	42,899	55,090	12,191
Other grants and aids	-	31,026	31,026
Total intergovernmental revenue	<u>237,398</u>	<u>281,713</u>	<u>44,315</u>
Charges for services			
General government	37,800	32,868	(4,932)
Public works	95,420	107,450	12,030
Parks and recreation	3,000	3,539	539
Total charges for services	<u>136,220</u>	<u>143,857</u>	<u>7,637</u>
Fines and forfeitures	15,000	5,337	(9,663)
Miscellaneous revenues			
Investment income	1,400	5,846	4,446
Contributions and donations	1,000	-	(1,000)
Other	4,000	51,268	47,268
Total miscellaneous revenues	<u>6,400</u>	<u>57,114</u>	<u>50,714</u>
Total revenues	<u>2,649,982</u>	<u>2,793,785</u>	<u>143,803</u>
Expenditures			
General government			
Mayor and council	39,765	37,669	(2,096)
Administrative and finance	676,421	645,384	(31,037)
Other general government	137,040	173,720	36,680
Capital outlay	21,000	28,852	7,852
Total general government	<u>874,226</u>	<u>885,625</u>	<u>11,399</u>
Public safety			
Police			
Current	849,458	875,330	25,872
Capital outlay	3,700	2,169	(1,531)
Total police	<u>853,158</u>	<u>877,499</u>	<u>24,341</u>
Other			
Current	135,822	161,532	25,710
Total public safety	<u>988,980</u>	<u>1,039,031</u>	<u>50,051</u>

**City of Elko New Market
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Over (Under)
	Original and Final		
Expenditures (Continued)			
Public works			
Streets and highways			
Street maintenance and storm sewers	\$ 354,030	\$ 359,414	\$ 5,384
Parks and recreation			
Parks and recreation			
Current	212,009	201,831	(10,178)
Total expenditures	2,429,245	2,485,901	56,656
Excess of revenues over expenditures	220,737	307,884	87,147
Other Financing Sources (Uses)			
Transfers out	(194,499)	(247,499)	(53,000)
Net change in fund balance	\$ 26,238	60,385	\$ 34,147
Fund Balance			
Beginning of year		1,268,586	
End of year		\$ 1,328,971	

**City of Elko New Market
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Special Revenue			
	Police Forfeitures (104)	Park Dedication (230)	Charitable Gambling (240)	Economic Development (260)
Assets				
Cash and investments	\$ 11,300	\$ 100,611	\$ 44,092	\$ 116,911
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	28,151	-	-
Accounts receivable	-	-	2,498	-
Due from other funds	-	-	-	-
Interfund loan receivable	-	-	-	-
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 11,300</u>	<u>\$ 128,762</u>	<u>\$ 46,590</u>	<u>\$ 116,911</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 23,256	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>23,256</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	28,151	-	-
Total deferred inflows of resources	<u>-</u>	<u>28,151</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)				
Restricted	11,300	100,611	23,334	-
Committed	-	-	-	116,911
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>11,300</u>	<u>100,611</u>	<u>23,334</u>	<u>116,911</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,300</u>	<u>\$ 128,762</u>	<u>\$ 46,590</u>	<u>\$ 116,911</u>

