



**Minnesota**

# Comprehensive Annual Financial Report

For the year Ended  
December 31, 2014



# **CITY OF ELK RIVER, MINNESOTA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2014**

**PREPARED BY THE FINANCE DEPARTMENT**

**Member of Government Finance Officers Association  
of the United States and Canada**

CITY OF ELK RIVER, MINNESOTA  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Page No.</u>
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
Certificate of Achievement .....	4
Organizational Chart .....	5
Elected and Appointed Officials .....	6
 <b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report .....	7
Management's Discussion and Analysis .....	9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities .....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	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 of Governmental Funds to the Statement of Activities .....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	26
Statement of Net Position - Proprietary Funds .....	27
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds .....	29
Statement of Cash Flows - Proprietary Funds .....	31
Statement of Fiduciary Net Position - Developer Escrow Agency Fund .....	35
Notes to Financial Statements .....	36
Required Supplementary Information	
Schedule of Funding Progress - Elk River Fire Relief Pension Plan .....	63
Schedule of Funding Progress - Other Postemployment Benefits .....	63
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds .....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	65
Nonmajor Special Revenue Funds:	
Subcombining Balance Sheet - Nonmajor Special Revenue Funds .....	66
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds .....	68
Special Revenue Funds:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Library .....	70

CITY OF ELK RIVER, MINNESOTA  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Page No.</u>
Special Revenue Funds:	
Schedules of Revenues, Expenditures, and Changes in	
Fund Balance - Budget and Actual:	
Ice Arena .....	71
Pinewood Golf Course .....	72
Landfill .....	73
Economic Development Authority .....	74
Nonmajor Debt Service Funds:	
Subcombining Balance Sheet - Nonmajor Debt Service Funds .....	75
Subcombining Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Nonmajor Debt Service Funds .....	76
Nonmajor Capital Projects Funds:	
Subcombining Balance Sheet – Nonmajor Capital Projects Funds .....	77
Subcombining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Capital Projects Funds .....	79
Statement of Changes in Assets and Liabilities -	
Developer Escrow Agency Fund .....	81
Component Unit Financial Statements:	
Housing and Redevelopment Authority:	
Fund Financial Statements:	
Balance Sheet .....	82
Reconciliation of the Governmental Fund Balance Sheet	
to the Statement of Net Position .....	83
Statement of Revenues, Expenditures, and Change in Fund Balance .....	84
Reconciliation of the Statement of Revenues, Expenditures,	
and Change in Fund Balance of Governmental Fund to the	
Statement of Activities .....	85
 III. STATISTICAL SECTION (UNAUDITED)	
Net Position by Component .....	86
Changes in Net Position .....	88
Fund Balances of Governmental Funds .....	92
Changes in Fund Balances of Governmental Funds .....	94
Electric Sales .....	96
Principal Electric Customers .....	97
Tax Capacity, Market Value and Estimated Actual Value of Taxable Property .....	98
Property Tax Rates .....	100
Principal Taxpayers .....	101
Property Tax Levies and Collections .....	102
Ratios of Outstanding Debt by Type .....	103
Ratios of General Bonded Debt Outstanding .....	105
Direct and Overlapping Governmental Activities Debt .....	106
Legal Debt Margin Information .....	107
Pledged-Revenue Coverage .....	109
Demographic and Economic Statistics .....	111
Principal Employers .....	112
Full-Time Equivalent Employees by Function .....	113
Operating Indicators by Function .....	114
Capital Asset Statistics by Function .....	115

# **INTRODUCTORY SECTION**



June 1, 2015

Honorable Mayor, Members of the City Council,  
and Citizens of Elk River:

The Comprehensive Annual Financial Report (CAFR) for the City of Elk River for the fiscal year ended December 31, 2014, is hereby submitted. Minnesota State Statutes and the City's ordinance require an annual audit of the City's accounts by the State Auditor's Office or by independent certified public accountants. The firm of Abdo, Eick, and Meyers was selected to perform the City's audit and their unmodified opinion has been included in this report. The independent auditor's report is included in the financial section of this report.

This report was prepared by the City's Finance Department and responsibility for both the completeness and accuracy of this data, as well as the fairness of this presentation including all enclosures, rests with the City. To the best of my knowledge and belief, the enclosed data are accurate in all material respects and are recorded in a manner designed to present fairly the financial position and the results of operations of the various funds of the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of these financial statements in accordance with generally accepted accounting principles (GAAP). Internal accounting controls are designed to provide reasonable but not absolute assurance regarding the safeguarding of the City's assets against loss, theft, or misuse, and ensuring that adequate financial records are maintained for preparing financial statements, and maintaining accountability for assets. The development of an appropriate internal control system requires estimates and judgments by management to ensure that the costs do not exceed the benefits of the system. The City of Elk River's internal control structure is designed so that the estimated costs of control do not exceed the benefits.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Elk River's MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements.

#### **Profile of the Government**

The City of Elk River was originally incorporated in 1880 and consolidated with Elk River Township in 1978 to form a city of 44 square miles. The City of Elk River is located in Sherburne County and serves as the county seat. Elk River is located approximately halfway between the metropolitan areas of Minneapolis/St. Paul and Saint Cloud along the Mississippi River. The City of Elk River has been growing and will not reach full development in the near future. The current population is approximately 23,656. Urban services are available to about one-third of the land area in the City.

The City of Elk River operates under a statutory form of government consisting of a four member City Council and a Mayor who is also a voting member. Council members are elected by ward to a four-year term with two Council seats up for election each even year. The Mayor is also elected to a four-year term. The City Council is responsible for adopting the City's budget and tax levy, passing resolutions and ordinances, all hiring and firing decisions, policy making, development and growth planning, and overall direction of the City.

In addition to providing general government services, the City of Elk River provides a full range of other services including police and fire protection, building and other safety inspections, planning and zoning, economic development, environmental services, parks and recreation, library, street, snow removal, infrastructure maintenance and repair, and others. The City also provides municipal water, sewer, garbage, and electric services and operates two off-sale liquor stores.

The annual budget serves as the foundation for the City of Elk River's financial planning and control. Budget requests are submitted by all departments to the Finance Department each May. The Finance Department compiles these requests into a proposed budget. The Finance Department and city administrator review the information and present a draft budget to the Council in July for consideration. Following Council discussion and public input, the final tax levy and budget are approved in December. The City's Financial Management Policies allow department heads to make administrative budget amendments (excluding personal service and capital outlay) throughout the year as long as the total department budget does not change and the amendment is approved by the city administrator and finance director. The Council approves additional budget amendments in December of each year. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund this comparison is presented on page 26 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets this comparison is presented in the governmental fund subsection of this report.

### **Local economy**

The local economy has continued to grow by the increase in building permits with a construction value of \$47,037,206 being issued in 2014. This is a 22 percent increase from 2013. New additions and remodels accounted for \$26,195,801 of new value, and an additional \$20,841,405 in residential construction with miscellaneous permits making up the balance. The number of new housing units remained steady from 82 in 2013 to 72 in 2014. Single family homes accounted for 68 units, 4 multi-family units, and 1-52 unit apartment building accounted for the new housing units in 2014. The average value of new homes increased to \$202,836.

Many of Elk River's largest employers reported stable or growing employment levels between 2014 and 2015. This is largely due to the upward trend in manufacturing activity in the region. Many larger Elk River employers are experiencing modest growth. There has been continual interest in both affordable and market rate multi-family housing projects.

Several Elk River companies made significant new improvements including Preferred Powder Coating with the construction of a new 100,000 sq. ft. facility; Sportech expanded their manufacturing facility, while several other businesses completed expansions and upgraded their facilities. The outlook in this region looks promising with anticipation of several commercial industrial projects working through the review process, with construction expected the last half of 2015.

### **Long-term financial planning**

As part of a yearly budget process, the City Council reviews the updated Financial Management Plan. The Financial Management Plan provides a long-range forecast that brings together future expenditures, revenues, and development of the City. The Council has been diligent in maintaining a level tax rate. This plan provides the information needed to develop in a manner that will sustain or expand City services while keeping the property taxes stable. Department heads take part in this process to estimate staff additions, service levels, and capital needs for the next ten years.

In addition, the City Council continually reviews cash flow analysis and long-term planning as part of the comprehensive Capital Improvement Plan (CIP) process. The CIP is a 5-year planning tool that forecasts the City's capital needs based on the City's long-range plans, goals, and policies.

### **Relevant Financial Policies**

The City Council has adopted several Financial Management Policies and continually monitors and updates the policies. The Financial Management Policies include: revenues, property taxes, investments, purchasing, financial reporting, reserves, fund balance, capital investment, and debt policies. The City's policy on fund balance states that the City will maintain an unassigned fund balance of not less than 40-45% of budgeted general fund operating expenditures. The percentage of unassigned fund balance at December 31, 2014 is 44%. Since property tax payments are received by the City in two installments in July and December, the City needs adequate cash reserves for cash flow in order to avoid short-term borrowing to finance operations.

Changes in state law over the past several years have resulted in funding changes for both schools and local governments. Replacements of Market Value Homestead Credits (MVHC) with the Market Value Exclusion (MVE) program and Local Government Aids (LGA) program have resulted in revenue losses to the City. Due to the uncertainty in receiving the aid from the state, the LGA and MVHC revenues are not included in the 2015 General

Fund budget. The City does not expect in the short-term to see LGA and MVHC amounts restored to previous year's levels.

### **Major Initiatives**

In 2014, the city continued execution of the 171<sup>st</sup> Avenue Focus Area Study, with the construction of Natures Edge Business Park Phase II. The project involved extending municipal streets and utilities to serve a new 36-acre business park. The city completed an update to our comprehensive plan and started working on a parks master plan update, these strategic initiatives will provide direction about future growth and land use of the city. The city also studied and determined the long-term funding plan to address our growing storm water management requirements. In addition, Elk River's Northstar Station continues to have the largest ridership numbers along the rail line that runs from Minneapolis to Big Lake.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Elk River for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This was the 25th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City received the GFOA Award for the Distinguished Budget Presentation for the City budget for the fiscal year beginning January 1, 2014. It was the 6<sup>th</sup> consecutive year the City received the award for the document.

The preparation of this report is made possible by the efficient and dedicated services of the entire staff of the city administrator's office and Finance Department. The Mayor and City Council are to be commended for their diligence and resolve in keeping the City in sound and stable financial condition. The City Council's commitment to continually plan for the City's future and dedication to maintain high financial standards has helped the City maintain its strong financial condition during a long period of growth and subsequent slowdown.

Respectfully submitted,



Timothy Simon  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

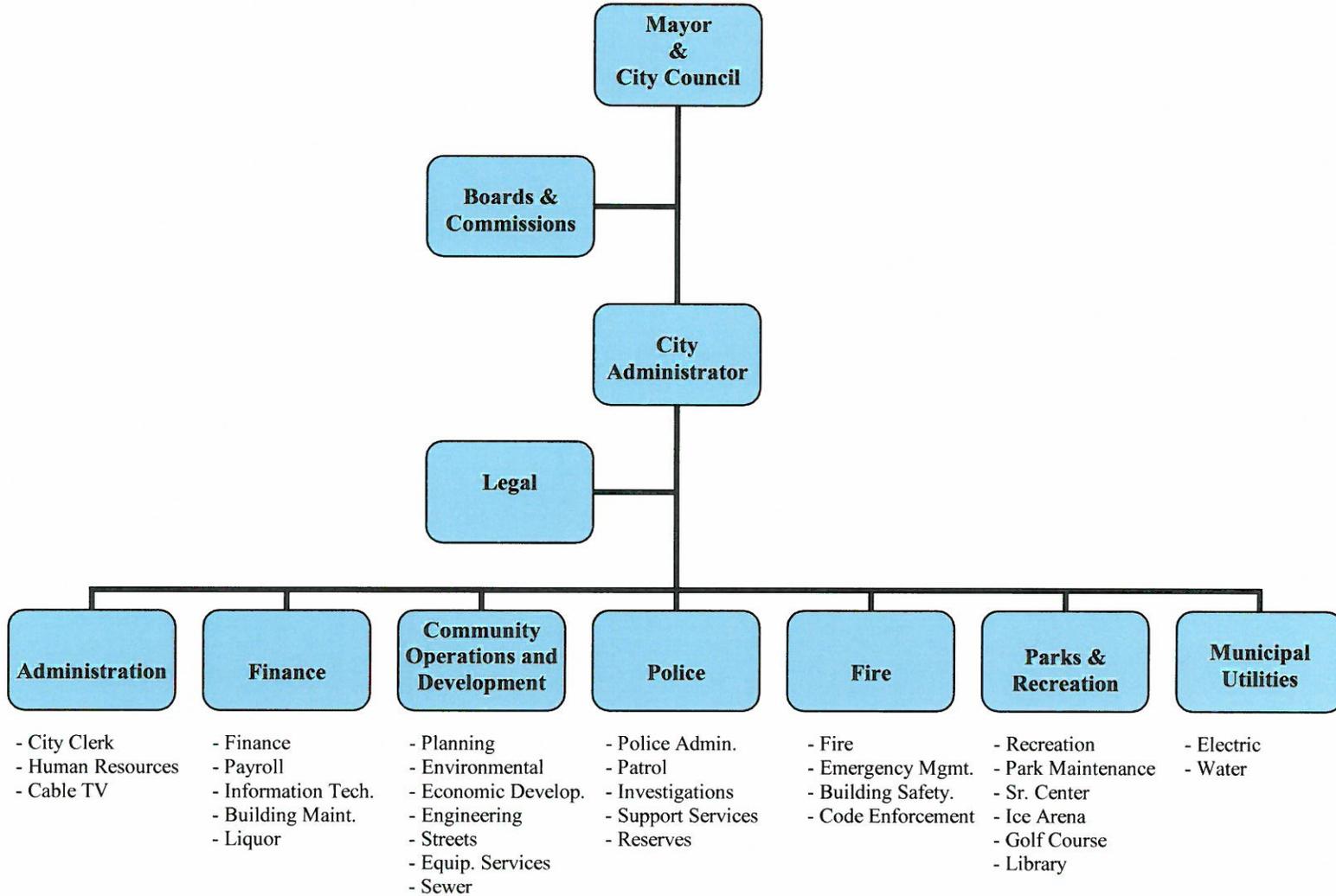
**City of Elk River  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

# CITY OF ELK RIVER ORGANIZATIONAL CHART



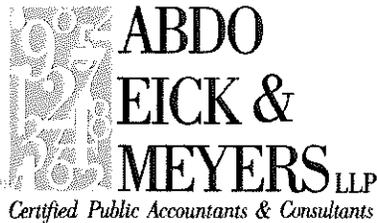
**CITY OF ELK RIVER, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>CITY COUNCIL</b>		<b>Term Expires <u>December 31,</u></b>
John Dietz	Mayor	2014
Barbara Burandt	Council member	2016
Paul Motin	Council member	2014
Matthew Westgaard	Council member	2016
Stewart Wilson	Council member	2014

**APPOINTED PERSONNEL**

Calvin Portner	City Administrator
Timothy Simon	Finance Director
Bradley Rolfe	Police Chief
T. John Cunningham	Fire Chief
Michael Hecker	Parks & Recreation Director
Justin Femrite	City Engineer
Suzanne Fischer	Community Operations & Development Director

# **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Elk River, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elk River, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 9 and the Schedule of Funding Progress on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 7, 2015

## Management's Discussion and Analysis

As management of the City of Elk River, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the city for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 3 of this report.

### Financial Highlights

The assets and deferred outflows of resources of the City of Elk River exceeded its liabilities at the close of the most recent fiscal year by \$202,618,756 (net position). Of this amount, \$49,715,186 (unrestricted net position) may be used to meet the city's ongoing obligations to citizens and creditors.

The city's total net position increased by \$3,298,594, attributable to a capital contribution of \$3.1 million in culture and recreation for the donation of park land and the increase in investment earnings due to market value adjustments.

As of the close of the current fiscal year, the City of Elk River's governmental funds reported combined ending fund balances of \$39,375,862.

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	\$ 22,725	\$ 101,910	\$ -	\$ -	\$ 124,635
Restricted	-	2,130,444	10,994,654	800,585	13,925,683
Committed	317,929	3,498,482	-	2,330,519	6,146,930
Assigned	-	883,104	-	15,000,175	15,883,279
Unassigned	5,822,948	-	-	(2,527,613)	3,295,335
	<u>\$ 6,163,602</u>	<u>\$ 6,613,940</u>	<u>\$ 10,994,654</u>	<u>\$ 15,603,666</u>	<u>\$ 39,375,862</u>

The City of Elk River's total long-term liabilities increased \$6,465,910 during the current fiscal year, from \$50,652,269 to \$57,118,179.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bonds payable	\$ 36,856,600	\$ -	\$ (1,586,072)	\$ 35,270,528
Contracts for deeds	1,410,000	-	-	1,410,000
Compensated absences	1,442,996	650,309	(588,619)	1,504,686
Net OPEB obligation	247,937	109,026	(39,034)	317,929
Total governmental activities	<u>39,957,533</u>	<u>759,335</u>	<u>(2,213,725)</u>	<u>38,503,143</u>
Business-type activities:				
Bonds payable	8,367,478	12,079,845	(3,944,090)	16,503,233
Notes payable	1,789,224	-	(189,348)	1,599,876
Compensated absences	457,668	162,494	(209,348)	410,814
Net OPEB obligation	80,366	21,312	(565)	101,113
Total business-type activities	<u>10,694,736</u>	<u>12,263,651</u>	<u>(4,343,351)</u>	<u>18,615,036</u>
Total City long-term liabilities	<u>\$ 50,652,269</u>	<u>\$ 13,022,986</u>	<u>\$ (6,557,076)</u>	<u>\$ 57,118,179</u>

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Elk River's basic financial statements. The city's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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 of Elk River's finances, in a manner similar to a private-sector business.

The statement of position presents information on all of the City of Elk River's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two 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 of Elk River is improving or deteriorating.

The statement of activities presents information showing how the city'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 of Elk River 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 of Elk River include general government, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City of Elk River include municipal liquor, garbage, sewer, water, and electric.

The government-wide financial statements include not only the City of Elk River itself (known as the primary government), but also a legally separate Housing & Redevelopment Authority (HRA) for which the City of Elk River is financially accountable. Financial information for the HRA is reported separately from the financial information presented for the primary government itself. The Elk River Municipal Utilities, although also legally separate, functions for all practical purposes as a department of the City of Elk River, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 19 - 21 of this report.

**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 of Elk River, 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 of Elk River can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by 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 of Elk River maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, YMCA Bonds, and TIF Districts funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Elk River adopts an annual appropriated budget for its General fund and some special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

- The basic governmental fund financial statements can be found on pages 22 - 26 of this report.

**Proprietary funds.** When the City of Elk River charges customers for the services it provides - whether to outside customers or to other departments of the city - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of revenues, expenses, and changes in net position. The enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City of Elk River uses enterprise funds to account for its municipal liquor, garbage, sewer, water, and electric operations.

The basic proprietary fund financial statements can be found on pages 27 - 34 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Elk River's own program. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 35 of this report.

**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. The notes to the financial statements can be found on pages 36 - 62 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Elk River's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on page 63 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 64 - 85 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Elk River, assets and deferred outflows of resources exceeded liabilities by \$202,618,756 at the close of the most recent fiscal year.

By far, the largest portion of the City of Elk River's net position (73 percent) 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 of Elk River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Elk River'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 Elk River Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$43,319,151	\$43,006,847	\$39,001,534	\$28,382,679	\$82,320,685	\$71,389,526
Capital assets	111,622,597	112,604,539	73,546,983	72,116,614	185,169,580	184,721,153
Total assets	<u>154,941,748</u>	<u>155,611,386</u>	<u>112,548,517</u>	<u>100,499,293</u>	<u>267,490,265</u>	<u>256,110,679</u>
Total deferred outflows of resources	<u>294,581</u>	<u>330,846</u>	<u>67,284</u>	<u>75,525</u>	<u>361,865</u>	<u>406,371</u>
Long-term liabilities						
outstanding	38,503,143	39,957,533	18,615,036	10,694,736	57,118,179	50,652,269
Other liabilities	<u>2,716,293</u>	<u>2,304,480</u>	<u>5,398,902</u>	<u>4,240,139</u>	<u>8,115,195</u>	<u>6,544,619</u>
Total liabilities	<u>41,219,436</u>	<u>42,262,013</u>	<u>24,013,938</u>	<u>14,934,875</u>	<u>65,233,374</u>	<u>57,196,888</u>
Net investment						
in capital assets	84,921,650	84,353,785	63,392,972	62,035,437	148,314,622	146,389,222
Restricted	4,192,856	5,256,724	490,500	647,000	4,683,356	5,903,724
Unrestricted	<u>24,902,387</u>	<u>24,069,710</u>	<u>24,718,391</u>	<u>22,957,506</u>	<u>49,620,778</u>	<u>47,027,216</u>
Total net position	<u>\$114,016,893</u>	<u>\$113,680,219</u>	<u>\$88,601,863</u>	<u>\$85,639,943</u>	<u>\$202,618,756</u>	<u>\$199,320,162</u>

An additional portion of the City of Elk River's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$49,620,778) may be used to meet the City of Elk River's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Elk River is able to report positive balances in all three categories of net position, both for the city as a whole, as well as for its separate governmental and business-type activities.