Special Revenue				Debt Service		
Community Events (280)	Public Education and Government Programming (270)	ARPA COVID Funds (444)	Total	2012B Refunding/ 2003 G.O. Bonds (307)	2015B G.O. Refunding Bonds (315)	2010 G.O. Library Note (317)
\$ 13,031	\$ 26,387	\$ 85,400	\$ 397,732	\$ -	\$ 60,522	\$ 29,859
-	-	-	-	-	-	-
-	-	-	-	-	1,353	-
-	-	-	28,151	-	8,110	-
-	654	-	3,152	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	180	-
<u>\$ 13,031</u>	<u>\$ 27,041</u>	<u>\$ 85,400</u>	<u>\$ 429,035</u>	<u>\$ -</u>	<u>\$ 70,165</u>	<u>\$ 29,859</u>
\$ 803	\$ -	\$ -	\$ 24,059	\$ 38	\$ 152	\$ -
-	-	-	-	-	-	-
-	-	-	-	5,426	-	-
-	991	7,060	8,051	-	-	-
<u>803</u>	<u>991</u>	<u>84,839</u>	<u>109,889</u>	<u>5,464</u>	<u>152</u>	<u>-</u>
-	-	-	28,151	-	9,463	-
-	-	-	28,151	-	9,463	-
-	-	-	135,245	-	60,550	29,859
12,228	26,050	561	155,750	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(5,464)	-	-
<u>12,228</u>	<u>26,050</u>	<u>561</u>	<u>290,995</u>	<u>(5,464)</u>	<u>60,550</u>	<u>29,859</u>
<u>\$ 13,031</u>	<u>\$ 27,041</u>	<u>\$ 85,400</u>	<u>\$ 429,035</u>	<u>\$ -</u>	<u>\$ 70,165</u>	<u>\$ 29,859</u>

**City of Elko New Market
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Debt Service			
	2013A G.O. Bonds (319)	2015A G.O. Improvement Bond (320)	2020A Roundabout Construction (321)	2020A Pavement Rehab Project (322)
Assets				
Cash and investments	\$ 20,113	\$ 56,806	\$ 83,811	\$ 73,572
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Interfund loan receivable	-	-	-	-
Due from other governments	-	-	-	1,023
Total assets	<u>\$ 20,113</u>	<u>\$ 56,806</u>	<u>\$ 83,811</u>	<u>\$ 74,595</u>
Liabilities				
Accounts payable	\$ 83	\$ 424	\$ 106	\$ 51
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>83</u>	<u>424</u>	<u>106</u>	<u>51</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)				
Restricted	20,030	56,382	83,705	74,544
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>20,030</u>	<u>56,382</u>	<u>83,705</u>	<u>74,544</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,113</u>	<u>\$ 56,806</u>	<u>\$ 83,811</u>	<u>\$ 74,595</u>

Debt Service					Capital Projects	
2020A Police Station Remodel (323)	2020A Fire Dept Fire Truck (325)	2020A PW 2 Snow Plows (326)	2021A Land Purch By City Hall (324)	Total	Capital Projects (250)	Road Construction and Maintenance (290)
\$ 149,097	\$ 30,804	\$ 48,932	\$ 24,762	\$ 578,278	\$ 732,566	\$ 104,203
-	-	-	-	-	-	-
-	-	-	-	1,353	-	-
-	-	-	-	8,110	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	16,295	-
-	-	-	-	1,203	-	-
<u>\$ 149,097</u>	<u>\$ 30,804</u>	<u>\$ 48,932</u>	<u>\$ 24,762</u>	<u>\$ 588,944</u>	<u>\$ 748,861</u>	<u>\$ 104,203</u>
\$ 178	\$ 25	\$ 42	\$ 47	\$ 1,146	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	5,426	-	-
-	-	-	-	-	-	-
<u>178</u>	<u>25</u>	<u>42</u>	<u>47</u>	<u>6,572</u>	<u>-</u>	<u>-</u>
-	-	-	-	9,463	-	-
-	-	-	-	9,463	-	-
148,919	30,779	48,890	24,715	578,373	-	-
-	-	-	-	-	-	-
-	-	-	-	-	748,861	104,203
-	-	-	-	(5,464)	-	-
<u>148,919</u>	<u>30,779</u>	<u>48,890</u>	<u>24,715</u>	<u>572,909</u>	<u>748,861</u>	<u>104,203</u>
<u>\$ 149,097</u>	<u>\$ 30,804</u>	<u>\$ 48,932</u>	<u>\$ 24,762</u>	<u>\$ 588,944</u>	<u>\$ 748,861</u>	<u>\$ 104,203</u>

**City of Elko New Market
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Capital Projects			
	Developer Escrow (400)	2019 Pavement Rehab Project (446)	2023 New Market Street Reconstruction (451)	2021A 641 Main St Land Purchase (454)
Assets				
Cash and investments	\$ 444,774	\$ 14,122	\$ -	\$ -
Special assessments receivable				
Current	-	125	-	-
Delinquent	-	415	-	-
Deferred	-	101,714	-	-
Accounts receivable	606	-	-	-
Due from other funds	172,879	-	-	-
Interfund loan receivable	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 618,259</u>	<u>\$ 116,376</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,381	\$ -
Deposits payable	618,259	-	-	-
Due to other funds	-	-	49,868	7,585
Due to other governments	-	-	-	-
Total liabilities	<u>618,259</u>	<u>-</u>	<u>57,249</u>	<u>7,585</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	102,129	-	-
Total deferred inflows of resources	<u>-</u>	<u>102,129</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	14,247	-	-
Unassigned	-	-	(57,249)	(7,585)
Total fund balances	<u>-</u>	<u>14,247</u>	<u>(57,249)</u>	<u>(7,585)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 618,259</u>	<u>\$ 116,376</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects

2023 Fire Tanker Truck (456)	General Capital Outlay (501)	Capital Outlay Fire Department (503)	Total	Total Governmental Funds
\$ -	\$ 994,651	\$ 663,989	\$ 2,954,305	\$ 3,930,315
-	-	-	125	125
-	-	-	415	1,768
-	-	-	101,714	137,975
-	-	-	606	3,758
-	-	-	172,879	172,879
-	-	-	16,295	16,295
-	-	-	-	1,203
<u>\$ -</u>	<u>\$ 994,651</u>	<u>\$ 663,989</u>	<u>\$ 3,246,339</u>	<u>\$ 4,264,318</u>
\$ -	\$ -	\$ -	\$ 7,381	\$ 32,586
-	-	-	618,259	618,259
110,000	-	-	167,453	172,879
-	-	-	-	8,051
<u>110,000</u>	<u>-</u>	<u>-</u>	<u>793,093</u>	<u>909,554</u>
-	-	-	102,129	139,743
-	-	-	102,129	139,743
-	-	-	-	713,618
-	-	-	-	155,750
-	994,651	663,989	2,525,951	2,525,951
(110,000)	-	-	(174,834)	(180,298)
<u>(110,000)</u>	<u>994,651</u>	<u>663,989</u>	<u>2,351,117</u>	<u>3,215,021</u>
<u>\$ -</u>	<u>\$ 994,651</u>	<u>\$ 663,989</u>	<u>\$ 3,246,339</u>	<u>\$ 4,264,318</u>

City of Elko New Market
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue			
	Police Forfeitures (104)	Park Dedication (230)	Charitable Gambling (240)	Economic Development (260)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	10,475	-	-	-
Miscellaneous				
Investment income	28	288	145	348
Contributions and donations	-	-	-	-
Other	-	25,200	10,531	-
Total revenues	<u>10,503</u>	<u>25,488</u>	<u>10,676</u>	<u>348</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	10,147	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	43,699	-
Total expenditures	<u>10,147</u>	<u>-</u>	<u>43,699</u>	<u>-</u>
Excess of revenues over (under) expenditures	356	25,488	(33,023)	348
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	356	25,488	(33,023)	348
Fund Balances				
Beginning of year	<u>10,944</u>	<u>75,123</u>	<u>56,357</u>	<u>116,563</u>
End of year	<u>\$ 11,300</u>	<u>\$ 100,611</u>	<u>\$ 23,334</u>	<u>\$ 116,911</u>