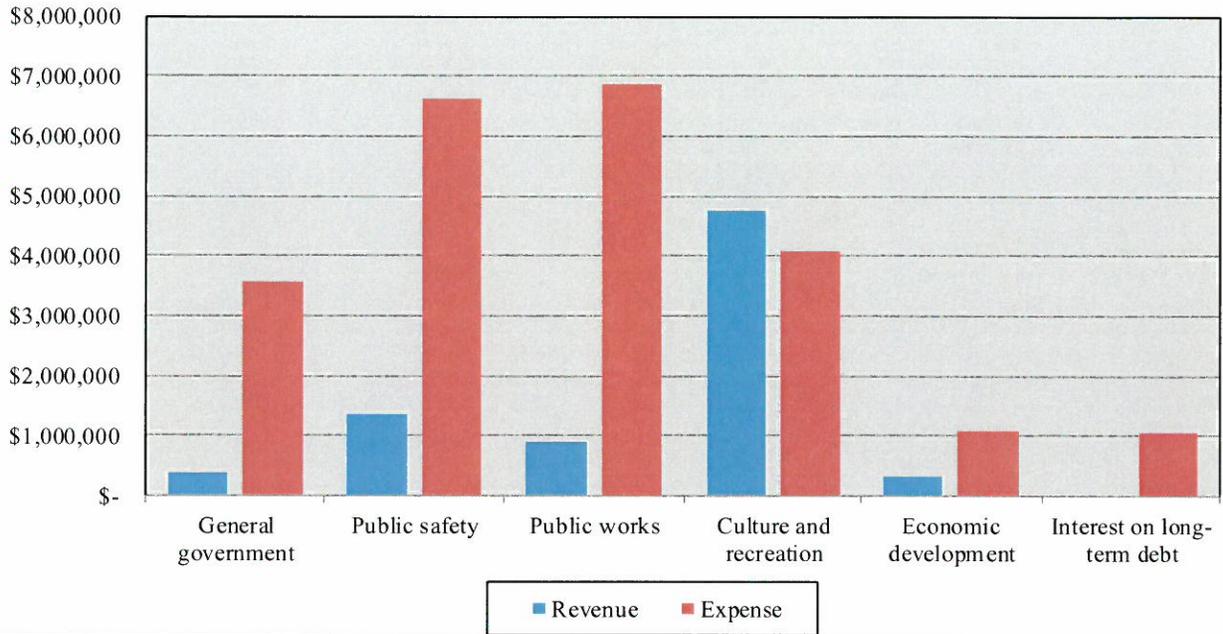
**City of Elk River Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,666,277	\$ 2,856,556	\$ 43,751,274	\$ 43,065,945	\$ 46,417,551	\$ 45,922,501
Operating grants and contributions	1,049,744	954,164	-	-	1,049,744	954,164
Capital grants and contributions	4,020,851	807,208	935,909	924,641	4,956,760	1,731,849
<b>General revenues:</b>						
Property taxes	10,509,231	10,830,218	-	-	10,509,231	10,830,218
Other taxes	1,441,259	829,112	-	-	1,441,259	829,112
Grants and contributions not restricted to specific programs	1,749,886	1,436,135	-	-	1,749,886	1,436,135
Unrestricted investment earnings (loss)	1,137,024	(663,762)	557,659	(243,047)	1,694,683	(906,809)
Gain on disposal of capital assets	29,593	629,177	29,525	1,572	59,118	630,749
<b>Total revenues</b>	<b>22,603,865</b>	<b>17,678,808</b>	<b>45,274,367</b>	<b>43,749,111</b>	<b>67,878,232</b>	<b>61,427,919</b>
<b>Expenses:</b>						
General government	3,554,136	3,344,317	-	-	3,554,136	3,344,317
Public safety	6,615,593	6,173,244	-	-	6,615,593	6,173,244
Public works	6,860,673	6,535,616	-	-	6,860,673	6,535,616
Culture and recreation	4,088,992	3,914,000	-	-	4,088,992	3,914,000
Economic development	1,091,125	2,088,064	-	-	1,091,125	2,088,064
Interest on long-term debt	1,075,408	1,288,020	-	-	1,075,408	1,288,020
Municipal liquor	-	-	5,776,873	5,706,760	5,776,873	5,706,760
Garbage	-	-	1,303,943	1,251,420	1,303,943	1,251,420
Sewer	-	-	2,156,329	2,320,743	2,156,329	2,320,743
Water	-	-	2,459,319	2,332,680	2,459,319	2,332,680
Electric	-	-	29,597,247	28,422,759	29,597,247	28,422,759
<b>Total expenses</b>	<b>23,285,927</b>	<b>23,343,261</b>	<b>41,293,711</b>	<b>40,034,362</b>	<b>64,579,638</b>	<b>63,377,623</b>
Increase (decrease) in net position before transfers	(682,062)	(5,664,453)	3,980,656	3,714,749	3,298,594	(1,949,704)
Transfer of capital assets	(313,287)	(121,172)	313,287	121,172	-	-
Transfers	1,332,023	1,565,206	(1,332,023)	(1,565,206)	-	-
<b>Change in net position</b>	<b>336,674</b>	<b>(4,220,419)</b>	<b>2,961,920</b>	<b>2,270,715</b>	<b>3,298,594</b>	<b>(1,949,704)</b>
Net position - beginning	113,680,219	117,900,638	85,639,943	83,369,228	199,320,162	201,269,866
<b>Net position - ending</b>	<b>\$ 114,016,893</b>	<b>\$ 113,680,219</b>	<b>\$ 88,601,863</b>	<b>\$ 85,639,943</b>	<b>\$ 202,618,756</b>	<b>\$ 199,320,162</b>

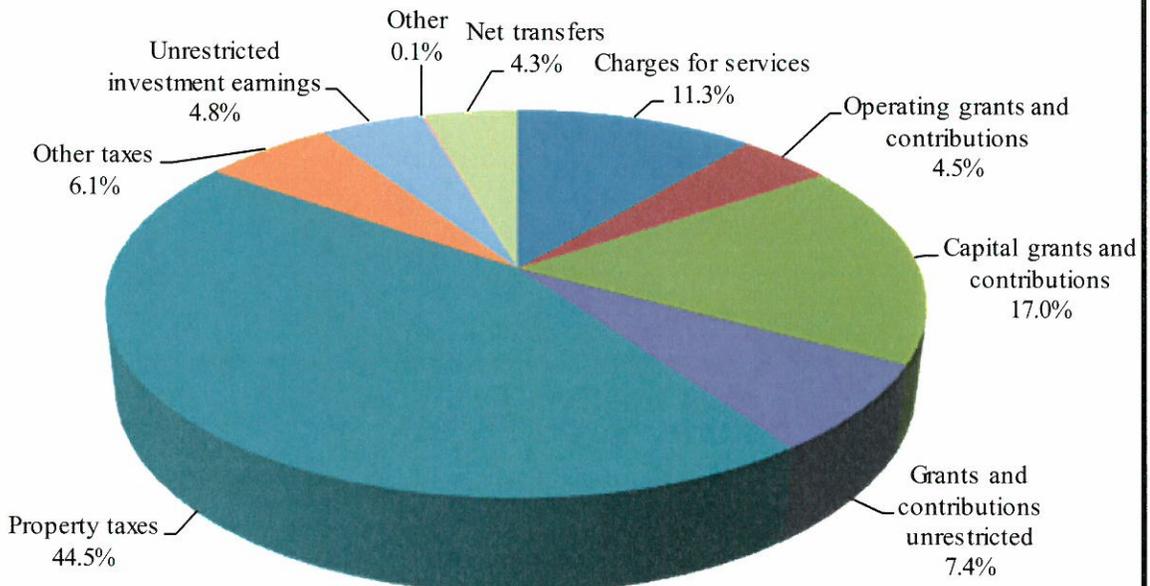
**Governmental activities.** Governmental activities account for 56% of the City of Elk River's net position. Governmental activities increased the city's net position by \$336,674. Key elements of the relevant changes are as follows:

- In 2014 the city accepted a donation of park property valued at over \$3.1 million.
- The franchise tax for street maintenance and repairs was implemented in mid-2013; no longer utilizing special assessments and property taxes.
- The increase in investment earnings reflects the market value adjustment of the city's investment portfolio.

### Expenses and Program Revenues - Governmental Activities

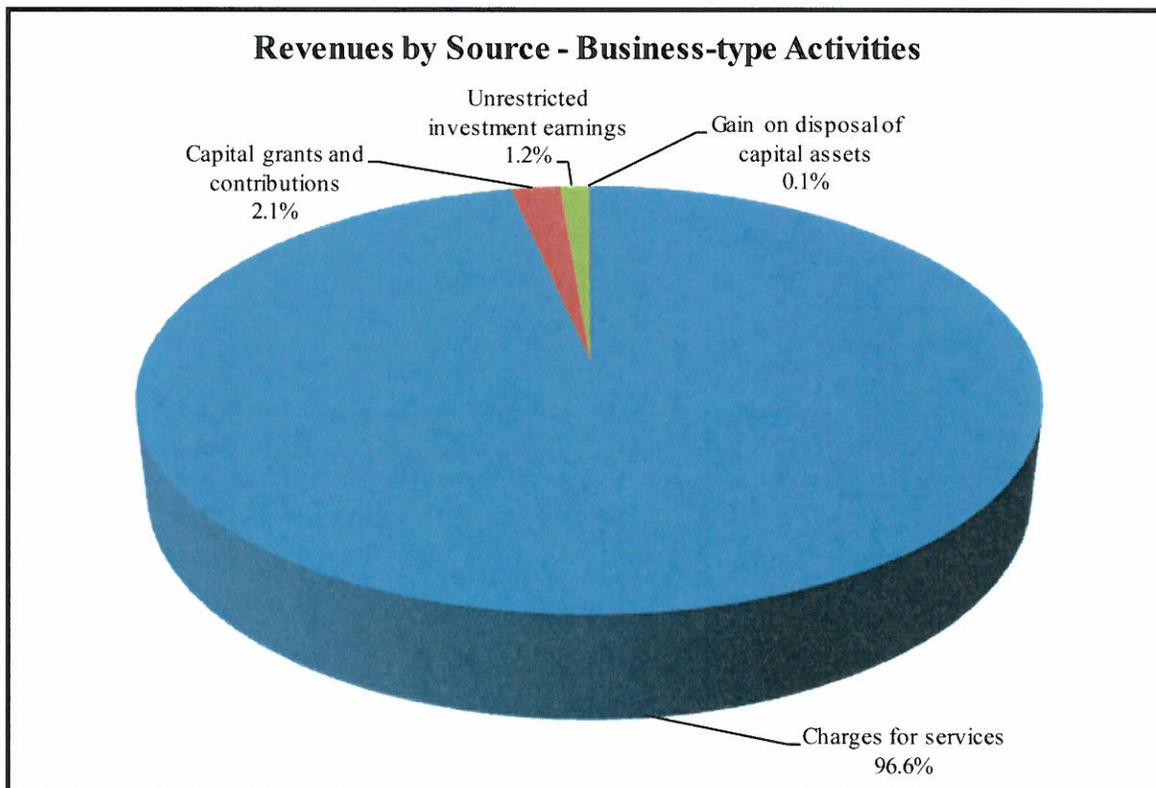
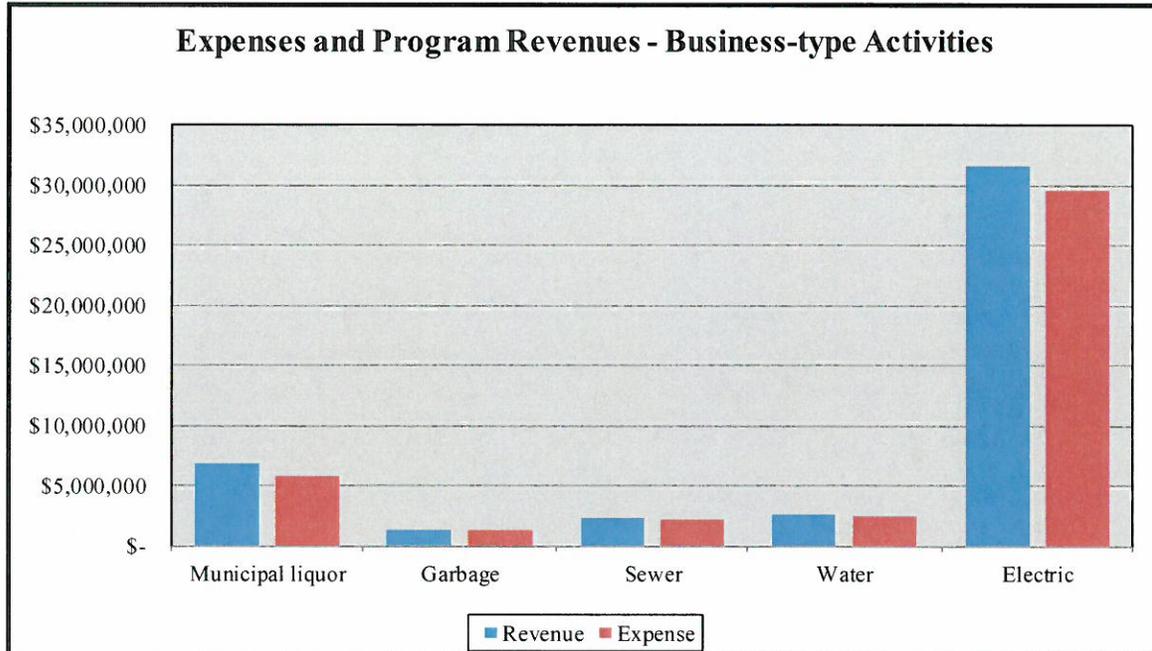


### Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City of Elk River’s net position by \$2,961,920. Key elements of this increase are as follows:

- Charges for services for business-type activities increased \$685,329 due largely to an increase in electric usage. The electric utility accounts for 72% of the total charges for services.
- The increase in investment earnings reflects the market value adjustment of the city’s investment portfolio.



## Financial Analysis of the Government's Funds

**Governmental funds.** The focus of the city's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned 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's governmental funds reported combined ending fund balances of \$39,375,862. Approximately 8% of this total amount (\$3,295,335) constitutes unassigned fund balance. The remainder of fund balance (\$36,080,527) is not available for new spending because it is either 1) nonspendable (\$124,635), 2) restricted (\$13,925,683), 3) committed (\$6,146,930) or 4) assigned (\$15,883,279) for other purposes.

The General fund is the chief operating fund of the City of Elk River. The total fund balance of the General fund increased \$109,312 during the current year, resulting primarily from budgeted transfers in.

The YMCA Bonds fund decreased \$117,205 due to the debt service payments on the crossover advance refunding debt issued in 2013.

The TIF Districts fund decreased \$210,493 due to TIF development expenses that will be reimbursed with future TIF revenues.

**Proprietary funds.** The City of Elk River's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Unrestricted net position in the respective proprietary funds are Municipal Liquor - \$3,129,636, Garbage - \$613,708, Sewer - \$5,628,161, Water - \$3,744,773, and Electric - \$11,602,113. The Garbage fund net position decreased \$1,767 due mainly to the transfers out to the General Fund for administrative services. All other proprietary funds had increases in net position.

### General Fund Budgetary Highlights

There was no difference between the original budget and the final budget for the General fund. The revenue budgets were amended to reflect the increase in building and construction related charges for services. The expenditure budgets were amended to reflect the increase in expenditures related to snow removal and engineering services. Key factors are as follows:

- Total revenue collections were 101% of budget. Property tax collections were \$83,308 over budget due to delinquent tax collections and licenses and permits were \$23,386 over due to increased building activity.
- Expenditures were under budget by \$47,285 due mainly to personnel vacancies in the fire and building safety departments and sound fiscal control by city departments.

### Capital Asset and Debt Administration

**Capital Assets.** The City of Elk River's investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$185,169,580 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. The total increase in the City of Elk River's investment in capital assets for the current year was \$448,427 or less than 1 percent (a .8 percent decrease for governmental activities and a 2 percent increase for business-type activities).

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

- \$137,500 in general government equipment, \$307,000 in public safety equipment, \$393,000 in public works equipment and \$254,000 in parks equipment/improvements.
- Park property valued at \$3,105,000 was donated to the city.
- Construction totaling \$749,673 was started on Natures Edge Business Center Phase II.
- Construction began on the wastewater treatment facility improvements totaling over \$2.6 million.
- Upgraded several electric feeders and began work on the installation of a new feeder.
- Two water main projects were completed in 2014.

**City of Elk River Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 40,911,871	\$ 37,806,871	\$ 1,526,359	\$ 1,526,008	\$ 42,438,230	\$ 39,332,879
Construction in progress	749,673	-	3,602,803	2,265,169	4,352,476	2,265,169
Buildings	29,413,979	31,023,746	9,981,099	10,644,146	39,395,078	41,667,892
Other improvements	2,246,132	2,412,772	-	-	2,246,132	2,412,772
Equipment	3,717,618	3,660,988	2,094,310	1,402,605	5,811,928	5,063,593
Infrastructure	34,583,324	37,700,162	56,342,412	56,278,686	90,925,736	93,978,848
<b>Total</b>	<b>\$ 111,622,597</b>	<b>\$ 112,604,539</b>	<b>\$ 73,546,983</b>	<b>\$ 72,116,614</b>	<b>\$ 185,169,580</b>	<b>\$ 184,721,153</b>

Additional information on the city's capital assets can be found in Note 3C on pages 48 - 49 of this report.

**Long-term debt.** At the end of the current fiscal year, the city had total long-term debt outstanding of \$57,118,179, an increase of \$6,465,910 from 2013. General obligation improvement bonds (\$33,515,000) were issued to finance the construction of a library, a recreation facility, a public safety/city hall facility and a public works facility. General obligation revenue bonds (\$12,835,000) were used to finance sewer and water systems. Revenue bonds (\$3,585,000) were used to finance electric system improvements. Special assessment bonds (\$1,210,000) financed improvement projects within the city and are assessed to the benefiting properties.

**City of Elk River Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Bonds payable:</b>						
G.O. bonds	\$ 33,515,000	\$ 34,675,000	\$ -	\$ -	\$ 33,515,000	\$ 34,675,000
G.O. revenue bonds	-	-	12,835,000	3,990,000	12,835,000	3,990,000
Revenue bonds	-	-	3,585,000	4,340,000	3,585,000	4,340,000
Special assessment bonds	1,210,000	1,585,000	-	-	1,210,000	1,585,000
Issuance premium	545,528	596,600	83,233	37,478	628,761	634,078
<b>Total bonds payable, net</b>	<b>35,270,528</b>	<b>36,856,600</b>	<b>16,503,233</b>	<b>8,367,478</b>	<b>51,773,761</b>	<b>45,224,078</b>
Contracts for deeds	1,410,000	1,410,000	-	-	1,410,000	1,410,000
Notes payable	-	-	1,599,876	1,789,224	1,599,876	1,789,224
Compensated absences	1,504,686	1,442,996	410,814	457,668	1,915,500	1,900,664
Net OPEB obligation	317,929	247,937	101,113	80,366	419,042	328,303
<b>Total</b>	<b>\$ 38,503,143</b>	<b>\$ 39,957,533</b>	<b>\$ 18,615,036</b>	<b>\$ 10,694,736</b>	<b>\$ 57,118,179</b>	<b>\$ 50,652,269</b>

Additional long-term debt in the amount of \$1,410,000 is for a contract for deed, \$1,599,876 is for notes payable, \$1,915,500 is for compensated absences, and \$419,042 is for other postemployment benefits obligations.

The city maintains a bond rating of AA+ from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Taxable Market Value. The current debt limitation for the City of Elk River is \$53,892,054. \$19,328,258 of the City's net outstanding debt is counted within the statutory limitation.

Additional information on the City of Elk River's long-term debt can be found in Note 3E on pages 51 - 54 of this report.

### **Economic Factors and Next Year's Budget**

The City of Elk River estimates that the demand for city services will begin to grow at increased levels as compared to the prior years due to the improved economy and recent building activity. This was taken into consideration in preparation of the city's 2015 budget. The property tax levy is set annually and is adjusted as necessary to fund the cost of providing services to our citizens and customers. Charges for services are evaluated each year and adjusted if warranted. The city expects to keep the tax levy consistent in upcoming years.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Elk River's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Elk River, Attn: Finance Director, 13065 Orono Pkwy, Elk River, Minnesota 55330 or by calling (763) 635-1000.

# **BASIC FINANCIAL STATEMENTS**

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<b>Primary Government</b>			<b>Component Unit - HRA</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and investments	\$ 30,639,963	\$ 32,834,889	\$ 63,474,852	\$ 1,176,709
Restricted cash and investments	-	490,500	490,500	-
Cash with fiscal agent	9,580,144	-	9,580,144	-
Receivables:				
Interest	76,879	23,431	100,310	-
Taxes	410,707	-	410,707	9,235
Accounts	420,840	3,067,214	3,488,054	-
Special assessments	1,612,442	-	1,612,442	-
Notes, net	398,354	-	398,354	400,000
Due from other governments	48,308	25,832	74,140	-
Due from primary government	-	-	-	227,666
Internal balances	(254,521)	254,521	-	-
Inventories	-	2,101,105	2,101,105	-
Prepaid items	124,635	204,042	328,677	-
Property held for resale	261,400	-	261,400	-
Capital assets:				
Nondepreciable	41,661,544	5,129,162	46,790,706	257,100
Depreciable (net)	69,961,053	68,417,821	138,378,874	150,083
<b>Total assets</b>	<b>154,941,748</b>	<b>112,548,517</b>	<b>267,490,265</b>	<b>2,220,793</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	294,581	67,284	361,865	-
<b>LIABILITIES</b>				
Accounts payable	971,636	4,719,909	5,691,545	11,925
Salaries payable	452,665	215,909	668,574	1,369
Due to other governments	-	199,601	199,601	-
Due to component unit	227,666	-	227,666	-
Accrued interest payable	528,454	187,687	716,141	-
Unearned revenue	535,872	75,796	611,668	-
Non-current liabilities:				
Due within one year	3,519,370	1,221,954	4,741,324	-
Due in more than one year	34,983,773	17,393,082	52,376,855	-
<b>Total liabilities</b>	<b>41,219,436</b>	<b>24,013,938</b>	<b>65,233,374</b>	<b>13,294</b>
<b>NET POSITION</b>				
Net investment in capital assets	84,921,650	63,392,972	148,314,622	407,183
Restricted for:				
Debt service	1,599,852	490,500	2,090,352	-
Landfill mitigation	574,574	-	574,574	-
Economic development	1,625,159	-	1,625,159	-
Law enforcement	26,911	-	26,911	-
Park improvements	366,360	-	366,360	-
Housing and redevelopment	-	-	-	1,800,316
Unrestricted	24,902,387	24,718,391	49,620,778	-
<b>Total net position</b>	<b>\$ 114,016,893</b>	<b>\$ 88,601,863</b>	<b>\$ 202,618,756</b>	<b>\$ 2,207,499</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 3,554,136	\$ 385,238	\$ 2,056	\$ -
Public safety	6,615,593	1,063,725	288,219	-
Public works	6,860,673	233,593	321,380	355,373
Culture and recreation	4,088,992	906,291	380,023	3,483,604
Economic development	1,091,125	77,430	58,066	181,874
Interest on long-term debt	1,075,408	-	-	-
Total governmental activities	<u>23,285,927</u>	<u>2,666,277</u>	<u>1,049,744</u>	<u>4,020,851</u>
Business-type Activities:				
Municipal liquor	5,776,873	6,825,342	-	-
Garbage	1,303,943	1,304,750	-	-
Sewer	2,156,329	1,734,141	-	560,580
Water	2,459,319	2,290,824	-	375,329
Electric	29,597,247	31,596,217	-	-
Total business-type activities	<u>41,293,711</u>	<u>43,751,274</u>	<u>-</u>	<u>935,909</u>
Total primary government	<u>\$ 64,579,638</u>	<u>\$ 46,417,551</u>	<u>\$ 1,049,744</u>	<u>\$ 4,956,760</u>
<b>Component Unit:</b>				
Housing and Redevelopment Authority	<u>\$ 126,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes:  
    Levies for general purposes  
    Levies for debt service  
    Tax increments  
Other taxes  
Grants and contributions not restricted  
Unrestricted investment earnings  
Gain on disposal of capital assets  
Transfers of capital assets  
Transfers  
    Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit - HRA
\$ (3,166,842)	\$ -	\$ (3,166,842)	\$ -
(5,263,649)	-	(5,263,649)	-
(5,950,327)	-	(5,950,327)	-
680,926	-	680,926	-
(773,755)	-	(773,755)	-
(1,075,408)	-	(1,075,408)	-
<u>(15,549,055)</u>	<u>-</u>	<u>(15,549,055)</u>	<u>-</u>
-	1,048,469	1,048,469	-
-	807	807	-
-	138,392	138,392	-
-	206,834	206,834	-
-	1,998,970	1,998,970	-
<u>-</u>	<u>3,393,472</u>	<u>3,393,472</u>	<u>-</u>
<u>(15,549,055)</u>	<u>3,393,472</u>	<u>(12,155,583)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,752)</u>
9,753,985	-	9,753,985	230,860
624,921	-	624,921	-
130,325	-	130,325	-
1,441,259	-	1,441,259	-
1,749,886	-	1,749,886	86
1,137,024	557,659	1,694,683	4,788
29,593	29,525	59,118	-
(313,287)	313,287	-	-
1,332,023	(1,332,023)	-	-
<u>15,885,729</u>	<u>(431,552)</u>	<u>15,454,177</u>	<u>235,734</u>
336,674	2,961,920	3,298,594	108,982
<u>113,680,219</u>	<u>85,639,943</u>	<u>199,320,162</u>	<u>2,098,517</u>
<u>\$ 114,016,893</u>	<u>\$ 88,601,863</u>	<u>\$ 202,618,756</u>	<u>\$ 2,207,499</u>