Special Revenue				Debt Service		
Community Events (280)	Public Education and Government Programming (270)	ARPA COVID Funds (444)	Total	2012B Refunding/2003 G.O. Bonds (307)	2015B G.O. Refunding Bonds (315)	2010 G.O. Library Note (317)
\$ 4,800	\$ -	\$ -	\$ 4,800	\$ -	\$ 12,170	\$ -
-	-	-	-	-	4,254	-
-	2,795	-	2,795	-	-	-
-	-	125,833	125,833	-	-	-
-	-	-	-	-	-	-
-	-	-	10,475	-	-	-
-	-	-	-	-	-	-
34	82	478	1,403	-	38	-
4,200	-	-	4,200	-	-	-
2,161	-	-	37,892	-	-	-
<u>11,195</u>	<u>2,877</u>	<u>126,311</u>	<u>187,398</u>	<u>-</u>	<u>16,462</u>	<u>-</u>
-	-	125,833	125,833	-	-	-
-	-	-	10,147	-	-	-
-	-	-	-	-	-	-
11,110	-	-	11,110	-	-	-
-	-	-	-	10,000	45,000	25,000
-	-	-	-	563	3,413	9,379
-	-	-	-	-	-	-
-	3,520	-	3,520	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	43,699	-	-	-
<u>11,110</u>	<u>3,520</u>	<u>125,833</u>	<u>194,309</u>	<u>10,563</u>	<u>48,413</u>	<u>34,379</u>
85	(643)	478	(6,911)	(10,563)	(31,951)	(34,379)
-	-	-	-	-	-	-
-	-	-	-	10,300	39,706	33,611
-	-	-	-	-	-	-
-	-	-	-	<u>10,300</u>	<u>39,706</u>	<u>33,611</u>
85	(643)	478	(6,911)	(263)	7,755	(768)
12,143	26,693	83	297,906	(5,201)	52,795	30,627
<u>\$ 12,228</u>	<u>\$ 26,050</u>	<u>\$ 561</u>	<u>\$ 290,995</u>	<u>\$ (5,464)</u>	<u>\$ 60,550</u>	<u>\$ 29,859</u>

City of Elko New Market
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Debt Service			
	2013A G.O. Bonds (319)	2015A G.O. Improvement Bond (320)	2020A Roundabout Construction (321)	2020A Pavement Rehab Project (322)
Revenues				
Property taxes	\$ -	\$ -	\$ 74,261	\$ 48,116
Special assessments	-	-	-	23,462
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	-	-	146	125
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>74,407</u>	<u>71,703</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	-	-
Debt service				
Principal	96,914	160,000	45,000	45,000
Interest and other charges	20,337	14,099	27,531	14,861
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Park and recreation	-	-	-	-
Total expenditures	<u>117,251</u>	<u>174,099</u>	<u>72,531</u>	<u>59,861</u>
Excess of revenues over (under) expenditures	(117,251)	(174,099)	1,876	11,842
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	119,727	172,393	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>119,727</u>	<u>172,393</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,476	(1,706)	1,876	11,842
Fund Balances				
Beginning of year	<u>17,554</u>	<u>58,088</u>	<u>81,829</u>	<u>62,702</u>
End of year	<u>\$ 20,030</u>	<u>\$ 56,382</u>	<u>\$ 83,705</u>	<u>\$ 74,544</u>

Debt Service					Capital Projects		
2020A Police Station Remodel (323)	2020A Fire Dept Fire Truck (325)	2020A PW 2 Snow Plows (326)	2021A Land Purch By City Hall (324)	Total	Capital Projects (250)	Road Construction and Maintenance (290)	
\$ 123,454	\$ -	\$ -	\$ -	\$ 258,001	\$ -	\$ -	
-	-	-	-	27,716	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
271	-	2	-	582	3,461	311	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>123,725</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>286,299</u>	<u>3,461</u>	<u>311</u>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
75,000	26,000	39,000	-	566,914	-	-	
45,588	8,275	12,423	12,107	168,576	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>120,588</u>	<u>34,275</u>	<u>51,423</u>	<u>12,107</u>	<u>735,490</u>	<u>-</u>	<u>-</u>	
3,137	(34,275)	(51,421)	(12,107)	(449,191)	3,461	311	
-	-	-	-	-	-	-	
-	33,927	49,965	30,215	489,844	194,499	-	
-	-	-	-	-	(435,960)	-	
-	<u>33,927</u>	<u>49,965</u>	<u>30,215</u>	<u>489,844</u>	<u>(241,461)</u>	<u>-</u>	
3,137	(348)	(1,456)	18,108	40,653	(238,000)	311	
145,782	31,127	50,346	6,607	532,256	986,861	103,892	
<u>\$ 148,919</u>	<u>\$ 30,779</u>	<u>\$ 48,890</u>	<u>\$ 24,715</u>	<u>\$ 572,909</u>	<u>\$ 748,861</u>	<u>\$ 104,203</u>	