**CITY OF ELK RIVER, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2014**

	General Fund	YMCA Bonds	TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 6,485,923	\$ 426,101	\$ 368,548	\$ 23,359,391	\$ 30,639,963
Cash with fiscal agent	-	9,580,144	-	-	9,580,144
Receivables:					
Interest	16,073	-	945	59,861	76,879
Taxes	357,264	10,795	1,328	41,320	410,707
Accounts	14,705	-	-	406,135	420,840
Special assessments	-	-	-	1,612,442	1,612,442
Notes, net	-	-	64,732	333,622	398,354
Due from other governments	46,978	-	-	1,330	48,308
Due from other funds	93,293	-	-	1,442,767	1,536,060
Due from component unit	2,456	-	-	-	2,456
Prepaid items	22,725	-	-	101,910	124,635
Property held for resale	-	-	-	261,400	261,400
Total assets	<u>\$ 7,039,417</u>	<u>\$ 10,017,040</u>	<u>\$ 435,553</u>	<u>\$ 27,620,178</u>	<u>\$ 45,112,188</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 308,781	\$ -	\$ 1,262	\$ 661,593	\$ 971,636
Salaries payable	429,314	-	-	23,351	452,665
Due to other funds	-	-	1,454,528	336,053	1,790,581
Due to component unit	-	-	230,122	-	230,122
Unearned revenue	20	-	-	535,852	535,872
Total liabilities	<u>738,115</u>	<u>-</u>	<u>1,685,912</u>	<u>1,556,849</u>	<u>3,980,876</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	137,700	5,620	-	17,487	160,807
Unavailable revenue - special assessments	-	-	-	1,594,643	1,594,643
Total deferred inflows of resources	<u>137,700</u>	<u>5,620</u>	<u>-</u>	<u>1,612,130</u>	<u>1,755,450</u>
<b>FUND BALANCES</b>					
Nonspendable	22,725	-	-	101,910	124,635
Restricted	-	10,011,420	434,225	3,480,038	13,925,683
Committed	317,929	-	-	5,829,001	6,146,930
Assigned	-	-	-	15,883,279	15,883,279
Unassigned	5,822,948	-	(1,684,584)	(843,029)	3,295,335
Total fund balances	<u>6,163,602</u>	<u>10,011,420</u>	<u>(1,250,359)</u>	<u>24,451,199</u>	<u>39,375,862</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,039,417</u>	<u>\$ 10,017,040</u>	<u>\$ 435,553</u>	<u>\$ 27,620,178</u>	<u>\$ 45,112,188</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 39,375,862
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	\$ 182,984,052	
Less accumulated depreciation	<u>(71,361,455)</u>	111,622,597
2. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		
		1,755,450
3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(34,725,000)	
Deferred charge on refunding	294,581	
Issuance premium	(545,528)	
Contracts for deeds	(1,410,000)	
Accrued interest payable	(528,454)	
Compensated absences	(1,504,686)	
Net OPEB obligation	<u>(317,929)</u>	<u>(38,737,016)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES		 <u><u>\$ 114,016,893</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELK RIVER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	YMCA Bonds	TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 9,264,608	\$ 264,472	\$ 130,324	\$ 980,847	\$ 10,640,251
Other taxes	126,765	-	-	1,314,494	1,441,259
Licenses and permits	559,286	-	-	-	559,286
Intergovernmental revenue	286,851	-	-	551,722	838,573
Charges for services	816,556	-	-	1,274,551	2,091,107
Fines and forfeits	128,131	-	-	32,167	160,298
Special assessments	-	-	-	881,271	881,271
Interest income	48,957	92,953	4,774	999,778	1,146,462
Miscellaneous:					
Landfill expansion fee	-	-	-	757,960	757,960
Refunds and reimbursements	92,614	-	-	117,207	209,821
Contributions	26,919	247,284	-	1,052,704	1,326,907
Other	7,859	-	-	56,162	64,021
Total revenues	<u>11,358,546</u>	<u>604,709</u>	<u>135,098</u>	<u>8,018,863</u>	<u>20,117,216</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,033,392	-	-	148,155	3,181,547
Public safety	5,790,772	-	-	118,881	5,909,653
Public works	1,929,210	-	-	1,045,009	2,974,219
Culture and recreation	1,810,291	-	-	1,071,694	2,881,985
Economic development	-	-	345,591	749,944	1,095,535
Debt service:					
Principal	-	315,000	-	1,220,000	1,535,000
Interest and service charges	-	656,914	-	448,200	1,105,114
Capital outlay:					
General government	10,900	-	-	212,587	223,487
Public safety	-	-	-	310,166	310,166
Public works	-	-	-	1,436,684	1,436,684
Culture and recreation	-	-	-	307,140	307,140
Total expenditures	<u>12,574,565</u>	<u>971,914</u>	<u>345,591</u>	<u>7,068,460</u>	<u>20,960,530</u>
Excess (deficiency) of revenues over expenditures	<u>(1,216,019)</u>	<u>(367,205)</u>	<u>(210,493)</u>	<u>950,403</u>	<u>(843,314)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,625,550	250,000	-	2,961,466	4,837,016
Transfers out	(300,219)	-	-	(3,204,774)	(3,504,993)
Sale of capital assets	-	-	-	44,827	44,827
Total other financing sources (uses)	<u>1,325,331</u>	<u>250,000</u>	<u>-</u>	<u>(198,481)</u>	<u>1,376,850</u>
Net change in fund balances	<u>109,312</u>	<u>(117,205)</u>	<u>(210,493)</u>	<u>751,922</u>	<u>533,536</u>
Fund balances - January 1	6,054,290	10,128,625	(1,039,866)	23,336,622	38,479,671
Prior period adjustment	-	-	-	362,655	362,655
Fund balances, restated - January 1	<u>6,054,290</u>	<u>10,128,625</u>	<u>(1,039,866)</u>	<u>23,699,277</u>	<u>38,842,326</u>
Fund balances - December 31	<u>\$ 6,163,602</u>	<u>\$ 10,011,420</u>	<u>\$ (1,250,359)</u>	<u>\$ 24,451,199</u>	<u>\$ 39,375,862</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 533,536

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$ 2,202,494	
Depreciation expense	<u>(5,960,915)</u>	(3,758,421)

2. The net effect of various miscellaneous transactions involving capital assets including transfers and disposals, which decrease net position.

Donations	3,105,000	
Transfers of capital assets	(313,287)	
Disposals	(429,632)	
Depreciation on disposals	<u>414,398</u>	2,776,479

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

Property taxes	(131,020)	
Special assessments	<u>(516,924)</u>	(647,944)

4. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.

Repayment of principal of long-term debt		1,535,000
--	--	-----------

5. Some expenses reported in the statement of activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	14,899	
Amortization of issuance premium	51,072	
Amortization of deferred charge from refunding	(36,265)	
Compensated absences	(61,690)	
Net OPEB obligation	<u>(69,992)</u>	<u>(101,976)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 336,674

The notes to the financial statements are an integral part of this statement.

**CITY OF ELK RIVER, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 9,181,300	\$ 9,181,300	\$ 9,264,608	\$ 83,308
Other taxes	125,000	125,000	126,765	1,765
Licenses and permits	575,900	535,900	559,286	23,386
Intergovernmental revenue	277,900	277,900	286,851	8,951
Charges for services	755,650	836,550	816,556	(19,994)
Fines and forfeits	122,200	122,200	128,131	5,931
Interest income	85,000	85,000	48,957	(36,043)
Miscellaneous revenue:				
Refunds and reimbursements	101,000	101,000	92,614	(8,386)
Contributions	15,000	27,500	26,919	(581)
Other	6,000	6,000	7,859	1,859
Total revenues	<u>11,244,950</u>	<u>11,298,350</u>	<u>11,358,546</u>	<u>60,196</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,075,250	3,057,750	3,033,392	24,358
Public safety	5,902,000	5,902,000	5,790,772	111,228
Public works	1,778,300	1,838,300	1,929,210	(90,910)
Culture and recreation	1,812,900	1,812,900	1,810,291	2,609
Capital outlay:				
General government	-	10,900	10,900	-
Total expenditures	<u>12,568,450</u>	<u>12,621,850</u>	<u>12,574,565</u>	<u>47,285</u>
Deficiency of revenues under expenditures	<u>(1,323,500)</u>	<u>(1,323,500)</u>	<u>(1,216,019)</u>	<u>107,481</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,625,550	1,625,550	1,625,550	-
Transfers out	(302,050)	(302,050)	(300,219)	1,831
Total other financing sources (uses)	<u>1,323,500</u>	<u>1,323,500</u>	<u>1,325,331</u>	<u>1,831</u>
Net change in fund balance	-	-	109,312	109,312
Fund balance - January 1	<u>6,054,290</u>	<u>6,054,290</u>	<u>6,054,290</u>	<u>-</u>
Fund balance - December 31	<u>\$ 6,054,290</u>	<u>\$ 6,054,290</u>	<u>\$ 6,163,602</u>	<u>\$ 109,312</u>

The notes to the financial statements are an integral part of this statement.



**This page has been left blank intentionally**

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2014**

	Municipal Liquor	Garbage	Sewer	Water
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,592,308	\$ 606,357	\$ 14,348,133	\$ 3,681,481
Restricted cash and investments	-	-	-	-
Receivables (net):				
Interest	6,720	1,549	14,708	91
Accounts	-	16,110	234,053	217,387
Due from other governments	-	-	-	-
Due from other funds	-	98,423	319,060	440,828
Inventories	1,105,495	-	-	16,481
Prepaid items	-	-	-	28,355
Total current assets	<u>3,704,523</u>	<u>722,439</u>	<u>14,915,954</u>	<u>4,384,623</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	753,961	-	3,198,188	706,661
Depreciable	3,041,138	-	37,335,092	33,754,157
Accumulated depreciation	<u>(1,678,352)</u>	<u>-</u>	<u>(17,357,072)</u>	<u>(13,034,835)</u>
Total noncurrent assets	<u>2,116,747</u>	<u>-</u>	<u>23,176,208</u>	<u>21,425,983</u>
Total assets	<u>5,821,270</u>	<u>722,439</u>	<u>38,092,162</u>	<u>25,810,606</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	-	-	-	13,457
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	363,050	107,672	1,252,700	421,372
Salaries payable	25,348	1,059	15,808	22,780
Due to other governments	67,603	-	-	2,700
Due to other funds	-	-	-	-
Unearned revenue	2,165	-	-	73,631
Accrued interest	-	-	99,483	29,337
Compensated absences payable - current	35,891	-	10,654	24,985
Notes payable - current	-	-	-	-
Bonds payable - current	-	-	-	228,000
Total current liabilities	<u>494,057</u>	<u>108,731</u>	<u>1,378,645</u>	<u>802,805</u>
Noncurrent liabilities:				
Compensated absences payable	58,520	-	3,463	65,045
Net other postemployment benefits obligation	22,310	-	23,871	-
Notes payable	-	-	-	-
Bonds payable	-	-	10,000,000	1,869,677
Total noncurrent liabilities	<u>80,830</u>	<u>-</u>	<u>10,027,334</u>	<u>1,934,722</u>
Total liabilities	<u>574,887</u>	<u>108,731</u>	<u>11,405,979</u>	<u>2,737,527</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,116,747	-	21,058,022	19,341,763
Restricted for debt service	-	-	-	-
Unrestricted	<u>3,129,636</u>	<u>613,708</u>	<u>5,628,161</u>	<u>3,744,773</u>
Total net position	<u>\$ 5,246,383</u>	<u>\$ 613,708</u>	<u>\$ 26,686,183</u>	<u>\$ 23,086,536</u>

The notes to the financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total</u>
\$ 11,606,610	\$ 32,834,889
490,500	490,500
363	23,431
2,599,664	3,067,214
25,832	25,832
-	858,311
979,129	2,101,105
175,687	204,042
<u>15,877,785</u>	<u>39,605,324</u>
470,352	5,129,162
46,395,743	120,526,130
(20,038,050)	(52,108,309)
<u>26,828,045</u>	<u>73,546,983</u>
<u>42,705,830</u>	<u>113,152,307</u>
<u>53,827</u>	<u>67,284</u>
2,575,115	4,719,909
150,914	215,909
129,298	199,601
603,790	603,790
-	75,796
58,867	187,687
58,906	130,436
191,518	191,518
672,000	900,000
<u>4,440,408</u>	<u>7,224,646</u>
153,350	280,378
54,932	101,113
1,408,358	1,408,358
3,733,556	15,603,233
<u>5,350,196</u>	<u>17,393,082</u>
<u>9,790,604</u>	<u>24,617,728</u>
20,876,440	63,392,972
490,500	490,500
11,602,113	24,718,391
<u>\$ 32,969,053</u>	<u>\$ 88,601,863</u>

**CITY OF ELK RIVER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Municipal Liquor	Garbage	Sewer	Water
Sales and cost of sales:				
Sales	\$ 6,823,719	\$ -	\$ -	\$ -
Cost of sales	(4,750,195)	-	-	-
Gross profit	<u>2,073,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating revenues:				
User charges	-	1,290,451	1,689,080	2,103,508
Delinquency collections	-	11,422	2,651	21,557
Other	1,623	2,877	42,410	23,262
Total operating revenues	<u>1,623</u>	<u>1,304,750</u>	<u>1,734,141</u>	<u>2,148,327</u>
Operating expenses:				
Personal services	634,571	20,388	464,622	471,983
Supplies	57,604	3,080	136,169	275,029
Purchased power	-	-	-	-
Other service charges	209,746	1,280,475	460,139	520,007
Depreciation	124,757	-	977,931	1,083,770
Total operating expenses	<u>1,026,678</u>	<u>1,303,943</u>	<u>2,038,861</u>	<u>2,350,789</u>
Operating income (loss)	<u>1,048,469</u>	<u>807</u>	<u>(304,720)</u>	<u>(202,462)</u>
Nonoperating revenues (expenses):				
Interest income	105,639	32,394	297,200	23,984
Miscellaneous revenue	-	-	-	142,497
Interest expense	-	-	(102,093)	(72,646)
Bond issuance costs	-	-	(15,375)	-
Gain (loss) on disposal of capital assets	-	-	-	(35,884)
Total nonoperating revenues (expenses)	<u>105,639</u>	<u>32,394</u>	<u>179,732</u>	<u>57,951</u>
Income (loss) before contributions and transfers	1,154,108	33,201	(124,988)	(144,511)
Contributions - connection fees	-	-	560,580	375,329
Capital contributions from other funds	-	-	138,196	175,091
Transfers in	-	8,182	-	329,490
Transfers out	(685,060)	(43,150)	(118,650)	(25,000)
Change in net position	469,048	(1,767)	455,138	710,399
Net position - beginning	<u>4,777,335</u>	<u>615,475</u>	<u>26,231,045</u>	<u>22,376,137</u>
Net position - ending	<u>\$ 5,246,383</u>	<u>\$ 613,708</u>	<u>\$ 26,686,183</u>	<u>\$ 23,086,536</u>

The notes to the financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total</u>
\$ -	\$ 6,823,719
-	(4,750,195)
-	2,073,524
31,756,165	36,839,204
244,857	280,487
(634,337)	(564,165)
31,366,685	36,555,526
2,051,979	3,643,543
172,354	644,236
21,994,652	21,994,652
3,259,076	5,729,443
1,914,062	4,100,520
29,392,123	36,112,394
1,974,562	2,516,656
98,442	557,659
229,532	372,029
(160,274)	(335,013)
(44,850)	(60,225)
29,525	(6,359)
152,375	528,091
2,126,937	3,044,747
-	935,909
-	313,287
-	337,672
(797,835)	(1,669,695)
1,329,102	2,961,920
31,639,951	85,639,943
\$ 32,969,053	\$ 88,601,863

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Municipal Liquor	Garbage	Sewer	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 6,823,772	\$ 1,292,815	\$ 1,668,977	\$ 2,142,119
Other operating cash receipts	1,623	2,877	42,410	121,231
Payments to suppliers	(5,007,187)	(1,274,947)	(572,279)	(847,666)
Payments to employees	(639,530)	(19,329)	(465,596)	(403,343)
Net cash provided by operating activities	<u>1,178,678</u>	<u>1,416</u>	<u>673,512</u>	<u>1,012,341</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	8,182	-	329,490
Transfers to other funds	(685,060)	(43,150)	(118,650)	(25,000)
Increase (decrease) in due to other funds	-	-	-	(555,225)
Net cash provided (used) by noncapital financing activities	<u>(685,060)</u>	<u>(34,968)</u>	<u>(118,650)</u>	<u>(250,735)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	(1,929,636)	(274,940)
Proceeds from sale of capital assets	-	-	-	7,254
Connection fees received	-	-	560,580	375,329
Principal paid on capital debt	-	-	(560,000)	(527,000)
Proceeds of bonds issued, net of issuance costs and premium on bonds	-	-	9,984,625	-
Interest paid on capital debt	-	-	(11,659)	(78,846)
Principal paid on promissory note	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>8,043,910</u>	<u>(498,203)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>106,310</u>	<u>33,052</u>	<u>302,689</u>	<u>27,199</u>
Net increase (decrease) in cash and cash equivalents	599,928	(500)	8,901,461	290,602
Cash and cash equivalents, January 1	<u>1,992,380</u>	<u>606,857</u>	<u>5,446,672</u>	<u>3,390,879</u>
Cash and cash equivalents, December 31	<u>\$ 2,592,308</u>	<u>\$ 606,357</u>	<u>\$ 14,348,133</u>	<u>\$ 3,681,481</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>				
Cash and investments	\$ 2,592,308	\$ 606,357	\$ 14,348,133	\$ 3,681,481
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 2,592,308</u>	<u>\$ 606,357</u>	<u>\$ 14,348,133</u>	<u>\$ 3,681,481</u>

The notes to the financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total</u>
\$ 31,288,755	\$ 43,216,438
192,433	360,574
(25,686,149)	(33,388,228)
<u>(1,748,714)</u>	<u>(3,276,512)</u>
<u>4,046,325</u>	<u>6,912,272</u>

-	337,672
(797,835)	(1,669,695)
<u>53,574</u>	<u>(501,651)</u>
<u>(744,261)</u>	<u>(1,833,674)</u>

(2,219,085)	(4,423,661)
33,000	40,254
-	935,909
<u>(2,853,000)</u>	<u>(3,940,000)</u>

2,046,586	12,031,211
(191,704)	(282,209)
<u>(189,348)</u>	<u>(189,348)</u>
<u>(3,373,551)</u>	<u>4,172,156</u>

<u>111,304</u>	<u>580,554</u>
39,817	9,831,308
<u>12,057,293</u>	<u>23,494,081</u>
<u>\$ 12,097,110</u>	<u>\$ 33,325,389</u>

\$ 11,606,610	\$ 32,834,889
<u>490,500</u>	<u>490,500</u>
<u>\$ 12,097,110</u>	<u>\$ 33,325,389</u>

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Municipal Liquor</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Water</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,048,469	\$ 807	\$ (304,720)	\$ (202,462)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Other revenue related to operations	-	-	-	142,497
Depreciation expense	124,757	-	977,931	1,083,770
(Increase) decrease in assets:				
Accounts receivable	-	(2,797)	(7,079)	(56,769)
Due from other funds	-	(6,261)	(15,675)	-
Due from other governments	-	-	-	-
Inventories	(21,143)	-	-	(1,476)
Prepaid items	-	-	-	12,063
Increase (decrease) in:				
Accounts payable	29,462	8,608	24,029	(4,587)
Salaries payable	1,028	1,059	(1,418)	5,470
Due to other governments	2,039	-	-	2,598
Unearned revenue	53	-	-	30,440
OPEB liability	4,679	-	6,178	-
Compensated absences payable	(10,666)	-	(5,734)	797
Net cash provided by operating activities	<u>\$ 1,178,678</u>	<u>\$ 1,416</u>	<u>\$ 673,512</u>	<u>\$ 1,012,341</u>
<b>Noncash capital and related financing activities:</b>				
Amortization of bond premium	\$ -	\$ -	\$ -	\$ 818
Amortization of deferred charges on refunding	-	-	-	1,649
Contribution of capital assets from other funds	-	-	138,196	175,091
Capital assets purchased on account	-	-	1,162,615	349,698
Loss on disposal of capital assets	-	-	-	43,138

The notes to the financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total</u>
\$ 1,974,562	\$ 2,516,656
229,532	372,029
1,914,062	4,100,520
(111,092)	(177,737)
-	(21,936)
(13,623)	(13,623)
(15,521)	(38,140)
2,341	14,404
(58,393)	(881)
16,520	22,659
129,298	133,935
-	30,493
9,890	20,747
<u>(31,251)</u>	<u>(46,854)</u>
<u>\$ 4,046,325</u>	<u>\$ 6,912,272</u>

\$ 14,863	\$ 15,681
6,592	8,241
-	313,287
-	1,512,313
3,475	46,613

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
DEVELOPER ESCROW AGENCY FUND  
DECEMBER 31, 2014**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 91,132
Accounts receivable	<u>266</u>
Total assets	<u>\$ 91,398</u>
 <b>LIABILITIES</b>	
Refundable deposits payable	<u>\$ 91,398</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide 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 primary government and its component units. All fiduciary activities are reported only in the fund financial statements. 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 to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**B. Reporting Entity**

The City of Elk River operates under the "Optional Plan A" form of government as defined in the State of Minnesota Statutes. Under this plan, the government of the city is directed by a Council composed of an elected Mayor and four elected Council Members. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the city. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Elk River (the primary government) and its component units. The Elk River Municipal Utilities is considered to be part of the primary government.

The Elk River Municipal Utilities was established and statutory authority is provided in accordance with Chapter 412.321 of the Minnesota Statutes and is considered to be part of the city. The Utilities Commission has three council approved members who serve overlapping three year terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities, except as its powers have been delegated to the Commission. The Utility funds are included with the enterprise funds of this report. Separate financial statements for the Utilities may be obtained at the Elk River Municipal Utilities, 13069 Orono Pkwy, Elk River.

The city has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based upon the application of these criteria, the city has the following component units:

**Blended Component Unit**

The Economic Development Authority (EDA) was created to carry out economic and industrial development and redevelopment within the city in accordance with policies established by the City Council. The seven member board consists of three Council Members, the Mayor and three other council approved members. The EDA may not exercise any of its authorized powers without prior approval of the City Council. The city has operational responsibility and that it is this criterion that results in the EDA being reported as a blended component unit. The EDA is reported as a special revenue fund and does not issue separate financial statements.

**Discretely Presented Component Unit**

The Housing and Redevelopment Authority (HRA) is a legally separate entity created to carry out community development consistent with policies established by the City Council. The HRA is governed by five council appointed members, one of which is a Council Member; however, the city does not have a financial benefit or burden relationship and does not have operational responsibility. The criterion that results in the HRA being reported as a discretely presented component unit include 1) the five council appointed member board and 2) the ability of the city to impose its will on the HRA by significantly influencing the programs, projects, activities or level of service performed by the HRA by approving the HRA's budget. The HRA does not issue separate financial statements and are included in the financial section of this report.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the city's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the city has one discretely presented component unit. While the HRA is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the city's sewer, water and electric 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.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the city's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General fund* is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *YMCA bonds debt service fund* is used to account for the accumulation of resources and payment of principal and interest on bonds used to finance the construction of a recreation facility which is leased to the YMCA.

The *TIF districts capital projects fund* is used to account for administrative and development costs associated with the various tax increment financing projects.

The government reports the following major enterprise funds:

The *Municipal Liquor fund* accounts for the operations of the city's off-sale liquor stores.

The *Garbage fund* accounts for the activities of the garbage and recycling collection programs.

The *Sewer fund* accounts for the activities of the sanitary sewer treatment system.

The *Water fund* accounts for the activities of the water distribution system.

The *Electric fund* accounts for the activities of the electric distribution system.

Additionally, the government reports the following fund types:

The *Developer Escrow agency fund* is used to account for resources received from developers for the payment of expenses incurred by the city for private development projects.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Only the portion of special assessments receivable due within the current fiscal 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 government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General fund and the Library, Ice Arena, Pinewood Golf Course, Landfill and Economic Development Authority special revenue funds. Project-length financial plans are adopted for all capital projects funds. All annual appropriations lapse at fiscal yearend.