City of Elk New Market
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Capital Projects			
	Developer Escrow (400)	2019 Pavement Rehab Project (446)	2023 New Market Street Reconstruction (451)	2021A 641 Main St Land Purchase (454)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	279,550	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	-	42	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>279,550</u>	<u>42</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	279,550	-	-	-
Park and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	49,045	-
Park and recreation	-	-	-	-
Total expenditures	<u>279,550</u>	<u>-</u>	<u>49,045</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	42	(49,045)	-
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	42	(49,045)	-
Fund Balances				
Beginning of year	<u>-</u>	<u>14,205</u>	<u>(8,204)</u>	<u>(7,585)</u>
End of year	<u>\$ -</u>	<u>\$ 14,247</u>	<u>\$ (57,249)</u>	<u>\$ (7,585)</u>

Capital Projects

2023 Fire Tanker Truck (456)	General Capital Outlay (501)	Capital Outlay Fire Department (503)	Total	Total Other Governmental Funds
\$ -	\$ 234,200	\$ -	\$ 234,200	\$ 497,001
-	-	-	-	27,716
-	-	-	-	2,795
-	3,172	-	3,172	129,005
-	-	-	279,550	279,550
-	-	-	-	10,475
-	2,665	1,845	8,324	10,309
-	-	54,250	54,250	58,450
-	39,159	-	39,159	77,051
<u>-</u>	<u>279,196</u>	<u>56,095</u>	<u>618,655</u>	<u>1,092,352</u>
-	-	-	-	125,833
-	-	-	-	10,147
-	-	-	279,550	279,550
-	-	-	-	11,110
-	-	-	-	566,914
-	-	-	-	168,576
-	22,698	-	22,698	26,218
110,000	8,172	67,252	185,424	185,424
-	203,987	-	253,032	253,032
-	38,569	-	38,569	82,268
<u>110,000</u>	<u>273,426</u>	<u>67,252</u>	<u>779,273</u>	<u>1,709,072</u>
(110,000)	5,770	(11,157)	(160,618)	(616,720)
-	-	-	-	-
-	53,000	25,800	273,299	763,143
-	-	-	(435,960)	(435,960)
<u>-</u>	<u>53,000</u>	<u>25,800</u>	<u>(162,661)</u>	<u>327,183</u>
(110,000)	58,770	14,643	(323,279)	(289,537)
<u>-</u>	<u>935,881</u>	<u>649,346</u>	<u>2,674,396</u>	<u>3,504,558</u>
<u>\$ (110,000)</u>	<u>\$ 994,651</u>	<u>\$ 663,989</u>	<u>\$ 2,351,117</u>	<u>\$ 3,215,021</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 27, 2023.

Report on 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) 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be material weaknesses, Audit Findings 2022-001 and 2022-002.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on 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 other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

BerganKDV, Ltd.

Minneapolis, Minnesota
July 27, 2023

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Elko New Market, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, and have our report thereon dated July 27, 2023.

In connection with our audit, we noted that the City failed to comply with provisions of the *deposits and investments* section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses on Internal Control and Legal Compliance as item 2022-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities* insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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
July 27, 2023

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Material Weaknesses:

Audit Finding 2022-001 – Lack of Segregation of Accounting Duties

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

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

Utility Billing Process

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

Cash Receipts

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

Cash Reconciliation, Financial Reporting and System Access

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

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING: (CONTINUED)

Material Weaknesses: (Continued)

Audit Finding 2022-001 – Lack of Segregation of Accounting Duties (Continued)

City's Response:

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

Audit Finding 2022-002 – Prior Period and Material Audit Adjustments

During the course of our audit, we proposed prior period and 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:

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

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 AND PRIOR YEAR INTERNAL CONTROL FINDING: (CONTINUED)

Legal Compliance Finding:

Audit Finding 2022-003 – Obtain Sufficient Collateral

The depositories of public funds and public investment laws of *Minnesota Statutes* 118A.01 and 118A.03 require that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of Federal Depository Insurance Corporation (FDIC) insurance.