On or before July 1 of each year, all departments and agencies of the city submit requests for appropriation to the city's administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review and approval. The City Council holds public hearings and may add to, subtract from, or change appropriations. Any changes in the budget must be within the revenue and reserves estimated as available or the revenue estimates must be changed by an affirmative vote by a majority of the City Council.

The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not legally exceed budgeted appropriations at the fund level without Council approval. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at the department level. Reported budget amounts are as originally adopted or as amended by Council approved supplemental appropriations and budget transfers.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

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.

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation of each fund. Investments are reported at fair value, based upon quoted market prices. The Minnesota Municipal Money Market fund operates in accordance with appropriate State of Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables**

Property Taxes

The City Council annually adopts a tax levy and certifies it to the county in December each year for collection the following year. The county is responsible for collecting all property taxes for the city. Property tax levies are based on property values assessed on January 2 of the preceding year. The county spreads all levies over all taxable property. These taxes attach an enforceable lien on taxable property as of January 1 and are payable by the property owner in May and October each year. The taxes are collected by the County Treasurer and tax settlements are made to the city three times a year, in January, July and December.

In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end. Deferred inflow of resources for taxes in governmental activities is susceptible to full accrual on the government-wide statements.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. It is the city's policy to charge uncollectibles directly to operations as accounts become worthless. The Utilities has established a reserve for uncollectible accounts which is adjusted annually based on the receivable activity. No substantial losses from present receivable balances are anticipated. A summary of the Utilities' uncollectible account balances at December 31, 2014 is as follows:

	<u>2014</u>
Electric	\$ 109,845
Water	<u>26,250</u>
Total	\$ <u>136,095</u>

Special Assessments

Special assessments receivable include the following components:

- Delinquent - includes amounts billed to property owners but not paid.
- Unavailable - includes assessment installments that will be billed to property owners in future years.

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the county. In governmental fund financial statements, special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable not received within 60 days after year end are offset by a deferred inflow of resources in the governmental fund financial statements. At December 31, 2014, the total delinquent special assessment receivable balance was \$71,219.

Notes Receivable

Notes receivable consist primarily of loans made by the city to area businesses for development purposes. The terms and interest rates of the individual loans vary.

**3. Inventories and Prepaid Items**

For the proprietary funds, inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Inventories are recorded as an expense when sold or consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**4. Property Held for Resale**

These assets are recorded at the lower of original cost or current net realizable value in the governmental fund which purchased them.

**5. Restricted Assets**

The amounts in the restricted cash account are set aside in accordance with the issuing resolution for specific bond issues. They will be used for future debt service.

**CITY OF ELK RIVER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, 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 government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

With the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the city chose to include all such items regardless of their acquisition date. The city was able to obtain historical costs for the initial reporting of these assets through public works project records. Major expenditures for improvements or capital asset projects are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the city, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Other park improvements	10 - 20
Machinery and equipment	3 - 20
Public domain infrastructure	15 - 50
System infrastructure	4 - 50

**7. 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The city only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. 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.

**8. Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. At December 31, 2014, the balance reported in the governmental fund financial statements consists of \$533,695 from unearned park dedication credits and \$2,177 from other unearned miscellaneous fees and contributions.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**9. 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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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.

**10. Compensated Absences**

It is the city's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation can be accrued by the employees up to a maximum of 200 hours, the limit of which is determined by years of service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In the event a liability is recorded in the governmental funds, the General fund would be used to liquidate the compensated absences payable.

Employees can also accrue an unlimited amount of unused sick leave. Employees with two or more years of service are entitled to receive severance pay equal to 50 percent of unused sick leave, up to a maximum of 480 hours. The liability for severance pay is accounted for the same as accrued vacation pay.

**11. Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the city is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

*Nonspendable* - consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* - consists of amounts intended to be used by the city for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the city's Finance Director and/or City Administrator is authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The city uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the city would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City Council has formally adopted a fund balance policy for the General Fund. The city's policy is to maintain a minimum unassigned fund balance of 40-45% of budgeted operating expenditures for cash-flow timing needs.

**12. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that does not meet the definition of "restricted" or "net investment in capital assets".

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.

**13. Revenues and Expenditures/Expenses**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 City's 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.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2014, expenditures exceeded appropriations in the Library fund by \$23,492, which was funded by available fund balance.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED**

**B. Deficit Fund Equity**

The following funds had deficit fund balances at December 31, 2014:

Primary Government:	
TIF Districts - major capital projects fund	\$ 1,250,359
Park Dedication - capital projects fund	\$ 476,669

The City plans to eliminate these deficits through future park dedication and tax increment fund revenues.

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the city's deposits may not be returned or the city will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the city maintains deposits at the depository banks authorized by the City Council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all city deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes the legal investments as prescribed by Minnesota statutes, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

At year end, the city's carrying amount of deposits was \$13,851,336 and the bank balance was \$13,890,613. The bank balance was covered by federal depository insurance totaling \$1,250,898 and the remaining balance was covered by securities held by the pledging financial institution's agent in the city's name.

The carrying amount of deposits for the HRA, a discretely presented component unit, was \$1,176,709 and the bank balance was \$1,176,709. The bank balance was covered by federal depository insurance and securities held by the pledging financial institution's agent in the HRA's name.

Investments

Minnesota Statutes and the city's investment policy authorize the city to invest in the following:

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c. General obligations of the State of Minnesota or any of its municipalities.
- d. Bankers acceptances of United States Banks eligible for purchase by the Federal Reserve System.
- e. Commercial paper of the highest quality issued by United States corporations or their Canadian subsidiaries and maturing in 270 days or less.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The city's investment policy follows Minnesota State Statutes which reduces the city's exposure to credit, custodial credit and interest rate risks. Specific risk information for the city is as follows:

- Custodial credit risk - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2014 all investments were insured or registered, or securities were held by the city or its agent in the city's name.
- Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The city's investment policy does not further limit the ratings of their investments.
- Concentration risk - Concentration risk is the risk of loss that may be caused by the city's investment in a single issuer. The city does not have a formal policy that limits the amount of investments in a single issuer. As of December 31, 2014, more than 5% of the city's investments were held in the following U.S. Agencies: Federal National Mortgage Association (36%), Federal Home Loan Bank (17%), and Federal Farm Credit Bank (7%).
- Interest rate risk - In accordance with its investment policy, the city diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

The Minnesota Municipal Money Market Fund (4M Fund) is an external investment pool allowable under Minnesota Statutes and regulated by the Board of Directors of the League of Minnesota Cities. The 4M Fund is a customized cash management and investment program for Minnesota public funds designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. The 4M Fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

As of December 31, 2014, the city had the following investments that are insured or registered, or securities held by the city or its agent in the city's name.

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled investments:			
Minnesota Municipal Money Market Fund	N/A	Less than 6 months	\$ 14,069,696
Broker Money Markets	N/A	Less than 6 months	<u>1,413,722</u>
Total pooled investments			<u>15,483,418</u>
Non-pooled investments:			
U.S. Government Securities	AA	1 to 5 years	5,548,573
	AA	More than 5 years	<u>21,219,642</u>
Total U.S. Government Securities			<u>26,768,215</u>
U.S. Treasury Securities	AAA	Less than 6 months	109,027
	AAA	1 to 5 years	<u>133,232</u>
Total U.S. Treasury Securities			<u>242,259</u>
Municipal Securities	AA	Less than 6 months	380,437
	AA	6 to 12 months	250,630
	AA	1 to 5 years	1,153,999
	AA	More than 5 years	1,544,755
	AAA	1 to 5 years	1,709,026
	AAA	More than 5 years	<u>1,046,697</u>
Total Municipal Securities			<u>6,085,544</u>
Negotiable CD's	N/A	Less than 6 months	1,026,289
		6 to 12 months	1,406,855
		1 to 5 years	8,298,123
		More than 5 years	<u>469,934</u>
Total negotiable CD's			<u>11,201,201</u>
Total non-pooled investments			<u>44,297,219</u>
Total investments			59,780,637
Deposits			13,851,336
Cash on hand			<u>4,655</u>
Total cash and investments			<u>\$ 73,636,628</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

Cash and investments are presented in the financial statements as follows:

	<u>Primary Government</u>	<u>Component Unit - HRA</u>
Statement of Net Position		
Cash and investments	\$ 63,474,852	\$ 1,176,709
Restricted cash and investments	490,500	-
Cash with fiscal agent	9,580,144	-
Statement of Fiduciary Net Assets		
Cash and investments	<u>91,132</u>	<u>-</u>
 Total	 <u><u>\$ 73,636,628</u></u>	 <u><u>\$ 1,176,709</u></u>

**B. Notes Receivable**

The city has made several business subsidy loans to local businesses, some of which were funded with grant proceeds received from the state and federal governments. The terms of repayment vary with each loan and will be repaid over a period of ten years. Under the terms of the grant agreement, the city retains the grant repayments. Notes receivable of \$64,732 in the TIF Districts fund and \$333,622 in the Revolving Loan fund are outstanding at December 31, 2014.

The Federal DEED fund loaned \$511,155 to several businesses through the Forgivable Loan Program targeting manufacturing, industrial, and high-tech businesses to stimulate private sector investment. The notes are deferred until the businesses have complied with the note agreements for a minimum of one year, at which time the note is then forgiven.

In 2006, the HRA issued a loan to a developer to assist in the financing of a housing development for the benefit of low and moderate income residents which was funded with state grant proceeds. Repayment of the loan is deferred for 30 years, payable in one lump sum at an interest rate of one percent. Notes receivable of \$400,000 in the HRA is outstanding at December 31, 2014.

**CITY OF ELK RIVER, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

**C. Capital Assets**

In accordance with GASB Statement No. 34, the city has reported all capital assets including infrastructure in the government-wide statement of net position. Capital asset activity for the year ended December 31, 2014 was as follows:

<b>Primary Government</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 37,806,871	\$ 3,105,000	\$ -	\$ 40,911,871
Construction in progress	-	749,673	-	749,673
Total capital assets not being depreciated	<u>37,806,871</u>	<u>3,854,673</u>	<u>-</u>	<u>41,661,544</u>
Capital assets being depreciated:				
Buildings	44,988,434	52,790	-	45,041,224
Other improvements	5,246,833	146,471	-	5,393,304
Equipment	11,225,485	945,538	(632,688)	11,538,335
Infrastructure	79,308,955	40,690	-	79,349,645
Total capital assets being depreciated	<u>140,769,707</u>	<u>1,185,489</u>	<u>(632,688)</u>	<u>141,322,508</u>
Less accumulated depreciation for:				
Buildings	13,964,688	1,662,557	-	15,627,245
Other improvements	2,834,061	313,111	-	3,147,172
Equipment	7,564,497	827,719	(571,499)	7,820,717
Infrastructure	41,608,793	3,157,528	-	44,766,321
Total accumulated depreciation	<u>65,972,039</u>	<u>5,960,915</u>	<u>(571,499)</u>	<u>71,361,455</u>
Total capital assets being depreciated, net	<u>74,797,668</u>	<u>(4,775,426)</u>	<u>(61,189)</u>	<u>69,961,053</u>
Governmental activities capital assets, net	<u>\$ 112,604,539</u>	<u>\$ (920,753)</u>	<u>\$ (61,189)</u>	<u>\$ 111,622,597</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,526,008	\$ 351	\$ -	\$ 1,526,359
Construction in progress	2,265,169	4,630,770	(3,293,136)	3,602,803
Total capital assets not being depreciated	<u>3,791,177</u>	<u>4,631,121</u>	<u>(3,293,136)</u>	<u>5,129,162</u>
Capital assets being depreciated:				
Buildings	19,630,603	-	(130,489)	19,500,114
Equipment	5,570,449	946,381	(2,371,820)	4,145,010
Collection and distribution	103,133,383	3,293,136	(9,545,513)	96,881,006
Total capital assets being depreciated	<u>128,334,435</u>	<u>4,239,517</u>	<u>(12,047,822)</u>	<u>120,526,130</u>
Less accumulated depreciation for:				
Buildings	8,986,457	656,314	(123,756)	9,519,015
Equipment	4,167,844	252,617	(2,369,761)	2,050,700
Collection and distribution	46,854,697	3,191,589	(9,507,692)	40,538,594
Total accumulated depreciation	<u>60,008,998</u>	<u>4,100,520</u>	<u>(12,001,209)</u>	<u>52,108,309</u>
Total capital assets being depreciated, net	<u>68,325,437</u>	<u>138,997</u>	<u>(46,613)</u>	<u>68,417,821</u>
Business-type activities capital assets, net	<u>\$ 72,116,614</u>	<u>\$ 4,770,118</u>	<u>\$ (3,339,749)</u>	<u>\$ 73,546,983</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

Capital asset activity for the HRA component unit for the year ended December 31, 2014 was as follows:

Component Unit	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 257,100	\$ -	\$ -	\$ 257,100
Capital assets being depreciated:				
Other improvements	174,290	-	-	174,290
Less accumulated depreciation for:				
Other improvements	12,587	11,620	-	24,207
Total capital assets being depreciated, net	161,703	(11,620)	-	150,083
Component unit capital assets, net	<u>\$ 418,803</u>	<u>\$ (11,620)</u>	<u>\$ -</u>	<u>\$ 407,183</u>

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

Governmental activities:	
General government	\$ 265,530
Public safety	650,866
Public works	3,845,855
Culture and recreation	1,198,664
Total depreciation expense - governmental activities	<u>\$ 5,960,915</u>
Business-type activities:	
Municipal liquor	\$ 124,757
Sewer	977,931
Water	1,083,770
Electric	1,914,062
Total depreciation expense - business-type activities	<u>\$ 4,100,520</u>

**Construction commitments**

The city has the following construction commitments at December 31, 2014:

Project	Spent to date	Remaining Commitment
Natures Edge Business Center II	\$ 965,515	\$ 345,713
Wastewater Treatment Facility Improvements	1,888,147	14,637,053
Total	<u>\$ 2,853,662</u>	<u>\$ 14,982,766</u>

The commitment for Natures Edge Business Center II is being financed by a state DEED grant and transfers from the Development fund, EDA fund and Improvement Projects fund. The commitment for the wastewater treatment facility improvements is being funded by bond proceeds which will be repaid by revenues from the Sewer fund.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of December 31, 2014 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$ 87,645
General	Nonmajor governmental funds	5,648
Garbage	Electric	98,423
Sewer	Electric	147,260
Sewer	TIF Districts	171,800
Water	TIF Districts	128,850
Water	Nonmajor governmental funds	311,978
Nonmajor governmental funds	TIF Districts	1,153,878
Nonmajor governmental funds	Electric	270,462
Nonmajor governmental funds	Nonmajor governmental funds	<u>18,427</u>
Total		<u><u>\$ 2,394,371</u></u>

The interfund receivable/payable balances result from the distribution of utility collections and the lending/borrowing arrangements between funds for operating or capital purposes.

Due to/from component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - HRA	\$ 2,456
Component unit - HRA	Primary government - TIF Districts	230,122

The outstanding balance between the primary government and the component unit represents the transfer for administrative services and the lending/borrowing arrangement to finance construction costs. The \$230,122 payable to the HRA will be paid with the collection of tax increment revenue and will not be repaid within one year.

Interfund transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds:		
Major funds -		
General	\$ 1,625,550	\$ 300,219
YMCA bonds	250,000	-
Nonmajor funds	2,961,466	3,204,774
Total governmental funds	<u>4,837,016</u>	<u>3,504,993</u>
Proprietary funds:		
Municipal liquor	-	685,060
Garbage	8,182	43,150
Sewer	-	118,650
Water	329,490	25,000
Electric	-	797,835
Total proprietary funds	<u>337,672</u>	<u>1,669,695</u>
Total	<u><u>\$ 5,174,688</u></u>	<u><u>\$ 5,174,688</u></u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

Interfund transfers are used to allocate financial resources to the funds that receive benefit from services provided by another fund, to provide additional capital funding, or to move revenues from the fund with collection authorization to debt service funds as principal and interest payments come due. In addition, interfund transfers are occasionally authorized to allow redistribution of resources between funds for the most efficient use of funds.

**E. Long-term Debt**

Long-term debt obligations outstanding at year end are summarized as follows:

<u>PRIMARY GOVERNMENT</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Payable 12/31/14</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Obligation Bonds:					
2006C G.O. Capital Improvement Bonds	12/14/2006	2/1/2027	3.80-4.05%	\$ 3,220,000	\$ 2,400,000
2007D EDA G.O. Bonds	11/8/2007	2/1/2017	3.80%	10,000,000	10,000,000
2008A EDA G.O. Bonds	2/20/2008	2/1/2015	3.38%	2,000,000	330,000
2010A G.O. Capital Improvement Bonds	4/21/2010	2/1/2023	2.00-4.00%	6,105,000	4,415,000
2012A G.O. Capital Improvement Bonds	3/15/2012	2/1/2033	1.00-2.50%	6,975,000	6,685,000
2013A EDA G.O. Refunding Bonds	2/12/2013	2/1/2033	2.00-3.00%	9,685,000	9,685,000
Total general obligation bonds				<u>37,985,000</u>	<u>33,515,000</u>
Special Assessment Bonds:					
2012B G.O. Improvement Refunding Bonds	3/15/2012	2/1/2018	2.00%	1,525,000	1,210,000
Total bonded indebtedness				39,510,000	34,725,000
Contracts for deeds	4/12/2008	4/6/2013	5.00-6.00%	1,800,000	1,410,000
Compensated absences payable				-	1,504,686
Net OPEB obligation				-	317,929
Total governmental activities indebtedness				<u>\$ 41,310,000</u>	<u>\$ 37,957,615</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
General Obligation Revenue Bonds:					
2008A G.O. Water Revenue Refunding Bonds	2/20/2008	2/1/2022	2.50-3.65%	\$ 3,085,000	\$ 1,905,000
2010A G.O. Capital Improvement Bonds	4/21/2010	8/1/2023	2.00-4.00%	1,265,000	930,000
2014B G.O. Sewer Revenue Bonds	8/21/2014	2/1/2035	2.00-3.50%	10,000,000	10,000,000
Total general obligation revenue bonds				<u>14,350,000</u>	<u>12,835,000</u>
Revenue Bonds:					
2007A Electric Revenue Bonds	3/28/2007	2/1/2022	4.00%	2,875,000	1,960,000
2014A Electric Revenue Refunding Bonds	3/13/2014	8/1/2018	2.00-4.00%	2,030,000	1,625,000
Total revenue bonds				<u>4,905,000</u>	<u>3,585,000</u>
Total bonded indebtedness				19,255,000	16,420,000
Promissory note	3/19/2002	12/31/2022	-%	3,521,000	1,599,876
Compensated absences payable				-	410,814
Net OPEB obligation				-	101,113
Total business-type activities indebtedness				<u>\$ 22,776,000</u>	<u>\$ 18,531,803</u>
Total City indebtedness				<u>\$ 64,086,000</u>	<u>\$ 56,489,418</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

Annual debt service requirements to maturity for long-term obligations are as follows:

	<b>Primary Government - Governmental Activities</b>					
	<b>G.O. Bonds</b>		<b>Special Assessment Bonds</b>		<b>Contract for deed</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 1,195,000	\$ 1,027,045	\$ 310,000	\$ 21,100	\$ 1,410,000	\$ 84,600
2016	1,275,000	995,159	305,000	14,950	-	-
2017	10,530,000	766,552	300,000	8,900	-	-
2018	1,440,000	535,338	295,000	2,950	-	-
2019	1,485,000	493,575	-	-	-	-
2020 - 2024	7,515,000	1,801,396	-	-	-	-
2025 - 2029	5,615,000	948,304	-	-	-	-
2030 - 2033	4,460,000	252,319	-	-	-	-
<b>Total</b>	<b>\$ 33,515,000</b>	<b>\$ 6,819,688</b>	<b>\$ 1,210,000</b>	<b>\$ 47,900</b>	<b>1,410,000</b>	<b>84,600</b>

	<b>Primary Government - Business-Type Activities</b>					
	<b>G.O. Revenue Bonds</b>		<b>Revenue Bonds</b>		<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 300,000	\$ 353,889	\$ 600,000	\$ 110,600	\$ 191,508	\$ -
2016	705,000	356,738	620,000	131,160	194,292	-
2017	725,000	339,205	635,000	113,053	195,216	-
2018	750,000	320,103	660,000	93,815	198,252	-
2019	760,000	299,795	250,000	37,800	200,916	-
2020 - 2024	3,475,000	1,183,645	820,000	50,200	619,692	-
2025 - 2029	2,520,000	801,013	-	-	-	-
2030 - 2034	2,945,000	371,338	-	-	-	-
2035	655,000	11,462	-	-	-	-
<b>Total</b>	<b>\$ 12,835,000</b>	<b>\$ 4,037,188</b>	<b>\$ 3,585,000</b>	<b>\$ 536,628</b>	<b>\$ 1,599,876</b>	<b>\$ -</b>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

Long-term liability activity for the year ended December 31, 2014 was as follows:

<b>PRIMARY GOVERNMENT</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds payable:					
General obligation bonds	\$ 34,675,000	\$ -	\$ (1,160,000)	\$ 33,515,000	\$ 1,195,000
Special assessment bonds	1,585,000	-	(375,000)	1,210,000	310,000
Issuance premium	596,600	-	(51,072)	545,528	-
Total bonds payable	<u>36,856,600</u>	<u>-</u>	<u>(1,586,072)</u>	<u>35,270,528</u>	<u>1,505,000</u>
Contracts for deeds	1,410,000	-	-	1,410,000	1,410,000
Compensated absences	1,442,996	650,309	(588,619)	1,504,686	604,370
Net OPEB obligation	247,937	109,026	(39,034)	317,929	-
Governmental activity long-term liabilities	<u>39,957,533</u>	<u>759,335</u>	<u>(2,213,725)</u>	<u>38,503,143</u>	<u>3,519,370</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Bonds payable					
G.O. revenue bonds	3,990,000	10,000,000	(1,155,000)	12,835,000	300,000
Revenue bonds	4,340,000	2,030,000	(2,785,000)	3,585,000	600,000
Issuance premium	37,478	61,436	(15,681)	83,233	-
Total bonds payable	<u>8,367,478</u>	<u>12,091,436</u>	<u>(3,955,681)</u>	<u>16,503,233</u>	<u>900,000</u>
Notes payable	1,789,224	-	(189,348)	1,599,876	191,518
Compensated absences	457,668	162,494	(209,348)	410,814	130,436
Net OPEB obligation	80,366	21,312	(565)	101,113	-
Business-type activity long-term liabilities	<u>10,694,736</u>	<u>12,275,242</u>	<u>(4,354,942)</u>	<u>18,615,036</u>	<u>1,221,954</u>
Total primary government long-term liabilities	<u>\$ 50,652,269</u>	<u>\$ 13,034,577</u>	<u>\$ (6,568,667)</u>	<u>\$ 57,118,179</u>	<u>\$ 4,741,324</u>

For the governmental activities, bonds payable can be summarized in the following categories:

The general obligation bonds were used to construct a library, a recreation facility, a public safety facility, a public works facility and finance a street improvement project. The recreation facility is leased to the YMCA, which has pledged to pay one-third of the \$10,330,000 bonds outstanding. The bonds are general obligations of the city and are backed by its full faith and credit.

The special assessment bonds are used to finance assessable improvements within the city. The bonds are payable primarily from special assessments levied against properties benefited by the improvements. In addition, the bonds are general obligations of the city and are backed by its full faith and credit.

For the governmental activities, the city also entered into a contract for deed to finance the acquisition of park property. Compensated absences and other postemployment benefits are generally liquidated through the General fund.

For the business-type activities, the general obligation revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Sewer and Water funds and are backed by the full faith and credit of the city. Annual principal and interest payments on the bonds are expected to require about 33 and 28 percent of revenues from the Sewer and Water funds, respectively. For 2014, principal and interest paid and total operating revenues for the Sewer fund were \$571,659 and \$1,734,141, respectively. For 2014, principal and interest paid and total operating revenues for the Water fund were \$605,846 and \$2,148,327, respectively.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED**

The revenue bonds were issued to finance the acquisition and construction of major capital facilities and are to be repaid from future revenues pledged from the Electric fund. Annual principal and interest payment on the bonds required about 3 percent of revenues from the Electric fund. For 2014, principal and interest paid and total customer revenues for the Electric fund were \$864,704 and \$31,366,685, respectively.

The city also issued a promissory note to provide for the construction of a landfill gas generator. The note is to be paid from revenue of the system and is secured by the facility.

In 2013 the EDA issued \$9,685,000 G.O. Refunding Bonds, Series 2013A. The bonds bear an average coupon rate of 2.2 percent and will be used to call \$9,225,000 of the outstanding principal of the EDA G.O. Bonds, Series 2007D on February 1, 2017. As a result of the refunding issue, the EDA will save \$1,001,112 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$795,866.

On March 13, 2014 the city issued \$2,030,000 Electric Revenue Refunding Bonds, Series 2014A. The bonds bear an average coupon rate of 2.17 percent and were used to call \$2,180,000 of the outstanding principal of the Electric Revenue Bonds, Series 2006. As a result of the refunding issue, the city will achieve a net cash flow savings of \$239,104 and an economic gain (the present value of the difference between the old and the new debt service) of \$221,930.

**F. Fund Balance Classification**

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

	General Fund	YMCA Bonds	TIF Districts	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 22,725	\$ -	\$ -	\$ 101,910	\$ 124,635
Restricted for:					
Debt service	\$ -	\$ 10,011,420	\$ -	\$ 1,325,798	\$ 11,337,218
Landfill mitigation	-	-	-	574,574	574,574
Economic development	-	-	434,225	1,186,395	1,620,620
Law enforcement	-	-	-	26,911	26,911
Park improvements	-	-	-	366,360	366,360
Total restricted	<u>\$ -</u>	<u>\$ 10,011,420</u>	<u>\$ 434,225</u>	<u>\$ 3,480,038</u>	<u>\$ 13,925,683</u>
Committed to:					
Library operations	\$ -	\$ -	\$ -	\$ 425,469	\$ 425,469
Ice arena	-	-	-	315,839	315,839
Economic development	-	-	-	2,591,071	2,591,071
Insurance reserve	-	-	-	166,103	166,103
Street improvements	-	-	-	2,330,519	2,330,519
OPEB obligation	317,929	-	-	-	317,929
Total committed	<u>\$ 317,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,829,001</u>	<u>\$ 6,146,930</u>
Assigned to:					
Landfill mitigation	\$ -	\$ -	\$ -	\$ 737,949	\$ 737,949
Law enforcement	-	-	-	1,297	1,297
Debt service	-	-	-	41,576	41,576
Economic development	-	-	-	102,282	102,282
Capital equipment	-	-	-	2,043,807	2,043,807
Building construction/improvements	-	-	-	3,857,503	3,857,503
Street improvements	-	-	-	1,959,985	1,959,985
Other improvement projects	-	-	-	6,998,224	6,998,224
Park improvements	-	-	-	140,656	140,656
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,883,279</u>	<u>\$ 15,883,279</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION**

**A. Risk Management**

The city is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the city carries insurance. The city obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The city pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the city's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The city's management is not aware of any incurred but not reported claims.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The city's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. The city's management is not aware of any instances of noncompliance which would have a material effect on the financial statements.

**C. Territorial Acquisition Agreement**

In, 1991, the Utilities entered into a 20 year agreement to transfer ownership of electric plant and electric service to customers in certain areas currently receiving electric service from Connexus Energy. In 2010 the Utilities completed the final purchase under this agreement.

The agreed cost of property purchased from Connexus Energy is net book value. The Utilities also pays Connexus Energy for loss of revenue for each area acquired based on a formula outlined in the agreement.

In addition, the Utilities will compensate Connexus Energy for the loss of revenue from the future sale of electricity to electric customers in the areas acquired from Connexus Energy for a period of ten years from the date of sale of each individual area.

The Utilities paid \$634 in 2014 for loss of revenues under this agreement. All amounts paid are included in property and equipment.

**D. Pension Plans**

**1. Public Employees Retirement Association**

**a. Plan Description**

All full-time and certain part-time employees of the City of Elk River are covered by defined benefit pension plans administered by the Public Employees 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. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION – CONTINUED**

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**b. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The city makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. In 2014, the City of Elk River was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 15.3% for PEPFF members. The city's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$615,331, \$584,075 and \$553,395, respectively. The city's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2014, 2013 and 2012 were \$418,280, \$383,545 and \$369,421, respectively. The city's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers) and the Police and Fire Fund (10.8% for members and 16.2% for employers).

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION – CONTINUED**

**c. Defined Contribution Plan**

Two council members of the City of Elk River are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official’s employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member’s account annually.

Total contributions made by the City of Elk River during fiscal year 2014 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$940	\$940	5.0%	5.0%	5.0%

**2. Volunteer Fire Department Relief Association**

**a. Plan Description**

The Elk River Fire Relief Association is the administrator of a single employer public employee defined benefit retirement system (PERS) established to provide benefits for members of the Elk River Fire Department.

The Fire Relief Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Fire Department's membership. Funding for the relief association is derived primarily from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980).

The Fire Relief Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Elk River Fire Department Relief Association, 13073 Orono Parkway, Elk River, MN 55330.

**b. Funding Policy**

The financial requirements of the Special fund are determined in accordance with Section 69.772 of the Minnesota Statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The Association is comprised of volunteers and therefore members have no contribution requirements. During the year, the City recognized as revenue and as expenditure on-behalf payments of \$164,825 made by the State of Minnesota for the Fire Relief Association.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION – CONTINUED**

The following summarizes the City's annual pension cost and other related information for the current year:

Annual Pension Cost	\$194,825
Contributions Made:	
City	\$30,000
State Aid	\$164,825
Actuarial Valuation Date	12/31/14
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period:	
Normal cost	20 years
Prior service cost	5 years
Asset valuation method	Market
Actuarial Assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

The City's annual pension cost, the percentage of annual pension cost contributed, and the net pension obligation for the Relief Association for the year ended December 31, 2014 and the preceding fiscal years was as follows:

**Three Year Trend Information**

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 148,465	100%	\$ -
12/31/13	197,103	100%	-
12/31/14	194,825	100%	-

**c. Funded Status and Funding Progress**

As of December 31, 2014, the actuarial accrued liability was \$2,235,966. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Percentage Funded
12/31/14	\$ 3,190,879	\$ 2,235,966	\$ 954,913	142.7%

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION - CONTINUED**

**E. Other Postemployment Benefits (OPEB)**

**1. City of Elk River**

**a. Plan Description**

The city provides other postemployment health insurance benefits for retired employees through two defined benefit plans: Municipal Retirees Health Plan (MRHP), a single-employer plan, and Utilities Retirees Health Plan (URHP), a multi-employer plan. Each plan provides benefits for eligible retirees and their dependents through the City's group health insurance plans, which cover both active and retired members. Since the premium is a blended rate determined on the active and retiree population, the retirees are receiving an implicit rate subsidy. The MRHP and URHP do not issue publicly available financial reports.

**b. Funding Policy**

Contribution requirements are reviewed at the time changes are made to the plans. Benefit provisions for MRHP are established and amended by the City. The Utilities has been delegated authority to establish and amend benefit provisions for URHP. Eligible retirees receiving benefits are required to pay 100% of the total premium.

**c. Annual OPEB Cost and Net OPEB Obligation**

The city's annual OPEB cost for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The URHP has elected to calculate the ARC and related information using the alternative measurement method permitted for employers in plans with fewer than one hundred total plan members.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>Municipal Retiree Health Plan</u>	<u>Utility Retiree Health Plan</u>
Annual required contribution (ARC)	\$ 125,720	\$ 10,693
Interest on net OPEB obligation	11,330	1,802
Adjustment to ARC	<u>(16,602)</u>	<u>(2,605)</u>
Annual OPEB cost	120,448	9,890
Contributions made	<u>(39,599)</u>	<u>-</u>
Increase in net OPEB obligation	80,849	9,890
Net OPEB obligation - beginning of year	<u>283,261</u>	<u>45,042</u>
Net OPEB obligation - end of year	<u>\$ 364,110</u>	<u>\$ 54,932</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION - CONTINUED**

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
<b>MRHP:</b>				
12/31/2012	\$ 97,719	\$ 36,810	38%	\$ 235,545
12/31/2013	96,519	48,803	51%	283,261
12/31/2014	120,448	39,599	33%	364,110
<b>URHP:</b>				
12/31/2012	\$ 4,601	\$ -	- %	\$ 40,360
12/31/2013	6,073	1,391	23%	45,042
12/31/2014	9,890	-	- %	54,932

**d. Funded Status and Funding Progress**

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

	<u>Municipal Retiree Health Plan</u>	<u>Utility Retiree Health Plan</u>
Actuarial accrued liability (a)	\$ 996,344	\$ 68,948
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a-b)	<b>\$ 996,344</b>	<b>\$ 68,948</b>
Funded ratio (b/a)	0.00%	0.00%
Covered payroll (c)	\$ 7,442,216	\$ 2,810,413
Unfunded actuarial accrued liability as a percentage of covered payroll ((a - b) / c)	13.39%	2.45%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**e. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION – CONTINUED**

For the MRHP, in the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 7.5% initially, reduced incrementally to an ultimate rate of 5% after ten years. The actuarial value of assets was not determined as the city has not advance-funded its obligation. The plan's unfunded actuarial accrued liability was amortized as a level dollar amount over a closed basis. The remaining amortization period at December 31, 2014 was thirty years.

For the URHP, the following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Participation Rate* – It is assumed that 10% of active participants continue coverage until age 65. Participants are assumed to continue in their current coverage type (single or family). It is assumed that 100% of retirees will continue their current coverage until age 65.

*Life Expectancy* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and for Females were used.

*Turnover* – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active member a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5% initially, reduced to an ultimate rate of 5% after eight years, was used.

*Health insurance premiums* – 2014 health insurance premiums for retirees were used per the valuation report.

*Withdrawal* – The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in Paragraph 35b of GASB 45.

*Actuarial Method* – Projected Unit Credit with 30-year amortization of the unfunded liability.

For the URHP, a discount rate of 4% was used based on the historical and expected returns of the Utilities' short-term investment portfolio. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2014 was thirty years.

**F. Segment Information**

The city maintains five enterprise funds that account for the municipal liquor operations, garbage collections, and sewer, water and electric utilities. The city considers each of its enterprise funds to be a segment. Since the required segment information is already included in the city's proprietary funds' balance sheet and statement of revenues, expenses, and changes in net position balance, this information has not been repeated in the notes to the basic financial statements.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**Note 4: OTHER INFORMATION – CONTINUED**

**G. Conduit Debt Obligations**

From time to time, the city has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial, multi-family and educational facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payment received from the benefited entity. Neither the city, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014, there were four series of revenue bonds outstanding, with an aggregate principal payable amount of \$9,669,828.

**H. Commitments**

The Utilities has received notice from their power supplier regarding the existing all requirements power contract exercising their right to give ten years notice to cancel the contract. The cancellation date would be effective September 30, 2018. On May 14, 2013 the Utilities signed a new agreement with Minnesota Municipal Power Agency (MMPA).

The Utilities entered into an agreement in 2007 with Central Minnesota Municipal Power Agency (CMMPA) to acquire an interest in the CAPX Initiative Brookings Project, a power transmission line in Minnesota. The project is a 250 mile, 345kV AC transmission line with a rating of 2,300 MW, between Brookings, South Dakota, and the Twin Cities. In 2011 there was increased opportunity for investment, and subsequent agreements provide the Utilities with an ownership share of \$5.6 million or 18.9%. The return on this investment through CMMPA is designed to provide approximately \$124,000 annually over the 40 year project life. The first transmission payment under the agreement of \$75,453 was receivable at December 31, 2014.

**I. Joint Ventures**

The city has agreements with government and other entities which provide reduced costs, better service and additional benefits to the participants. In 2007, the city and neighboring municipalities formed the Sherburne/Wright Cable Communications Commission (the "Commission"). The purpose of the organization is to monitor the operation and activities of cable communications of the member municipalities. The Commission also provides coordination, administration and enforcement of the franchises for the cable communication system. Financial statements for the Commission can be obtained by writing to: Sherburne/Wright Cable Communications Commission at 444 Cedar St, Suite 950, St. Paul, MN 55101.

**J. Prior Period Adjustment**

An adjustment is required for the December 31, 2013 carry forward fund balances of the governmental funds to adjust for the reclassification of the deferred inflow of resources for notes receivable. The following schedule reconciles the December 31, 2013 fund balances as restated:

Fund balances - December 31, 2013	\$ 38,479,671
Prior period adjustment - reclass deferred inflow of resources-notes receivable	<u>362,655</u>
Fund balances, as restated - January 1, 2014	<u><u>\$ 38,842,326</u></u>

**K. Subsequent Event**

In March 2015, the Utilities entered into a 5 year agreement to transfer ownership of the electric plant and electric service to customers in the remaining areas of Elk River receiving electric service from Connexus – a Territorial Acquisition Agreement.

The terms of the agreement were based on the provisions outlined in Minnesota Statutes 216B.37 – 216B.47. These provisions include compensation for plant and property at net book value, loss of revenue which is indexed and runs for a ten year period from the transfer date specific to each area, and integration costs identified through a jointly prepared integration study.

**CITY OF ELK RIVER, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2014**

**Elk River Fire Relief Pension Plan  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Percentage Funded	Pension Benefit Per Year of Service
12/31/12	\$ 2,456,311	\$ 2,551,430	\$ (95,119)	96.3%	\$ 5,091
12/31/13	2,880,579	2,592,356	288,223	111.1%	5,091
12/31/14	3,190,879	2,235,966	954,913	142.7%	5,167

**Other Postemployment Benefits  
Schedules of Funding Progress**

**Municipal Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b -a)	Funded Rate	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/08	\$ -	\$ 88,718	\$ 88,718	0.00%	\$ 4,095,000	2.17%
01/01/11	-	908,610	908,610	0.00%	6,901,671	13.17%
01/01/14	-	996,344	996,344	0.00%	7,442,216	13.39%

**Utilities Retiree Health Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b -a)	Funded Rate	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/08	\$ -	\$ 56,892	\$ 56,892	0.00%	\$ 2,300,000	2.47%
01/01/11	-	42,681	42,681	0.00%	2,286,547	1.87%
01/01/14	-	68,948	68,948	0.00%	2,810,413	2.45%

# **NonMajor Governmental Funds**

## **Special Revenue**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. They are usually required by statute or local ordinance to finance particular functions or activities of government.

## **Debt Service**

Debt service funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and other related costs.

## **Capital Projects**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**CITY OF ELK RIVER, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,738,993	\$ 969,714	\$ 17,650,684	\$ 23,359,391
Receivables:				
Interest	11,625	2,485	45,751	59,861
Taxes	22,413	15,818	3,089	41,320
Accounts	109,602	-	296,533	406,135
Special assessments	-	381,085	1,231,357	1,612,442
Notes, net	333,622	-	-	333,622
Due from other governments	130	-	1,200	1,330
Due from other funds	1,153,878	-	288,889	1,442,767
Prepaid items	101,910	-	-	101,910
Property held for resale	261,400	-	-	261,400
	<u>\$ 6,733,573</u>	<u>\$ 1,369,102</u>	<u>\$ 19,517,503</u>	<u>\$ 27,620,178</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 79,503	\$ -	\$ 582,090	\$ 661,593
Salaries payable	22,972	-	379	23,351
Due to other funds	5,718	-	330,335	336,053
Unearned revenue	2,157	-	533,695	535,852
Total liabilities	<u>110,350</u>	<u>-</u>	<u>1,446,499</u>	<u>1,556,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	9,283	6,765	1,439	17,487
Unavailable revenue - special assessments	-	379,103	1,215,540	1,594,643
Total deferred inflows of resources	<u>9,283</u>	<u>385,868</u>	<u>1,216,979</u>	<u>1,612,130</u>
<b>FUND BALANCES</b>				
Nonspendable	101,910	-	-	101,910
Restricted	2,130,444	983,234	366,360	3,480,038
Committed	3,498,482	-	2,330,519	5,829,001
Assigned	883,104	-	15,000,175	15,883,279
Unassigned	-	-	(843,029)	(843,029)
Total fund balances	<u>6,613,940</u>	<u>983,234</u>	<u>16,854,025</u>	<u>24,451,199</u>
	<u>\$ 6,733,573</u>	<u>\$ 1,369,102</u>	<u>\$ 19,517,503</u>	<u>\$ 27,620,178</u>
Total liabilities, deferred inflows of resources, and fund balances				

**CITY OF ELK RIVER, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 553,243	\$ 370,599	\$ 57,005	\$ 980,847
Franchise tax	-	-	1,314,494	1,314,494
Intergovernmental revenue	2,560	-	549,162	551,722
Charges for services	812,712	-	461,839	1,274,551
Fines and forfeits	32,167	-	-	32,167
Special assessments	-	182,191	699,080	881,271
Interest income	196,228	4,683	798,867	999,778
Miscellaneous revenue:				
Landfill expansion fee	-	-	757,960	757,960
Refunds and reimbursements	117,207	-	-	117,207
Contributions	217,137	-	835,567	1,052,704
Other	29,494	-	26,668	56,162
<b>Total revenues</b>	<b>1,960,748</b>	<b>557,473</b>	<b>5,500,642</b>	<b>8,018,863</b>
<b>EXPENDITURES</b>				
Current:				
General government	98,996	-	49,159	148,155
Public safety	23,621	-	95,260	118,881
Public works	26,545	-	1,018,464	1,045,009
Culture and recreation	818,496	-	253,198	1,071,694
Economic development	749,944	-	-	749,944
Debt service:				
Principal	-	1,220,000	-	1,220,000
Interest and service charges	-	432,440	15,760	448,200
Capital outlay:				
General government	-	-	212,587	212,587
Public safety	27,306	-	282,860	310,166
Public works	-	-	1,436,684	1,436,684
Culture and recreation	52,789	-	254,351	307,140
<b>Total expenditures</b>	<b>1,797,697</b>	<b>1,652,440</b>	<b>3,618,323</b>	<b>7,068,460</b>
Excess (deficiency) of revenues over expenditures	163,051	(1,094,967)	1,882,319	950,403
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	58,269	916,965	1,986,232	2,961,466
Transfers out	(1,190,732)	-	(2,014,042)	(3,204,774)
Sale of capital assets	-	-	44,827	44,827
<b>Total other financing sources (uses)</b>	<b>(1,132,463)</b>	<b>916,965</b>	<b>17,017</b>	<b>(198,481)</b>
Net change in fund balances	(969,412)	(178,002)	1,899,336	751,922
Fund balances - January 1	7,220,697	1,161,236	14,954,689	23,336,622
Prior period adjustment	362,655	-	-	362,655
Fund balances, restated - January 1	7,583,352	1,161,236	14,954,689	23,699,277
Fund balances - December 31	<b>\$ 6,613,940</b>	<b>\$ 983,234</b>	<b>\$ 16,854,025</b>	<b>\$ 24,451,199</b>



**This page has been left blank intentionally**

## NONMAJOR SPECIAL REVENUE FUNDS

Library - This fund accounts for any library maintenance costs which are not paid by the Great River Regional Library System.

Ice Arena - This fund accounts for the operation and maintenance of the ice arena which is funded by user fees.

Pinewood Golf Course - This fund was established to account for the operation and maintenance of the municipal-owned nine-hole golf course which is funded by user fees.

Landfill - This fund was established to segregate solid waste surcharge revenues to be used for landfill abatement and other environmental issues.

Revolving Loan - This fund was established to account for the City's portion of state economic development grant repayments which are used to fund other economic development projects.

Federal DEED - This fund was established to account for the federal share of Department of Employment and Economic Development grant repayments which are used to fund economic development projects.

State DEED - This fund was established to account for the state share of Department of Employment and Economic Development grant repayments which are used to fund economic development projects.

Development Fund - This fund was established to attract businesses to develop within the City's business park.

Insurance Reserve - This fund was opened to account for insurance deductibles and litigation costs not covered by insurance. The major source of revenue is from insurance premium refunds.

Drug Forfeiture Reserve - This fund was established to account for revenues received as a result of drug related crimes. These funds must be used for drug education and prevention.

YMCA Grant - This fund was established to account for grant revenues received from the County for the YMCA building.

Economic Development Authority - This fund was established to account for a special tax levy authorized to help encourage development in the City.