During our audit, we noted the City’s deposits at New Market Bank were undercollateralized as of December 31, 2022.

We recommend the City monitor the cash balances at all depositories to ensure the collateral pledged is sufficient.

City's Response:

The City will review collateral requirements and bank balances to ensure the City is in compliance with *Minnesota Statutes* 118A.01 and 118A.03.

FORM OF LEGAL OPINION

(See following pages)

FORM OF LEGAL OPINION

City of Elko New Market
Elko New Market, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation Bonds, Series 2024A
 City of Elko New Market, Scott County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance, and sale by the City of Elko New Market, Scott County, Minnesota (the “City”), of its General Obligation Bonds, Series 2024A dated, as originally issued, as of May [], 2024, in the total principal amount of \$[PAR] (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and based upon laws, regulations, rulings and decisions in effect on the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from the collection of ad valorem taxes and special assessments to be levied on property specially benefited by the improvements financed by the Bonds, which taxes and assessments are expected to produce amounts sufficient to pay the principal and interest on the Bonds when due; but, if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation as to rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

5. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code), and interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated: May [], 2024.

Very truly yours,

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)**

(See following pages)

FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2023, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the

effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “VALUATIONS – Current Property Valuations,” “DEBT – Direct Debt;” “TAX LEVIES, COLLECTIONS AND RATES – Tax Levies and Collections;” “GENERAL INFORMATION – U.S. Census Data – Population Trend;” and “– Employment/Unemployment Data;” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
 - (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults, if material;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) substitution of credit or liquidity providers, or their failure to perform;
 - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (G) modifications to rights of Bond holders, if material;
- (H) Bond calls, if material and tender offers;
- (I) defeasances;
- (J) release, substitution, or sale of property securing repayment of the Bonds if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, an event is material if a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also material if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction

over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to

(except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

TERMS OF PROPOSAL

**\$3,370,000* GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF ELKO NEW MARKET, MINNESOTA**

Proposals for the purchase of \$3,370,000* General Obligation Bonds, Series 2024A (the "Bonds") of the City of Elko New Market, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on April 25, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and Section 475.58, subd. 3b, by the City, for the purpose of financing various assessable public improvements within the City. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 9, 2024, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$180,000	2031	\$205,000	2036	\$240,000
2027	185,000	2032	215,000	2037	250,000
2028	190,000	2033	220,000	2038	265,000
2029	200,000	2034	230,000	2039	265,000
2030	205,000	2035	240,000	2040	280,000

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected U.S. Bank Trust Company, National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 9, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,329,560 plus accrued interest on the principal sum of \$3,370,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$67,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), in the Award Resolution, the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Elko New Market, Minnesota

PROPOSAL FORM

The City Council
City of Elko New Market, Minnesota (the "City")

April 25, 2024

RE: \$3,370,000* General Obligation Bonds, Series 2024A (the "Bonds")
DATED: May 9, 2024

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,329,560) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2026	_____ % due	2031	_____ % due	2036
_____ % due	2027	_____ % due	2032	_____ % due	2037
_____ % due	2028	_____ % due	2033	_____ % due	2038
_____ % due	2029	_____ % due	2034	_____ % due	2039
_____ % due	2030	_____ % due	2035	_____ % due	2040

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$67,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about May 9, 2024.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ___ NO: ___.

If the competitive sale requirements are not met, we elect to use either the: ___ 10% test, or the ___ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 9, 2024 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Elko New Market, Minnesota, on April 25, 2024.

By: _____ By: _____

Title: _____ Title: _____