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2014**

	Library	Ice Arena	Pinewood Golf Course	Landfill	Revolving Loan
<b>ASSETS</b>					
Cash and investments	\$ 424,843	\$ 266,262	\$ 9,492	\$ 1,312,993	\$ 880,793
Receivables:					
Interest	1,089	683	-	3,424	2,283
Taxes	2,348	-	-	-	-
Accounts	-	105,092	-	364	-
Notes, net	-	-	-	-	333,622
Due from other governments	-	-	-	130	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Property held for resale	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 428,280</u></b>	<b><u>\$ 372,037</u></b>	<b><u>\$ 9,492</u></b>	<b><u>\$ 1,316,911</u></b>	<b><u>\$ 1,216,698</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,808	\$ 42,580	\$ 307	\$ 4,116	\$ -
Salaries payable	-	12,328	8,318	272	-
Due to other funds	70	-	-	-	-
Unearned revenue	-	1,290	867	-	-
<b>Total liabilities</b>	<b><u>1,878</u></b>	<b><u>56,198</u></b>	<b><u>9,492</u></b>	<b><u>4,388</u></b>	<b><u>-</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	933	-	-	-	-
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	574,574	-
Committed	425,469	315,839	-	-	1,216,698
Assigned	-	-	-	737,949	-
<b>Total fund balances</b>	<b><u>425,469</u></b>	<b><u>315,839</u></b>	<b><u>-</u></b>	<b><u>1,312,523</u></b>	<b><u>1,216,698</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 428,280</u></b>	<b><u>\$ 372,037</u></b>	<b><u>\$ 9,492</u></b>	<b><u>\$ 1,316,911</u></b>	<b><u>\$ 1,216,698</u></b>

Federal DEED	State DEED	Development Fund	Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total Nonmajor Special Revenue Funds
\$ 197,759	\$ 408,831	\$ 219,646	\$ 165,120	\$ 29,256	\$ 383,158	\$ 440,840	\$ 4,738,993
513	1,060	1,088	428	75	982	-	11,625
-	-	8,714	-	-	-	11,351	22,413
-	-	-	4,146	-	-	-	109,602
-	-	-	-	-	-	-	333,622
-	-	-	-	-	-	-	130
-	-	1,153,878	-	-	-	-	1,153,878
-	-	-	101,910	-	-	-	101,910
-	-	-	-	-	-	261,400	261,400
<u>\$ 198,272</u>	<u>\$ 409,891</u>	<u>\$ 1,383,326</u>	<u>\$ 271,604</u>	<u>\$ 29,331</u>	<u>\$ 384,140</u>	<u>\$ 713,591</u>	<u>\$ 6,733,573</u>
\$ -	\$ -	\$ 8,402	\$ 3,591	\$ 1,123	\$ -	\$ 17,576	\$ 79,503
-	-	-	-	-	-	2,054	22,972
-	-	-	-	-	-	5,648	5,718
-	-	-	-	-	-	-	2,157
-	-	8,402	3,591	1,123	-	25,278	110,350
-	-	3,811	-	-	-	4,539	9,283
-	-	-	101,910	-	-	-	101,910
198,272	406,631	-	-	26,911	342,564	581,492	2,130,444
-	3,260	1,371,113	166,103	-	-	-	3,498,482
-	-	-	-	1,297	41,576	102,282	883,104
<u>198,272</u>	<u>409,891</u>	<u>1,371,113</u>	<u>268,013</u>	<u>28,208</u>	<u>384,140</u>	<u>683,774</u>	<u>6,613,940</u>
<u>\$ 198,272</u>	<u>\$ 409,891</u>	<u>\$ 1,383,326</u>	<u>\$ 271,604</u>	<u>\$ 29,331</u>	<u>\$ 384,140</u>	<u>\$ 713,591</u>	<u>\$ 6,733,573</u>

**CITY OF ELK RIVER, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Library	Ice Arena	Pinewood Golf Course	Landfill	Revolving Loan
<b>REVENUES</b>					
Property taxes	\$ 63,375	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	2,450	-
Charges for services	-	733,773	-	10,952	-
Fines and forfeits	-	-	-	-	-
Interest income (loss)	3,895	2,770	-	71,821	48,783
Miscellaneous revenue:					
Refunds and reimbursements	-	-	-	-	-
Contributions	29,511	5,752	-	-	-
Other	-	29,494	-	-	-
Total revenues	<u>96,781</u>	<u>771,789</u>	<u>-</u>	<u>85,223</u>	<u>48,783</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	26,545	-
Culture and recreation	119,992	648,285	50,219	-	-
Economic development	-	-	-	-	294
Capital outlay:					
Public safety	-	-	-	-	-
Culture and recreation	-	52,789	-	-	-
Total expenditures	<u>119,992</u>	<u>701,074</u>	<u>50,219</u>	<u>26,545</u>	<u>294</u>
Excess (deficiency) of revenues over expenditures	<u>(23,211)</u>	<u>70,715</u>	<u>(50,219)</u>	<u>58,678</u>	<u>48,489</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	58,269	-	-
Transfers out	-	-	(8,050)	(61,332)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,219</u>	<u>(61,332)</u>	<u>-</u>
Net change in fund balances	<u>(23,211)</u>	<u>70,715</u>	<u>-</u>	<u>(2,654)</u>	<u>48,489</u>
Fund balances - January 1	448,680	245,124	-	1,315,177	805,554
Prior period adjustment	-	-	-	-	362,655
Fund balances, restated - January 1	<u>448,680</u>	<u>245,124</u>	<u>-</u>	<u>1,315,177</u>	<u>1,168,209</u>
Fund balances - December 31	<u>\$ 425,469</u>	<u>\$ 315,839</u>	<u>\$ -</u>	<u>\$ 1,312,523</u>	<u>\$ 1,216,698</u>

Federal DEED	State DEED	Development Fund	Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 190,676	\$ -	\$ -	\$ -	\$ 299,192	\$ 553,243
-	-	-	-	-	-	110	2,560
-	3,260	61,043	-	-	-	3,684	812,712
-	-	-	-	32,167	-	-	32,167
(1,728)	20,794	29,858	12,727	305	3,780	3,223	196,228
-	-	58,066	59,141	-	-	-	117,207
-	-	-	-	-	-	181,874	217,137
-	-	-	-	-	-	-	29,494
<u>(1,728)</u>	<u>24,054</u>	<u>339,643</u>	<u>71,868</u>	<u>32,472</u>	<u>3,780</u>	<u>488,083</u>	<u>1,960,748</u>
-	-	-	98,996	-	-	-	98,996
-	-	-	-	23,621	-	-	23,621
-	-	-	-	-	-	-	26,545
-	-	-	-	-	-	-	818,496
111,155	-	211,280	-	-	-	427,215	749,944
-	-	-	-	27,306	-	-	27,306
-	-	-	-	-	-	-	52,789
<u>111,155</u>	<u>-</u>	<u>211,280</u>	<u>98,996</u>	<u>50,927</u>	<u>-</u>	<u>427,215</u>	<u>1,797,697</u>
<u>(112,883)</u>	<u>24,054</u>	<u>128,363</u>	<u>(27,128)</u>	<u>(18,455)</u>	<u>3,780</u>	<u>60,868</u>	<u>163,051</u>
-	-	-	-	-	-	-	58,269
-	-	(248,600)	(22,850)	-	(250,000)	(599,900)	(1,190,732)
-	-	<u>(248,600)</u>	<u>(22,850)</u>	<u>-</u>	<u>(250,000)</u>	<u>(599,900)</u>	<u>(1,132,463)</u>
<u>(112,883)</u>	<u>24,054</u>	<u>(120,237)</u>	<u>(49,978)</u>	<u>(18,455)</u>	<u>(246,220)</u>	<u>(539,032)</u>	<u>(969,412)</u>
311,155	385,837	1,491,350	317,991	46,663	630,360	1,222,806	7,220,697
-	-	-	-	-	-	-	362,655
<u>311,155</u>	<u>385,837</u>	<u>1,491,350</u>	<u>317,991</u>	<u>46,663</u>	<u>630,360</u>	<u>1,222,806</u>	<u>7,583,352</u>
<u>\$ 198,272</u>	<u>\$ 409,891</u>	<u>\$ 1,371,113</u>	<u>\$ 268,013</u>	<u>\$ 28,208</u>	<u>\$ 384,140</u>	<u>\$ 683,774</u>	<u>\$ 6,613,940</u>

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - LIBRARY MAINTENANCE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 63,100	\$ 63,100	\$ 63,375	\$ 275
Interest income	6,400	6,400	3,895	(2,505)
Miscellaneous revenue:				
Contributions	27,000	27,000	29,511	2,511
Total revenues	<u>96,500</u>	<u>96,500</u>	<u>96,781</u>	<u>281</u>
<b>EXPENDITURES</b>				
Culture and recreation:				
Current	<u>96,500</u>	<u>96,500</u>	<u>119,992</u>	<u>(23,492)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(23,211)	<u>\$ (23,211)</u>
Fund balance - January 1			<u>448,680</u>	
Fund balance - December 31			<u>\$ 425,469</u>	

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - ICE ARENA FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 755,400	\$ 755,400	\$ 733,773	\$ (21,627)
Interest income	-	-	2,770	2,770
Miscellaneous revenue:				
Vending machines	14,000	14,000	14,980	980
Contributions	7,800	7,800	5,752	(2,048)
Other	4,050	4,050	14,514	10,464
Total revenues	<u>781,250</u>	<u>781,250</u>	<u>771,789</u>	<u>(9,461)</u>
<b>EXPENDITURES</b>				
Culture and recreation:				
Current	660,600	660,600	648,285	12,315
Capital outlay	52,800	52,800	52,789	11
Total expenditures	<u>713,400</u>	<u>713,400</u>	<u>701,074</u>	<u>12,326</u>
Net change in fund balance	<u>\$ 67,850</u>	<u>\$ 67,850</u>	70,715	<u>\$ 2,865</u>
Fund balance - January 1			<u>245,124</u>	
Fund balance - December 31			<u>\$ 315,839</u>	

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - PINWOOD GOLF COURSE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 189,800	\$ 189,800	\$ -	\$ (189,800)
<b>EXPENDITURES</b>				
Culture and recreation:				
Current	241,850	241,850	50,219	191,631
Deficiency of revenues over expenditures	(52,050)	(52,050)	(50,219)	1,831
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	60,100	60,100	58,269	(1,831)
Transfers out	(8,050)	(8,050)	(8,050)	-
Total other financing sources (uses)	52,050	52,050	50,219	(1,831)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance - January 1			-	
Fund balance - December 31			\$ -	

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - LANDFILL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 11,000	\$ 11,000	\$ 2,450	\$ (8,550)
Charges for services	16,000	16,000	10,952	(5,048)
Interest income	9,000	9,000	71,821	62,821
Total revenues	<u>36,000</u>	<u>36,000</u>	<u>85,223</u>	<u>49,223</u>
<b>EXPENDITURES</b>				
Public works:				
Current	<u>43,200</u>	<u>43,200</u>	<u>26,545</u>	<u>16,655</u>
Excess (deficiency) of revenues over expenditures	(7,200)	(7,200)	58,678	65,878
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(78,150)</u>	<u>(78,150)</u>	<u>(61,332)</u>	<u>16,818</u>
Net change in fund balance	<u>\$ (85,350)</u>	<u>\$ (85,350)</u>	(2,654)	<u>\$ 82,696</u>
Fund balance - January 1			<u>1,315,177</u>	
Fund balance - December 31			<u>\$ 1,312,523</u>	

**CITY OF ELK RIVER, MINNESOTA**  
**SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT AUTHORITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 299,100	\$ 299,100	\$ 299,192	\$ 92
Intergovernmental revenue	-	-	110	110
Charges for services	3,500	3,500	3,684	184
Interest income	7,500	7,500	3,223	(4,277)
Miscellaneous revenue:				
Contributions	-	-	181,874	181,874
Total revenues	310,100	310,100	488,083	177,983
 <b>EXPENDITURES</b>				
Economic development:				
Current	269,450	477,750	427,215	50,535
Capital outlay	-	83,000	-	83,000
Total expenditures	269,450	560,750	427,215	133,535
 Excess (deficiency) of revenues over expenditures	40,650	(250,650)	60,868	311,518
 <b>OTHER FINANCING USES</b>				
Transfers out	(31,900)	(599,900)	(599,900)	-
 Net change in fund balance	\$ 8,750	\$ (850,550)	(539,032)	\$ 311,518
 Fund balance - January 1			1,222,806	
 Fund balance - December 31			\$ 683,774	

## **NONMAJOR DEBT SERVICE FUNDS**

Improvement Bonds - This fund is used to account for the accumulation of resources and payment of principal and interest on long-term general obligation special assessment debt used to finance various street, water, sewer and storm sewer improvements.

Government Building Bonds - This fund is used to account for the accumulation of resources and payment of principal and interest to finance the construction of city facilities.

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2014**

	<u>Improvement Bonds</u>	<u>Government Building Bonds</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 232,550	\$ 737,164	\$ 969,714
Receivables:			
Interest	596	1,889	2,485
Taxes	1,575	14,243	15,818
Special assessments	381,085	-	381,085
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 615,806</u>	<u>\$ 753,296</u>	<u>\$ 1,369,102</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	\$ 1,053	\$ 5,712	\$ 6,765
Unavailable revenue - special assessments	379,103	-	379,103
Total deferred inflows of resources	<u>380,156</u>	<u>5,712</u>	<u>385,868</u>
<b>FUND BALANCES</b>			
Restricted	<u>235,650</u>	<u>747,584</u>	<u>983,234</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources and fund balances	<u>\$ 615,806</u>	<u>\$ 753,296</u>	<u>\$ 1,369,102</u>

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Improvement Bonds	Government Building Bonds	Total Nonmajor Debt Service Funds
<b>REVENUES</b>			
Property taxes	\$ 2,188	\$ 368,411	\$ 370,599
Special assessments	182,191	-	182,191
Interest income	610	4,073	4,683
Total revenues	<u>184,989</u>	<u>372,484</u>	<u>557,473</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	375,000	845,000	1,220,000
Interest and service charges	29,000	403,440	432,440
Total expenditures	<u>404,000</u>	<u>1,248,440</u>	<u>1,652,440</u>
Deficiency of revenues over expenditures	(219,011)	(875,956)	(1,094,967)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	916,965	916,965
Net change in fund balances	(219,011)	41,009	(178,002)
Fund balances - January 1	<u>454,661</u>	<u>706,575</u>	<u>1,161,236</u>
Fund balances - December 31	<u>\$ 235,650</u>	<u>\$ 747,584</u>	<u>\$ 983,234</u>



**This page has been left blank intentionally**

## **NONMAJOR CAPITAL PROJECTS FUNDS**

Capital Reserve - This fund was established to help build reserves for the purchase of capital equipment.

Equipment Replacement - This fund is used to account for the purchase of capital equipment.

Park Dedication - This fund accounts for park dedication fees from developers and expenditures for park land acquisitions and park capital improvements.

Park Improvements - This fund was established to account for the replacement and maintenance of park equipment and for the beautification of city parks.

Government Buildings - This fund is used to account for resources and expenditures related to city facilities projects. The major source of revenue is from landfill expansion fees.

GRE Reserve - This fund was established to account for revenues received from the license agreement between the City and Great River Energy.

Pavement Management - This fund was established to account for franchise taxes collected to fund expenditures for the ongoing maintenance and repair of the city streets.

Street Improvements - This fund is used to account for the construction of street improvement projects throughout the city.

Improvement Projects – This fund is used to account for the construction of various improvements within the city.

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2014**

	<u>Capital Reserve</u>	<u>Equipment Replacement</u>	<u>Park Dedication</u>	<u>Park Improvements</u>	<u>Government Buildings</u>
<b>ASSETS</b>					
Cash and investments	\$ 1,358,710	\$ 923,753	\$ 56,880	\$ 151,270	\$ 3,745,300
Receivables:					
Interest	4,040	2,395	146	388	9,708
Taxes	-	25	-	-	-
Accounts	6,471	-	-	-	113,195
Special assessments	12,989	-	-	-	-
Due from other governments	1,200	-	-	-	-
Due from other funds	-	59,872	-	-	-
Total assets	<u>\$ 1,383,410</u>	<u>\$ 986,045</u>	<u>\$ 57,026</u>	<u>\$ 151,658</u>	<u>\$ 3,868,203</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 70,045	\$ 242,640	\$ -	\$ 10,157	\$ 10,700
Salaries payable	-	-	-	-	-
Due to other funds	-	-	-	845	-
Unearned revenue	-	-	533,695	-	-
Total liabilities	<u>70,045</u>	<u>242,640</u>	<u>533,695</u>	<u>11,002</u>	<u>10,700</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	-	-	-	-	-
Unavailable revenue - special assessments	12,963	-	-	-	-
Total deferred inflows of resources	<u>12,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	-	-	366,360	-	-
Committed	-	-	-	-	-
Assigned	1,300,402	743,405	-	140,656	3,857,503
Unassigned	-	-	(843,029)	-	-
Total fund balances	<u>1,300,402</u>	<u>743,405</u>	<u>(476,669)</u>	<u>140,656</u>	<u>3,857,503</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,383,410</u>	<u>\$ 986,045</u>	<u>\$ 57,026</u>	<u>\$ 151,658</u>	<u>\$ 3,868,203</u>

<u>GRE Reserve</u>	<u>Pavement Management</u>	<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 2,541,015	\$ 1,990,908	\$ 2,031,735	\$ 4,851,113	\$ 17,650,684
6,587	5,161	3,936	13,390	45,751
-	-	1,211	1,853	3,089
-	176,867	-	-	296,533
-	-	546,152	672,216	1,231,357
-	-	-	-	1,200
-	229,017	-	-	288,889
<u>\$ 2,547,602</u>	<u>\$ 2,401,953</u>	<u>\$ 2,583,034</u>	<u>\$ 5,538,572</u>	<u>\$ 19,517,503</u>
\$ -	\$ 71,434	\$ 82,937	\$ 94,177	\$ 582,090
-	-	-	379	379
-	-	-	329,490	330,335
-	-	-	-	533,695
<u>-</u>	<u>71,434</u>	<u>82,937</u>	<u>424,046</u>	<u>1,446,499</u>
-	-	717	722	1,439
-	-	539,395	663,182	1,215,540
<u>-</u>	<u>-</u>	<u>540,112</u>	<u>663,904</u>	<u>1,216,979</u>
-	-	-	-	366,360
-	2,330,519	-	-	2,330,519
2,547,602	-	1,959,985	4,450,622	15,000,175
-	-	-	-	(843,029)
<u>2,547,602</u>	<u>2,330,519</u>	<u>1,959,985</u>	<u>4,450,622</u>	<u>16,854,025</u>
<u>\$ 2,547,602</u>	<u>\$ 2,401,953</u>	<u>\$ 2,583,034</u>	<u>\$ 5,538,572</u>	<u>\$ 19,517,503</u>

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Capital Reserve</u>	<u>Equipment Replacement</u>	<u>Park Dedication</u>	<u>Park Improvements</u>	<u>Government Buildings</u>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ 155	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-	-
Intergovernmental revenue	21,317	225,894	-	-	-
Charges for services	-	-	378,604	7,515	-
Special assessments	8,973	-	-	-	-
Interest income	83,726	44,260	146	2,576	205,756
Miscellaneous revenue:					
Landfill expansion fee	-	-	-	-	757,960
Contributions	174,422	-	-	70,558	-
Other	26,462	-	-	-	-
Total revenues	<u>314,900</u>	<u>270,309</u>	<u>378,750</u>	<u>80,649</u>	<u>963,716</u>
<b>EXPENDITURES</b>					
Current:					
General government	34,159	-	-	-	15,000
Public safety	78,284	9,000	-	-	7,976
Public works	32,840	-	-	-	30,597
Culture and recreation	-	-	-	253,198	-
Debt service:					
Interest and service charges	-	-	15,760	-	-
Capital outlay:					
General government	212,587	-	-	-	-
Public safety	30,326	252,534	-	-	-
Public works	-	354,573	-	-	-
Culture and recreation	-	107,880	-	146,471	-
Total expenditures	<u>388,196</u>	<u>723,987</u>	<u>15,760</u>	<u>399,669</u>	<u>53,573</u>
Excess (deficiency) of revenues over expenditures	<u>(73,296)</u>	<u>(453,678)</u>	<u>362,990</u>	<u>(319,020)</u>	<u>910,143</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	40,691	321,935	-	282,519	-
Transfers out	(200,000)	-	-	-	(916,965)
Sale of capital assets	6,150	38,677	-	-	-
Total other financing sources (uses)	<u>(153,159)</u>	<u>360,612</u>	<u>-</u>	<u>282,519</u>	<u>(916,965)</u>
Net change in fund balances	(226,455)	(93,066)	362,990	(36,501)	(6,822)
Fund balances - January 1	<u>1,526,857</u>	<u>836,471</u>	<u>(839,659)</u>	<u>177,157</u>	<u>3,864,325</u>
Fund balances - December 31	<u>\$ 1,300,402</u>	<u>\$ 743,405</u>	<u>\$ (476,669)</u>	<u>\$ 140,656</u>	<u>\$ 3,857,503</u>

<u>GRE Reserve</u>	<u>Pavement Management</u>	<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ 6,684	\$ 50,166	\$ 57,005
-	1,314,494	-	-	1,314,494
-	301,951	-	-	549,162
-	1,750	-	73,970	461,839
-	-	204,787	485,320	699,080
100,586	27,696	108,421	225,700	798,867
-	-	-	-	757,960
590,587	-	-	-	835,567
-	50	156	-	26,668
<u>691,173</u>	<u>1,645,941</u>	<u>320,048</u>	<u>835,156</u>	<u>5,500,642</u>
-	-	-	-	49,159
-	-	-	-	95,260
-	511,209	165,739	278,079	1,018,464
-	-	-	-	253,198
-	-	-	-	15,760
-	-	-	-	212,587
-	-	-	-	282,860
-	11,756	1,070,355	-	1,436,684
-	-	-	-	254,351
<u>-</u>	<u>522,965</u>	<u>1,236,094</u>	<u>278,079</u>	<u>3,618,323</u>
<u>691,173</u>	<u>1,122,976</u>	<u>(916,046)</u>	<u>557,077</u>	<u>1,882,319</u>
-	-	1,081,287	259,800	1,986,232
(254,300)	-	-	(642,777)	(2,014,042)
-	-	-	-	44,827
<u>(254,300)</u>	<u>-</u>	<u>1,081,287</u>	<u>(382,977)</u>	<u>17,017</u>
436,873	1,122,976	165,241	174,100	1,899,336
<u>2,110,729</u>	<u>1,207,543</u>	<u>1,794,744</u>	<u>4,276,522</u>	<u>14,954,689</u>
<u>\$ 2,547,602</u>	<u>\$ 2,330,519</u>	<u>\$ 1,959,985</u>	<u>\$ 4,450,622</u>	<u>\$ 16,854,025</u>

## AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations and/or other governmental units. The City of Elk River had the following Agency Fund during the year:

Developer Fee Escrow - This fund is used to account for the collection and distribution of funds relating to private development projects.

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
DEVELOPER ESCROW AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
Cash	\$ 41,738	\$ 88,534	\$ 39,140	\$ 91,132
Accounts receivable	2,377	3,566	5,677	266
 Total assets	 <u>\$ 44,115</u>	 <u>\$ 92,100</u>	 <u>\$ 44,817</u>	 <u>\$ 91,398</u>
 <b>LIABILITIES</b>				
Refundable deposits payable	<u>\$ 44,115</u>	<u>\$ 93,451</u>	<u>\$ 46,168</u>	<u>\$ 91,398</u>

## COMPONENT UNIT FINANCIAL STATEMENTS

The Housing and Redevelopment Authority of Elk River is a component unit of the City. Its operations are presented as a separate column on the combined financial statements.

### Governmental Fund

Housing and Redevelopment Authority Fund - This fund is used to account for housing and redevelopment activities. Revenues are derived from the HRA property tax levy.

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF ELK RIVER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2014**

<b>ASSETS</b>	
Cash and investments	\$ 1,176,709
Receivables:	
Taxes	9,235
Notes	400,000
Due from primary government	<u>227,666</u>
Total assets	<u><u>\$ 1,813,610</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 11,925
Salaries payable	<u>1,369</u>
Total liabilities	<u>13,294</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - taxes	<u>3,796</u>
 <b>FUND BALANCES</b>	
Nonspendable	400,000
Restricted	<u>1,396,520</u>
Total fund balances	<u>1,796,520</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,813,610</u></u>

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

FUND BALANCE - HOUSING AND REDEVELOPMENT AUTHORITY \$ 1,796,520

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	431,390	
Less accumulated depreciation	<u>(24,207)</u>	407,183

2. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.

3,796

NET POSITION OF HOUSING AND REDEVELOPMENT AUTHORITY

\$ 2,207,499

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF ELK RIVER, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>REVENUES</b>	
Property taxes	\$ 234,515
Intergovernmental revenue	86
Interest income	4,788
Total revenues	<u>239,389</u>
 <b>EXPENDITURES</b>	
Economic development:	
Current	<u>115,132</u>
Net change in fund balance	124,257
Fund balance - January 1	<u>1,672,263</u>
Fund balance - December 31	<u>\$ 1,796,520</u>

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

NET CHANGE IN FUND BALANCES - HOUSING AND REDEVELOPMENT AUTHORITY \$ 124,257

Amounts reported for governmental activities in the statement of activities are different because:

1. 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 by which depreciation expense exceeded capital outlays in the current period.

Depreciation expense	(11,620)
----------------------	----------

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

Property taxes	<u>(3,655)</u>
----------------	----------------

CHANGE IN NET POSITION OF HOUSING AND REDEVELOPMENT AUTHORITY	<u><u>\$ 108,982</u></u>
---	--------------------------

# STATISTICAL SECTION

## (UNAUDITED)

This part of the City of Elk River’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.</i>	86
Revenue Capacity <i>These schedules contain information to help the reader assess the city’s most significant local revenue sources; electric sales and property taxes.</i>	96
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.</i>	103
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.</i>	111
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.</i>	113

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF ELK RIVER, MINNESOTA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 73,150,041	\$ 82,663,610	\$ 85,293,459	\$ 85,390,968
Restricted	12,410,832	4,802,808	6,189,063	5,569,773
Unrestricted	21,267,772	27,998,543	25,641,836	27,628,733
Total governmental activities net position	<u>\$ 106,828,645</u>	<u>\$ 115,464,961</u>	<u>\$ 117,124,358</u>	<u>\$ 118,589,474</u>
Business-type activities				
Net investment in capital assets	\$ 54,577,074	\$ 59,410,729	\$ 59,942,345	\$ 60,750,900
Restricted	2,256,419	445,900	733,400	724,500
Unrestricted	11,810,416	13,839,859	17,028,349	17,696,135
Total business-type activities net position	<u>\$ 68,643,909</u>	<u>\$ 73,696,488</u>	<u>\$ 77,704,094</u>	<u>\$ 79,171,535</u>
Primary government				
Net investment in capital assets	\$ 127,727,115	\$ 142,074,339	\$ 145,235,804	\$ 146,141,868
Restricted	14,667,251	5,248,708	6,922,463	6,294,273
Unrestricted	33,078,188	41,838,402	42,670,185	45,324,868
Total primary government net position	<u>\$ 175,472,554</u>	<u>\$ 189,161,449</u>	<u>\$ 194,828,452</u>	<u>\$ 197,761,009</u>

**Note:** The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal year 2012. Net position information has been restated for 2011 for this accounting change. Years prior to 2011 have not been restated.

<b>Fiscal Year</b>					
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 86,149,417	\$ 84,629,091	\$ 84,741,957	\$ 84,060,768	\$ 84,353,785	\$ 84,921,650
4,723,030	7,341,554	6,283,346	6,391,182	5,256,724	4,192,856
28,588,304	26,702,252	29,282,251	27,448,688	24,069,710	24,902,387
<u>\$ 119,460,751</u>	<u>\$ 118,672,897</u>	<u>\$ 120,307,554</u>	<u>\$ 117,900,638</u>	<u>\$ 113,680,219</u>	<u>\$ 114,016,893</u>
\$ 59,601,861	\$ 60,972,838	\$ 60,525,218	\$ 60,268,219	\$ 62,035,437	\$ 63,392,972
724,500	724,500	724,500	724,500	647,000	490,500
19,793,756	19,907,416	19,421,085	22,376,508	22,957,506	24,718,391
<u>\$ 80,120,117</u>	<u>\$ 81,604,754</u>	<u>\$ 80,670,803</u>	<u>\$ 83,369,227</u>	<u>\$ 85,639,943</u>	<u>\$ 88,601,863</u>
\$ 145,751,278	\$ 145,601,929	\$ 145,267,175	\$ 144,328,987	\$ 146,389,222	\$ 148,314,622
5,447,530	8,066,054	7,007,846	7,115,682	5,903,724	4,683,356
48,382,060	46,609,668	48,703,336	49,825,196	47,027,216	49,620,778
<u>\$ 199,580,868</u>	<u>\$ 200,277,651</u>	<u>\$ 200,978,357</u>	<u>\$ 201,269,865</u>	<u>\$ 199,320,162</u>	<u>\$ 202,618,756</u>

**CITY OF ELK RIVER, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,503,826	\$ 2,560,213	\$ 2,732,697	\$ 3,286,350
Public safety	5,255,974	5,606,438	5,924,093	6,715,607
Public works	4,281,725	6,169,030	6,527,565	5,875,992
Culture and recreation	2,535,955	2,859,058	3,598,695	3,549,637
Economic development	938,164	631,437	1,001,829	1,893,707
Interest on long-term debt	881,001	764,725	952,082	1,315,275
Total governmental activities expenses	<u>16,396,645</u>	<u>18,590,901</u>	<u>20,736,961</u>	<u>22,636,568</u>
Business-type activities:				
Municipal Liquor	4,348,673	5,202,087	5,301,597	5,464,819
Garbage	1,047,479	1,094,788	1,114,133	1,166,709
Sewer	1,633,276	1,721,522	1,786,266	1,849,031
Water	2,091,723	2,104,827	2,413,942	2,506,510
Electric	14,877,986	16,588,510	18,718,636	22,036,471
Total business-type activities expenses	<u>23,999,137</u>	<u>26,711,734</u>	<u>29,334,574</u>	<u>33,023,540</u>
Total primary government expenses	<u>\$ 40,395,782</u>	<u>\$ 45,302,635</u>	<u>\$ 50,071,535</u>	<u>\$ 55,660,108</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 288,032	\$ 246,541	\$ 283,003	\$ 371,911
Public safety	2,050,437	2,403,601	1,533,699	962,275
Public works	280,583	617,099	76,117	159,664
Culture and recreation	877,789	1,065,218	1,083,081	1,084,067
Economic development	379,002	178,217	92,486	65,999
Operating grants and contributions	480,649	387,584	362,313	977,411
Capital grants and contributions	7,573,752	8,117,032	4,174,427	4,302,760
Total governmental activities program revenues	<u>11,930,244</u>	<u>13,015,292</u>	<u>7,605,126</u>	<u>7,924,087</u>
Business-type activities:				
Charges for services:				
Municipal Liquor	4,806,061	5,906,768	6,043,088	6,213,657
Garbage	1,055,753	1,106,268	1,139,763	1,160,774
Sewer	1,261,853	1,352,647	1,454,219	1,511,165
Water	1,365,136	1,770,819	2,144,622	2,139,046
Electric	15,955,440	17,143,485	19,895,323	22,941,903
Operating grants and contributions	9,255	504,168	295,081	149,327
Capital grants and contributions	3,654,383	4,297,666	1,996,636	888,925
Total business-type activities program revenues	<u>28,107,881</u>	<u>32,081,821</u>	<u>32,968,732</u>	<u>35,004,797</u>
Total primary government program revenues	<u>\$ 40,038,125</u>	<u>\$ 45,097,113</u>	<u>\$ 40,573,858</u>	<u>\$ 42,928,884</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (4,466,401)	\$ (5,575,609)	\$ (13,131,835)	\$ (14,712,481)
Business-type activities	4,108,744	5,370,087	3,634,158	1,981,257
Total primary government net (expense)/revenue	<u>\$ (357,657)</u>	<u>\$ (205,522)</u>	<u>\$ (9,497,677)</u>	<u>\$ (12,731,224)</u>

**Note:** The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal year 2012. Net position information has been restated for 2011 for this accounting change. Years prior to 2011 have not been restated.

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	2,777,568	\$	3,028,102	\$	3,495,458	\$	2,994,342	\$	3,344,317	\$	3,554,136
	6,106,181		6,011,477		6,238,611		6,187,246		6,173,244		6,615,593
	5,397,058		5,447,282		5,720,759		6,037,000		6,535,616		6,860,673
	3,767,312		3,702,671		3,851,181		4,013,098		3,914,000		4,088,992
	1,569,432		1,438,742		1,451,109		1,059,058		2,088,064		1,091,125
	1,252,493		1,138,414		1,045,905		1,163,352		1,288,020		1,075,408
	<u>20,870,044</u>		<u>20,766,688</u>		<u>21,803,023</u>		<u>21,454,096</u>		<u>23,343,261</u>		<u>23,285,927</u>
	5,374,453		5,267,041		5,366,557		5,622,305		5,706,760		5,776,873
	1,256,177		1,331,514		1,304,238		1,276,887		1,251,420		1,303,943
	1,781,804		1,962,431		2,130,287		2,239,914		2,320,743		2,156,329
	2,334,388		2,089,889		2,108,499		2,264,814		2,332,680		2,459,319
	<u>23,258,383</u>		<u>25,452,567</u>		<u>26,726,349</u>		<u>27,586,573</u>		<u>28,422,759</u>		<u>29,597,247</u>
	<u>34,005,205</u>		<u>36,103,442</u>		<u>37,635,930</u>		<u>38,990,493</u>		<u>40,034,362</u>		<u>41,293,711</u>
\$	<u>\$ 54,875,249</u>	\$	<u>\$ 56,870,130</u>	\$	<u>\$ 59,438,953</u>	\$	<u>\$ 60,444,589</u>	\$	<u>\$ 63,377,623</u>	\$	<u>\$ 64,579,638</u>
\$	334,100	\$	301,509	\$	425,954	\$	369,794	\$	338,469	\$	385,238
	634,242		722,073		787,884		789,728		961,072		1,063,725
	47,860		61,605		79,073		82,173		206,606		233,593
	1,074,266		1,089,058		1,102,630		1,128,070		1,075,576		906,291
	60,335		125,759		70,976		8,244		274,833		77,430
	758,958		763,551		954,831		1,018,519		954,164		1,049,744
	<u>2,599,593</u>		<u>1,318,660</u>		<u>1,750,824</u>		<u>1,007,794</u>		<u>807,208</u>		<u>4,020,851</u>
	<u>5,509,354</u>		<u>4,382,215</u>		<u>5,172,172</u>		<u>4,404,322</u>		<u>4,617,928</u>		<u>7,736,872</u>
	6,094,058		5,953,626		6,145,692		6,525,234		6,756,581		6,825,342
	1,194,937		1,282,013		1,310,014		1,302,920		1,285,138		1,304,750
	1,504,785		1,483,120		1,491,460		1,533,851		1,613,276		1,734,141
	2,218,816		1,961,760		1,917,384		2,343,881		2,381,651		2,290,824
	24,258,120		26,840,983		28,657,698		30,403,469		31,029,299		31,596,217
	92,957		103,324		38,550		23,440		-		-
	267,233		397,989		482,319		490,916		924,641		935,909
	<u>35,630,906</u>		<u>38,022,815</u>		<u>40,043,117</u>		<u>42,623,711</u>		<u>43,990,586</u>		<u>44,687,183</u>
\$	<u>\$ 41,140,260</u>	\$	<u>\$ 42,405,030</u>	\$	<u>\$ 45,215,289</u>	\$	<u>\$ 47,028,033</u>	\$	<u>\$ 48,608,514</u>	\$	<u>\$ 52,424,055</u>
\$	(15,360,690)	\$	(16,384,473)	\$	(16,630,851)	\$	(17,049,774)	\$	(18,725,333)	\$	(15,549,055)
	1,625,701		1,919,373		2,407,187		3,633,218		3,956,224		3,393,472
\$	<u>\$ (13,734,989)</u>	\$	<u>\$ (14,465,100)</u>	\$	<u>\$ (14,223,664)</u>	\$	<u>\$ (13,416,556)</u>	\$	<u>\$ (14,769,109)</u>	\$	<u>\$ (12,155,583)</u>

	Fiscal Year			
	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	\$ 7,569,131	\$ 8,754,923	\$ 9,744,930	\$ 11,095,407
Tax increment	768,397	790,882	894,595	1,041,300
Other taxes	-	-	-	-
Unrestricted grants and contributions	2,427,605	2,577,700	2,395,665	1,775,536
Investment earnings	758,612	1,151,144	1,465,401	1,215,053
Miscellaneous	326,853	28,450	23,213	-
Transfers of capital assets	-	-	(511,412)	-
Transfers	677,516	908,826	778,840	1,050,301
Total governmental activities	<u>12,528,114</u>	<u>14,211,925</u>	<u>14,791,232</u>	<u>16,177,597</u>
Business-type activities:				
Investment earnings	305,923	589,210	640,876	534,485
Miscellaneous	-	2,108	-	2,000
Transfers of capital assets	-	-	511,412	-
Transfers	(677,516)	(908,826)	(778,840)	(1,050,301)
Total business-type activities	<u>(371,593)</u>	<u>(317,508)</u>	<u>373,448</u>	<u>(513,816)</u>
Total primary government	<u>\$ 12,156,521</u>	<u>\$ 13,894,417</u>	<u>\$ 15,164,680</u>	<u>\$ 15,663,781</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 8,061,713	\$ 8,636,316	\$ 1,659,397	\$ 1,465,116
Business-type activities	3,737,151	5,052,579	4,007,606	1,467,441
Total primary government	<u>\$ 11,798,864</u>	<u>\$ 13,688,895</u>	<u>\$ 5,667,003</u>	<u>\$ 2,932,557</u>

**Note:** The City implemented GASB Statement No. 63 and GASB Statement No. 65 in fiscal year 2012. Net position information has been restated for 2011 for this accounting change. Years prior to 2011 have not been restated.

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 11,440,991	\$ 11,254,752	\$ 11,398,819	\$ 10,854,241	\$ 10,742,370	\$ 10,378,906
1,080,142	1,071,099	947,486	830,204	87,848	130,325
156,894	193,466	83,748	125,623	829,112	1,441,259
1,940,274	2,000,923	1,702,334	1,307,662	1,436,135	1,749,886
548,651	359,733	499,034	319,654	(663,762)	1,137,024
20,013	61,308	23,233	49,470	629,177	29,593
-	(303,051)	-	(348,259)	(121,172)	(313,287)
1,045,002	958,389	3,610,854	1,504,263	1,565,206	1,332,023
<u>16,231,967</u>	<u>15,596,619</u>	<u>18,265,508</u>	<u>14,642,858</u>	<u>14,504,914</u>	<u>15,885,729</u>
367,883	220,602	269,716	219,950	(243,047)	557,659
-	-	-	1,260	1,572	29,525
-	303,051	-	348,259	121,172	313,287
(1,045,002)	(958,389)	(3,610,854)	(1,504,263)	(1,565,206)	(1,332,023)
<u>(677,119)</u>	<u>(434,736)</u>	<u>(3,341,138)</u>	<u>(934,794)</u>	<u>(1,685,509)</u>	<u>(431,552)</u>
<u>\$ 15,554,848</u>	<u>\$ 15,161,883</u>	<u>\$ 14,924,370</u>	<u>\$ 13,708,064</u>	<u>\$ 12,819,405</u>	<u>\$ 15,454,177</u>
\$ 871,277	\$ (787,854)	\$ 1,634,657	\$ (2,406,916)	\$ (4,220,419)	\$ 336,674
948,582	1,484,637	(933,951)	2,698,424	2,270,715	2,961,920
<u>\$ 1,819,859</u>	<u>\$ 696,783</u>	<u>\$ 700,706</u>	<u>\$ 291,508</u>	<u>\$ (1,949,704)</u>	<u>\$ 3,298,594</u>

**CITY OF ELK RIVER, MINNESOTA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
General fund				
Reserved	\$ 210,298	\$ -	\$ 5,938	\$ -
Unreserved	4,391,083	4,816,386	5,346,066	5,190,662
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total General fund</b>	<b><u>\$ 4,601,381</u></b>	<b><u>\$ 4,816,386</u></b>	<b><u>\$ 5,352,004</u></b>	<b><u>\$ 5,190,662</u></b>
All other governmental funds				
Reserved	\$ 11,475,837	\$ 9,979,026	\$ 14,453,663	\$ 6,953,630
Unreserved, reported in:				
Special revenue funds	5,453,061	5,070,764	3,849,815	7,751,286
Capital projects funds	8,382,625	8,091,573	9,179,236	9,574,268
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 25,311,523</u></b>	<b><u>\$ 23,141,363</u></b>	<b><u>\$ 27,482,714</u></b>	<b><u>\$ 24,279,184</u></b>

**Note:** The City implemented GASB 54 in fiscal year 2010, resulting in significant reclassification of the components of fund balance. Years prior to 2010 have not been restated.

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,699,575	-	-	-	-	-
-	-	-	20,201	14,628	22,725
-	-	20,390	-	-	-
-	91,502	156,323	208,486	247,937	317,929
-	727,443	859,508	200,000	-	-
-	5,187,520	5,261,391	5,776,627	5,791,725	5,822,948
<u>\$ 5,699,575</u>	<u>\$ 6,006,465</u>	<u>\$ 6,297,612</u>	<u>\$ 6,205,314</u>	<u>\$ 6,054,290</u>	<u>\$ 6,163,602</u>
\$ 6,535,205	\$ -	\$ -	\$ -	\$ -	\$ -
7,844,537	-	-	-	-	-
10,101,066	-	-	-	-	-
-	93,080	57,870	101,812	99,703	101,910
-	6,936,113	5,942,368	7,608,842	14,800,868	13,925,683
-	2,506,814	2,712,645	2,456,185	4,393,689	5,829,001
-	16,984,061	19,736,795	19,219,810	15,455,671	15,883,279
-	(1,011,820)	(1,059,647)	(1,384,984)	(2,324,550)	(2,527,613)
<u>\$ 24,480,808</u>	<u>\$ 25,508,248</u>	<u>\$ 27,390,031</u>	<u>\$ 28,001,665</u>	<u>\$ 32,425,381</u>	<u>\$ 33,212,260</u>

**CITY OF ELK RIVER, MINNESOTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues</b>				
Property taxes	\$ 8,283,983	\$ 9,529,773	\$ 10,571,695	\$ 12,037,076
Other taxes	-	-	-	-
Licenses and permits	1,240,336	1,207,368	987,708	460,108
Intergovernmental revenue	1,979,405	4,142,937	2,973,505	4,134,779
Charges for services	2,571,767	2,485,464	1,786,094	1,849,307
Fines and forfeits	190,062	175,155	156,407	150,086
Special assessments	3,414,090	1,566,880	1,909,595	1,712,551
Interest	758,612	1,151,144	1,465,401	1,215,053
Miscellaneous	2,004,286	2,555,842	1,545,181	1,628,567
Total revenues	<u>20,442,541</u>	<u>22,814,563</u>	<u>21,395,586</u>	<u>23,187,527</u>
<b>Expenditures</b>				
General government	2,204,626	2,251,111	2,450,722	2,480,208
Public safety	4,649,010	4,941,706	5,109,371	5,565,474
Public works	2,192,336	2,538,658	4,170,119	3,246,436
Culture and recreation	2,088,505	2,605,861	3,386,681	2,890,683
Economic development	785,584	627,467	573,446	2,216,617
Capital outlay	4,191,817	10,729,882	12,803,023	10,381,359
Debt service				
Principal	2,174,266	7,051,836	1,767,617	2,022,616
Interest and service charges	881,305	909,904	902,415	1,198,174
Bond issuance costs	-	-	-	-
Total expenditures	<u>19,167,449</u>	<u>31,656,425</u>	<u>31,163,394</u>	<u>30,001,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,275,092</u>	<u>(8,841,862)</u>	<u>(9,767,808)</u>	<u>(6,814,040)</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,888,975	5,923,474	4,785,257	3,868,359
Transfers out	(2,211,459)	(5,014,648)	(4,006,417)	(2,818,058)
Proceeds of long-term debt	1,715,000	3,657,000	13,390,500	2,277,946
Premium on long-term debt issued	-	-	-	36,542
Discount on long-term debt issued	(8,560)	(29,252)	(50,477)	-
Payment to refunded bond escrow agent	-	-	-	-
Principal paid on refunded bonds	-	-	-	-
Capital leases issued	-	2,332,694	325,000	-
Sale of capital assets	718,166	17,439	200,914	84,379
Total other financing sources (uses)	<u>3,102,122</u>	<u>6,886,707</u>	<u>14,644,777</u>	<u>3,449,168</u>
Net change in fund balances	<u>\$ 4,377,214</u>	<u>\$ (1,955,155)</u>	<u>\$ 4,876,969</u>	<u>\$ (3,364,872)</u>
Debt service as a percentage of noncapital expenditures <sup>1</sup>	21.0%	37.1%	15.1%	16.9%

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 12,329,194	\$ 12,355,953	\$ 12,461,403	\$ 11,720,311	\$ 10,930,129	\$ 10,640,251
156,894	193,466	83,748	125,623	829,112	1,441,259
322,338	402,076	432,875	408,232	513,779	559,286
3,117,997	1,135,060	1,678,555	1,436,613	1,161,458	838,573
1,465,898	1,727,276	1,573,367	1,659,986	1,926,906	2,091,107
141,629	161,074	149,102	137,819	163,481	160,298
1,464,348	999,633	989,101	845,112	764,006	881,271
548,651	359,731	499,034	319,654	(663,763)	1,146,462
1,853,966	2,587,771	2,568,159	1,980,207	2,193,571	2,358,709
<u>21,400,915</u>	<u>19,922,040</u>	<u>20,435,344</u>	<u>18,633,557</u>	<u>17,818,679</u>	<u>20,117,216</u>
2,458,879	2,629,731	3,157,307	2,615,582	2,956,500	3,181,547
5,377,208	5,266,803	5,291,617	5,352,249	5,497,493	5,909,653
2,656,097	2,291,196	2,752,469	2,931,726	2,800,012	2,974,219
2,666,146	2,569,464	2,663,806	2,839,466	2,652,817	2,881,985
1,589,464	1,512,138	1,479,140	1,087,467	1,656,922	1,095,535
4,627,322	1,879,604	2,874,212	10,264,274	5,243,189	2,277,477
3,162,117	2,411,062	2,618,146	2,127,000	2,194,000	1,535,000
1,289,087	1,126,789	1,059,804	996,454	1,129,572	1,105,114
-	56,204	-	68,900	153,795	-
<u>23,826,320</u>	<u>19,742,991</u>	<u>21,896,501</u>	<u>28,283,118</u>	<u>24,284,300</u>	<u>20,960,530</u>
<u>(2,425,405)</u>	<u>179,049</u>	<u>(1,461,157)</u>	<u>(9,649,561)</u>	<u>(6,465,621)</u>	<u>(843,314)</u>
2,887,624	2,682,562	5,978,905	4,792,943	6,457,233	4,837,016
(1,842,622)	(1,724,173)	(2,368,051)	(3,288,680)	(4,892,027)	(3,504,993)
2,074,311	6,184,243	-	8,500,000	9,685,000	-
-	255,238	-	115,164	341,700	-
-	-	-	-	-	-
-	(6,303,897)	-	-	-	-
-	-	-	-	(1,540,000)	-
-	-	-	-	-	-
16,629	61,308	23,233	49,470	686,407	44,827
<u>3,135,942</u>	<u>1,155,281</u>	<u>3,634,087</u>	<u>10,168,897</u>	<u>10,738,313</u>	<u>1,376,850</u>
<u>\$ 710,537</u>	<u>\$ 1,334,330</u>	<u>\$ 2,172,930</u>	<u>\$ 519,336</u>	<u>\$ 4,272,692</u>	<u>\$ 533,536</u>
23.7%	19.8%	19.6%	17.1%	16.9%	14.1%

**CITY OF ELK RIVER, MINNESOTA  
ELECTRIC SALES  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Number of Customers</u>	<u>KWh's Sold</u>	<u>Total Billings</u>
2005	8,306	182,515,644	\$ 14,219,289
2006	8,562	194,975,530	15,494,068
2007	8,945	211,298,886	17,704,210
2008	9,203	224,226,048	22,303,994
2009	9,170	232,772,722	23,591,485
2010	9,207	250,711,834	26,060,301
2011	9,227	261,235,297	27,894,341
2012	9,285	273,455,846	30,070,045
2013	9,358	273,945,354	30,983,220
2014	9,449	274,546,059	31,517,888

Source: Elk River Municipal Utilities

**CITY OF ELK RIVER, MINNESOTA  
PRINCIPAL ELECTRIC CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Customer</u>	2014			2005		
	<u>Total KWh Sold</u>	<u>Total Billings</u>	<u>Percentage of Total Billings</u>	<u>Total KWh Sold</u>	<u>Total Billings</u>	<u>Percentage of Total Billings</u>
Customer 1	53,179,200	\$ 4,367,314	14.64%	-	\$ -	-
Customer 2	23,289,600	2,004,845	6.72%	-	-	-
Customer 3	5,130,400	454,836	1.52%	4,728,000	294,913	2.07%
Customer 6	5,175,000	447,280	1.50%	3,778,185	229,776	1.62%
Customer 4	4,587,600	440,566	1.48%	5,900,000	368,017	2.59%
Customer 5	4,714,680	400,272	1.34%	4,984,200	260,384	1.83%
Customer 7	3,340,950	307,784	1.03%	2,957,490	205,306	1.44%
Customer 8	3,387,500	302,564	1.01%	-	-	-
Customer 9	2,809,400	242,663	0.81%	3,306,400	209,682	1.47%
Customer 10	2,241,000	226,381	0.76%	2,727,760	200,647	1.41%
Customer 11	-	-	-	2,417,301	157,186	1.11%
Customer 12	-	-	-	1,682,784	131,001	0.92%
<b>TOTAL</b>	<b>107,855,330</b>	<b>\$ 9,194,505</b>	<b>30.81%</b>	<b>32,482,120</b>	<b>\$ 2,056,912</b>	<b>14.46%</b>

Source: Elk River Municipal Utilities

Minnesota Statute 13.685 considers data on customers of municipal electric utilities as private data and will no longer be disclosing customer names.

**CITY OF ELK RIVER, MINNESOTA**  
**TAX CAPACITY, MARKET VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Tax capacity				
Real property	\$ 17,838,528	\$ 20,514,092	\$ 23,166,911	\$ 25,790,055
Personal property	237,262	246,741	281,606	279,154
Total tax capacity	<u>18,075,790</u>	<u>20,760,833</u>	<u>23,448,517</u>	<u>26,069,209</u>
Tax increment	<u>(654,325)</u>	<u>(675,049)</u>	<u>(786,795)</u>	<u>(744,597)</u>
Taxable net tax capacity	<u>\$ 17,421,465</u>	<u>\$ 20,085,784</u>	<u>\$ 22,661,722</u>	<u>\$ 25,324,612</u>
Total tax capacity rate	<u>43.763%</u>	<u>43.929%</u>	<u>43.056%</u>	<u>42.494%</u>
Taxable market value				
Real property	\$ 1,528,254,150	\$ 1,773,917,600	\$ 1,998,598,900	\$ 2,186,595,580
Personal property	12,020,800	12,494,300	14,318,500	14,221,560
Taxable market value	<u>\$ 1,540,274,950</u>	<u>\$ 1,786,411,900</u>	<u>\$ 2,012,917,400</u>	<u>\$ 2,200,817,140</u>
Estimated actual market value of taxable property	<u>\$ 1,805,774,228</u>	<u>\$ 2,109,366,764</u>	<u>\$ 2,262,479,345</u>	<u>\$ 2,457,361,368</u>
Taxable market value as a percentage of estimated actual market value	85.30%	84.69%	88.97%	89.56%

Source: Sherburne County Assessor

Note: Property in the county is reassessed annually. The county assessor's market value of property is approximately 93 percent of actual value for all types of real and personal property.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 26,550,210	\$ 25,611,065	\$ 24,736,999	\$ 21,946,865	\$ 19,969,977	\$ 20,047,632
302,166	310,180	350,946	344,032	353,390	367,641
26,852,376	25,921,245	25,087,945	22,290,897	20,323,367	20,415,273
(899,835)	(888,285)	(784,101)	(698,130)	(122,648)	(116,513)
<u>\$ 25,952,541</u>	<u>\$ 25,032,960</u>	<u>\$ 24,303,844</u>	<u>\$ 21,592,767</u>	<u>\$ 20,200,719</u>	<u>\$ 20,298,760</u>
<u>43.280%</u>	<u>44.560%</u>	<u>45.723%</u>	<u>47.588%</u>	<u>50.373%</u>	<u>48.544%</u>
\$ 2,235,538,000	\$ 2,121,774,900	\$ 2,035,543,052	\$ 1,775,334,600	\$ 1,599,513,500	\$ 1,622,624,100
15,363,900	15,764,700	17,758,600	17,412,900	18,055,900	18,736,600
<u>\$ 2,250,901,900</u>	<u>\$ 2,137,539,600</u>	<u>\$ 2,053,301,652</u>	<u>\$ 1,792,747,500</u>	<u>\$ 1,617,569,400</u>	<u>\$ 1,641,360,700</u>
<u>\$ 2,429,563,505</u>	<u>\$ 2,191,955,185</u>	<u>\$ 2,403,906,238</u>	<u>\$ 1,907,992,306</u>	<u>\$ 1,758,428,600</u>	<u>\$ 1,796,401,800</u>
92.65%	97.52%	85.42%	93.96%	91.99%	91.37%

**CITY OF ELK RIVER, MINNESOTA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING<sup>1</sup> GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City of Elk River			County	Overlapping Rates School District			Total Direct & Overlapping Rates
	Operating	Debt Service	Total		Operating	Referendum Mkt. Value	Special Districts	
2005	36.713	7.050	43.763	42.028	32.848	0.148	5.349	124.136
2006	37.179	6.750	43.929	41.555	35.950	0.155	4.056	125.645
2007	37.743	5.313	43.056	40.720	33.208	0.144	3.905	121.033
2008	37.249	5.245	42.494	40.675	32.344	0.161	3.988	119.662
2009	38.319	4.961	43.280	41.999	36.215	0.164	4.040	125.698
2010	40.940	3.620	44.560	44.519	40.050	0.183	4.703	134.015
2011	42.449	3.274	45.723	46.342	43.489	0.188	4.956	140.698
2012	44.925	2.663	47.588	52.014	45.548	0.187	5.296	150.633
2013	47.222	3.151	50.373	54.420	50.058	0.190	5.260	160.301
2014	46.740	1.804	48.544	54.861	51.286	0.156	4.987	159.834

Source: Sherburne County Auditor/Treasurer

<sup>1</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Elk River. Not all overlapping rates apply to all City of Elk River property owners (e.g., the rates for special districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the special district.

**CITY OF ELK RIVER, MINNESOTA  
PRINCIPAL TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	2014			2005		
	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Net Tax Capacity</u>	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Net Tax Capacity</u>
Great River Energy	\$ 1,159,164	1	5.71%	\$ 557,372	1	3.08%
JPM Capital Corporation	383,250	2	1.89	-	-	-
BRE Retail Residual Owner, LLC	277,088	3	1.37	-	-	-
Walmart Stores	274,298	4	1.35	204,493	3	1.13
Target Corp.	270,230	5	1.33	106,430	10	0.59
Menards, Inc	181,316	6	0.89	127,874	6	0.71
Envision Company LLC	151,068	7	0.74	-	-	-
Home Depot	138,084	8	0.68	125,408	7	0.69
Minnegasco	137,404	9	0.68	110,970	8	0.61
ARHC ERELKMN01 LLC	112,478	10	0.55	-	-	-
Resource Recovery Technology	-	-	-	270,900	2	1.50
Bradley Operating LP	-	-	-	164,599	4	0.91
Phoenix Enterprises	-	-	-	129,677	5	0.72
B & G Realty, Inc	-	-	-	107,104	9	0.59
<b>TOTAL</b>	<b>\$ 3,084,380</b>		<b>15.24%</b>	<b>\$ 1,904,827</b>		<b>10.98%</b>

Source: Sherburne County Assessor

**CITY OF ELK RIVER, MINNESOTA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Year's Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 7,482,681	\$ 7,338,126	98.07%	\$ 143,484	\$ 7,481,610	99.99%
2006	8,730,932	8,551,757	97.95	178,432	8,730,189	99.99
2007	9,694,925	9,475,220	97.73	217,629	9,692,849	99.98
2008	11,033,630	10,750,281	97.43	281,895	11,032,176	99.99
2009	11,433,704	11,074,590	96.86	352,773	11,427,363	99.94
2010	11,164,258	10,920,348	97.82	228,672	11,149,020	99.86
2011	11,164,581	11,052,081	98.99	90,851	11,142,932	99.81
2012	10,701,225	10,592,493	98.98	80,100	10,672,593	99.73
2013	10,685,603	10,574,080	98.96	63,760	10,637,840	99.55
2014	10,383,452	10,300,688	99.20	-	10,300,688	99.20



**This page has been left blank intentionally**

**CITY OF ELK RIVER, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental Activities</b>					
	<b>General Obligation</b>	<b>General Obligation Revenue</b>	<b>Lease Revenue</b>	<b>Special Assessment</b>	<b>Permanent Improvement Revolving</b>	<b>Tax Increment</b>
2005	\$ -	\$ 1,645,000	\$ 8,785,000	\$ 6,605,000	\$ 935,000	\$ 972,500
2006	3,220,000	1,430,000	8,265,000	2,130,000	-	827,500
2007	13,220,000	1,200,000	7,730,000	4,825,000	-	675,000
2008	15,412,946	955,000	7,170,000	4,480,000	-	505,000
2009	16,677,757	700,000	6,175,000	3,970,000	-	440,000
2010	22,002,000	540,000	-	3,460,000	-	375,000
2011	20,897,939	-	-	2,955,000	-	305,000
2012	26,579,666	-	-	4,035,306	-	-
2013	35,223,141	-	-	1,633,459	-	-
2014	34,023,916	-	-	1,246,612	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

<u>Governmental Activities</u>		<u>Business-Type Activities</u>				<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
<u>Certificates of Indebtedness</u>	<u>Other</u>	<u>General Obligation Revenue</u>	<u>Revenue Bonds</u>	<u>Certificates of Indebtedness</u>	<u>Notes Payable</u>			
\$ 1,035,201	\$ -	\$ 9,160,000	\$ 3,725,000	\$ 250,000	\$ 2,538,226	\$ 35,650,927	6.00%	\$ 1,654
1,134,334	1,908,725	7,015,000	7,185,000	125,000	3,066,820	36,307,379	5.74%	1,610
1,090,350	2,123,092	6,465,000	9,690,000	-	2,879,054	49,897,496	7.29%	2,152
756,033	1,839,792	8,630,000	9,280,000	-	2,701,994	51,730,765	6.97%	2,166
421,716	1,646,492	8,070,000	8,840,000	-	2,524,646	49,465,611	7.14%	2,093
87,400	1,499,746	6,180,000	6,940,000	-	2,345,318	43,429,464	6.32%	1,890
-	1,410,000	5,520,656	6,310,000	-	2,162,882	39,561,477	5.81%	1,713
-	1,410,000	4,791,567	5,085,000	-	1,975,812	43,877,351	6.30%	1,890
-	1,410,000	4,027,478	4,340,000	-	1,789,224	48,423,302	7.00%	2,072
-	1,410,000	12,868,388	3,634,845	-	1,599,876	54,783,637	na	2,316

**CITY OF ELK RIVER, MINNESOTA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt <sup>1</sup>	Less Amounts Restricted for Debt Service	Net Bonded Debt	Percentage of Net Bonded Debt to Tax Capacity <sup>2</sup>	Net Bonded Debt per Capita <sup>3</sup>
2005	\$ 8,455,201	\$ 813,832	\$ 7,641,369	43.86%	\$ 354.62
2006	11,474,334	2,842,412	8,631,922	42.98%	382.79
2007	17,792,017	4,253,142	13,538,875	59.74%	583.90
2008	18,391,033	3,712,036	14,678,997	57.96%	614.49
2009	17,471,716	3,027,915	14,443,801	55.65%	611.17
2010	18,040,733	3,787,324	14,253,409	56.94%	620.41
2011	17,120,000	3,234,939	13,885,061	57.13%	601.06
2012	23,286,667	3,044,599	20,242,068	93.74%	871.75
2013	22,456,667 <sup>4</sup>	2,329,723	20,126,944	99.63%	861.23
2014	17,873,333 <sup>4</sup>	1,599,852	16,273,481	80.17%	687.92

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Only includes debt supported by tax levy.

<sup>2</sup> See the Schedule of Tax Capacity, Market Value and Estimated Actual Value of Taxable Property for property value data.

<sup>3</sup> Population data can be found in the Schedule of Demographic and Economic Statistics.

<sup>4</sup> Excludes \$9,685,000 refunding debt payable through cash with fiscal agent.

**CITY OF ELK RIVER, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2014**

	<u>Outstanding Debt</u>	<u>Percent of Debt Applicable to City<sup>1</sup></u>	<u>City's Share of Debt</u>
Direct Debt:			
City of Elk River <sup>2</sup>	<u>\$ 36,680,528</u>	100.00%	<u>\$ 36,680,528</u>
Overlapping Debt:			
Sherburne County	16,155,000	26.90	4,345,695
School District #728	<u>153,830,000</u>	33.90	<u>52,148,370</u>
Total overlapping debt	<u>169,985,000</u>		<u>56,494,065</u>
Total direct and overlapping debt	<u><u>\$ 206,665,528</u></u>		<u><u>\$ 93,174,593</u></u>

Debt Ratios:

Ratio of debt per capita (23,656 population)	\$3,939
Ratios of debt to taxable market value of \$1,641,360,700	5.68%

Source: Sherburne County and School District #728

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable market property values. Applicable percentages were estimated by determining the portion of the county's and school district's taxable market value that is within the city's boundaries and dividing it by the county's and school district's total taxable market value.

<sup>2</sup> Excludes debt payable from enterprise revenue.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City of Elk River. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**CITY OF ELK RIVER, MINNESOTA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 30,805,499	\$ 35,728,238	\$ 40,258,348	\$ 66,024,514
Bonds	10,040,201	13,124,334	17,792,017	18,391,033
Reserves	950,793	1,003,315	861,726	1,318,186
Total net debt applicable to limit	<u>9,089,408</u>	<u>12,121,019</u>	<u>16,930,291</u>	<u>17,072,847</u>
Legal debt margin	<u>\$ 21,716,091</u>	<u>\$ 23,607,219</u>	<u>\$ 23,328,057</u>	<u>\$ 48,951,667</u>
Total net debt applicable to the limit as a percentage of debt limit	29.51%	33.93%	42.05%	25.86%

Note: Under state law, the City of Elk River's outstanding general obligation debt should not exceed 3 percent of the market value of taxable property. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for the extinguishment of those obligations.

<sup>1</sup> Only 2/3 of the \$10,000,000 GO EDA Bonds, Series 2007 and the \$330,000 GO EDA Bonds, Series 2008A are subject to the debt limit. The Remaining 1/3 will be paid by the YMCA.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 67,527,057	\$ 64,126,188	\$ 61,599,050	\$ 58,316,472	\$ 52,752,858	\$ 53,892,054
17,471,716	18,040,733	17,120,000	23,286,667	32,141,667	30,071,667
1,418,700	1,164,060	1,030,418	1,202,093	10,819,006	10,743,409
<u>16,053,016</u>	<u>16,876,673</u>	<u>16,089,582</u>	<u>22,084,574</u>	<u>21,322,661</u>	<u>19,328,258</u>
<u>\$ 51,474,041</u>	<u>\$ 47,249,515</u>	<u>\$ 45,509,468</u>	<u>\$ 36,231,898</u>	<u>\$ 31,430,197</u>	<u>\$ 34,563,796</u>
23.77%	26.32%	26.12%	37.87%	40.42%	35.86%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Estimated taxable market value	<u>\$ 1,796,401,800</u>
Debt limit (3% of market value)	<u>\$ 53,892,054</u>
Debt applicable to limit:	
G.O. capital improvement bonds	13,500,000
G.O. EDA bonds <sup>1</sup>	16,571,667
Less: Cash and investments in related debt service funds	<u>(10,743,409)</u>
Total net debt applicable to limit	<u>19,328,258</u>
Legal debt margin	<u>\$ 34,563,796</u>

**CITY OF ELK RIVER, MINNESOTA  
PLEGDED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds <sup>1</sup>					Coverage
	Gross Revenue <sup>2</sup>	Operating Expenses <sup>3</sup>	Net Revenue Available	Debt Service		
				Principal	Interest	
2005	\$ 19,791,626	\$ 15,615,453	\$ 4,176,173	\$ 1,150,000	\$ 485,777	2.55
2006	21,940,299	16,970,625	4,969,674	2,405,000	573,345	1.67
2007	25,212,616	19,212,200	6,000,416	1,045,000	595,642	3.66
2008	28,380,372	22,562,437	5,817,935	1,330,000	669,406	2.91
2009	29,665,332	23,654,659	6,010,673	1,000,000	681,124	3.58
2010	31,869,940	25,849,033	6,020,907	3,785,000	564,105	1.38
2011	33,672,393	27,326,836	6,345,557	1,335,000	458,888	3.54
2012	35,944,367	28,444,321	7,500,046	1,950,000	410,320	3.18
2013	34,737,779	28,629,356	6,108,423	1,505,000	341,419	3.31
2014	35,249,153	29,806,010	5,443,143	3,940,000	282,209	1.29

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Includes Liquor, Sewer, Water and Electric revenue bonds

<sup>2</sup> Gross revenue excludes interest income, connection fees and miscellaneous revenues

<sup>3</sup> Expenses exclude depreciation, interest on bonds and miscellaneous expenses

<sup>4</sup> Excludes \$1,540,000 refunded principal paid through cash with fiscal agent.

Special Assessment Bonds

Special Assessment Collections	Debt Service		Coverage
	Principal	Interest	
\$ 1,123,407	\$ 925,000	\$ 264,999	0.94
999,232	4,475,000	198,650	0.21
231,839	395,000	64,339	0.50
611,290	345,000	192,553	1.14
421,724	510,000	168,335	0.62
368,936	510,000	148,276	0.56
327,975	505,000	124,185	0.52
287,759	505,000	122,209	0.46
202,457	850,000 <sup>4</sup>	87,268	0.22
182,191	375,000	29,000	0.45

**CITY OF ELK RIVER, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income<sup>2</sup></u>	<u>Median Age<sup>3</sup></u>	<u>School Enrollment<sup>4</sup></u>	<u>Unemployment Rate<sup>5</sup></u>
2005	21,548	\$ 593,906	\$ 27,562	32	12,259	4.7%
2006	22,550	632,911	28,067	32	12,735	4.4%
2007	23,187	684,689	29,529	32	13,058	5.6%
2008	23,888	742,439	31,080	33	13,031	8.2%
2009	23,633	692,376	29,297	33	13,073	9.0%
2010	22,974 <sup>3</sup>	687,129	29,909	33	13,036	8.1%
2011	23,101	681,179	29,487	34	13,117	7.3%
2012	23,147	696,794	30,103	34	13,255	6.4%
2013	23,370	691,962	29,609	35	13,367	5.5%
2014	23,656 <sup>3</sup>	na	na	36	13,627	4.1%

Data Sources:

<sup>1</sup> State Demographer

<sup>2</sup> Bureau of Economic Analysis

<sup>3</sup> US Census Bureau

<sup>4</sup> School District

<sup>5</sup> Minnesota Department of Employment and Economic Development

na - not available

**CITY OF ELK RIVER, MINNESOTA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Independent School District 728 <sup>1</sup>	1,421	1	11.28%	1,350	1	12.94%
Sherburne County	616	2	4.89%	525	2	5.03%
Guardian Angels of Elk River	374	3	2.97%	319	5	3.06%
Walmart	354	4	2.81%	406	3	3.89%
City of Elk River	214	5	1.70%	194	7	1.86%
Great River Energy	210	6	1.67%	351	4	3.36%
Sportech, Inc.	185	7	1.47%	-	-	-
Menards	173	8	1.37%	179	9	1.72%
Tescom Corporation	170	9	1.35%	185	8	1.77%
Cornerstone Auto Resource	138	10	1.10%	-	-	-
Cub Foods	-	-	-	200	6	1.92%
Coborn's	-	-	-	172	10	1.65%
<b>Total</b>	<u>3,855</u>		<u>30.61%</u>	<u>3,881</u>		<u>37.20%</u>
<b>Total Employment <sup>2</sup></b>	<u>12,599</u>			<u>10,436</u>		

<sup>1</sup> Total District

<sup>2</sup> Minnesota Department of Employment and Economic Development

**CITY OF ELK RIVER, MINNESOTA  
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	26.0	26.5	25.8	25.3	24.8	24.8	24.8	25.8	26.9	28.3
Public safety:										
Police										
Officers	29.0	29.0	30.0	31.0	31.0	31.0	30.0	31.0	31.0	31.0
Civilians	8.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	9.0	9.0
Fire										
Fire administration	3.0	3.0	3.5	3.5	3.5	3.7	3.7	1.7	1.7	2.7
Paid on-call volunteers	38.0	39.0	39.0	39.0	39.0	38.0	40.0	40.0	40.0	40.0
Other public safety	11.5	11.5	11.5	10.5	7.6	7.6	7.6	8.4	8.6	9.0
Public works	13.5	13.5	15.0	15.0	13.1	14.0	14.5	15.5	15.0	15.0
Culture and recreation	15.8	19.3	19.3	19.9	19.4	19.4	19.4	18.5	18.5	18.5
Economic development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Municipal liquor	8.0	11.5	11.0	11.5	12.0	14.0	12.5	13.0	13.0	13.0
Sewer	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Water	5.0	5.0	6.0	5.0	5.0	5.0	5.0	8.0	8.0	8.0
Electric	29.0	29.0	30.0	29.0	28.5	29.0	29.0	30.0	31.0	31.0
<b>Total</b>	<b>193.8</b>	<b>203.3</b>	<b>208.1</b>	<b>206.7</b>	<b>199.9</b>	<b>202.5</b>	<b>202.5</b>	<b>207.9</b>	<b>210.7</b>	<b>213.5</b>

Source: City of Elk River Finance Department

**CITY OF ELK RIVER, MINNESOTA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Planning</b>										
Land use applications	142	104	85	88	64	43	54	56	71	85
<b>Police</b>										
Police calls	19,431	18,494	19,277	21,997	22,231	21,751	20,707	20,451	20,676	21,585
Arrests	990	955	682	969	940	957	866	847	694	572
<b>Fire</b>										
Fire calls	486	451	436	453	364	443	469	355	446	411
<b>Building/environmental</b>										
Permits issued	3,845	4,388	2,382	2,021	1,369	2,105	1,841	1,683	1,866	1,956
Valuation of permits (thousands of dollars)	\$147,413	\$ 95,844	\$ 67,309	\$ 41,006	\$ 14,265	\$ 22,312	\$ 20,719	\$ 25,585	\$38,440	\$47,037
<b>Public works</b>										
Street sweeping (hours)	1,144	1,192	627	1,085	1,287	1,063	1,494	1,811	1,652	1,888
Snowplowing (hours)	2,640	1,648	4,380	2,737	2,305	3,425	2,964	1,675	4,263	5,872
Equipment repair (hours)	5,700	5,660	6,440	5,038	6,482	5,378	5,711	5,051	5,125	5,210
<b>Culture and recreation</b>										
Recreation participants	10,537	10,633	14,104	20,631	26,124	26,061	26,934	26,803	27,065	27,330
Ice arena usage (hours)	4,187	4,266	4,193	4,386	4,684	4,624	4,740	4,752	4,736	4,568
Golf rounds	-	10,000	10,971	11,533	11,079	10,707	9,150	11,480	9,743	-
<b>Sewer</b>										
Average daily treatment flow (thousands of gallons)	1,180	1,163	1,190	1,230	1,300	1,200	1,245	1,200	1,203	1,200
<b>Water</b>										
Number of customers	4,074	4,317	4,413	4,508	4,467	4,511	4,515	4,542	4,613	4,676
Average daily consumption (thousands of gallons)	1,934	2,226	2,394	1,992	1,941	1,718	1,786	2,321	2,152	2,143
<b>Electric</b>										
Number of customers	8,306	8,562	8,945	9,203	9,170	9,207	9,227	9,285	9,358	9,449
Average daily consumption (thousands of KWh's)	500	534	579	614	638	687	716	749	795	790

Sources: Various city departments

Note: The golf course was purchased in 2006 and was not open during 2014.

**CITY OF ELK RIVER, MINNESOTA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	11	11	12	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (miles)	150	151	151	151	151	151	151	151	151	151
Culture and recreation										
Parks	40	44	44	44	44	44	44	45	45	46
Parks acreage	898	927	964	964	964	964	964	988	988	1,324
Sewer										
Sanitary sewers (miles)	70	73	75	78	79	79	80	80	80	80
Lift stations	20	21	21	21	21	21	21	21	21	21
Maximum daily treatment capacity (thousands of gallons)	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Water										
Maximum daily capacity (thousands of gallons)	6,900	8,100	8,100	8,100	8,100	8,100	8,100	10,000	10,000	10,000
Electric										
Generating facilities	5	6	6	6	6	6	6	6	6	6

Sources: Various city departments

Note: No capital asset indicators are available for the general government function.