



**Minnesota**

# **Comprehensive Annual Financial Report**

**For the Year Ended  
December 31, 2015**





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**CITY OF ELK RIVER, MINNESOTA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED DECEMBER 31, 2015

PREPARED BY THE FINANCE DEPARTMENT

Member of Governmental Finance Officers Association  
of the United States and Canada



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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF ELK RIVER  
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015



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May 18, 2016

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, 2015, 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 complement 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 23,880. 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, storm water, 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 39 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 \$57,694,602 being issued in 2015. This is a 23 percent increase from 2014. New additions and remodels accounted for \$26,886,010 of new value, and an additional \$16,399,266 in residential construction with miscellaneous permits making up the balance. The number of new housing units remained steady from 72 in 2014 to 74 in 2015. Single family homes accounted for all the new housing units in 2015. The average value of new homes increased to \$215,426.

Many of Elk River's largest employers reported stable or growing employment levels between 2015 and 2016. 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 Sportech, Inc. with the construction of a new 105,000 sq. ft. facility. Several other businesses completed expansions and upgraded their facilities. The outlook in this region looks promising with anticipation of several commercial industrial and housing projects working through the review process, with construction expected the last half of 2016.

### **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, 2015 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 2016 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 2015, the city sold three lots in Natures Edge Business Park to Sportech, Inc., Morrell Transfer, and GATR Truck Center to build new facilities. The city completed the Gravel Mining Area Study to shape the future of this highly developable 2,600-acre segment along US Highway 169. The city implemented a long-term funding plan for our storm water management needs with the creation of a new Enterprise fund financed by user charges to comply with increased requirements for new storm water regulations. 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**

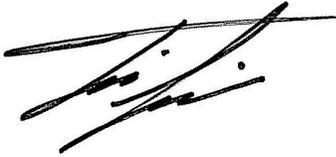
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Elk River for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2014. This was the 26th consecutive 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, 2015. It was the 7<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 market changes.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Timothy Simon', with several horizontal strokes above and below the name.

Timothy Simon  
Finance Director



Government Finance Officers Association

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

Presented to

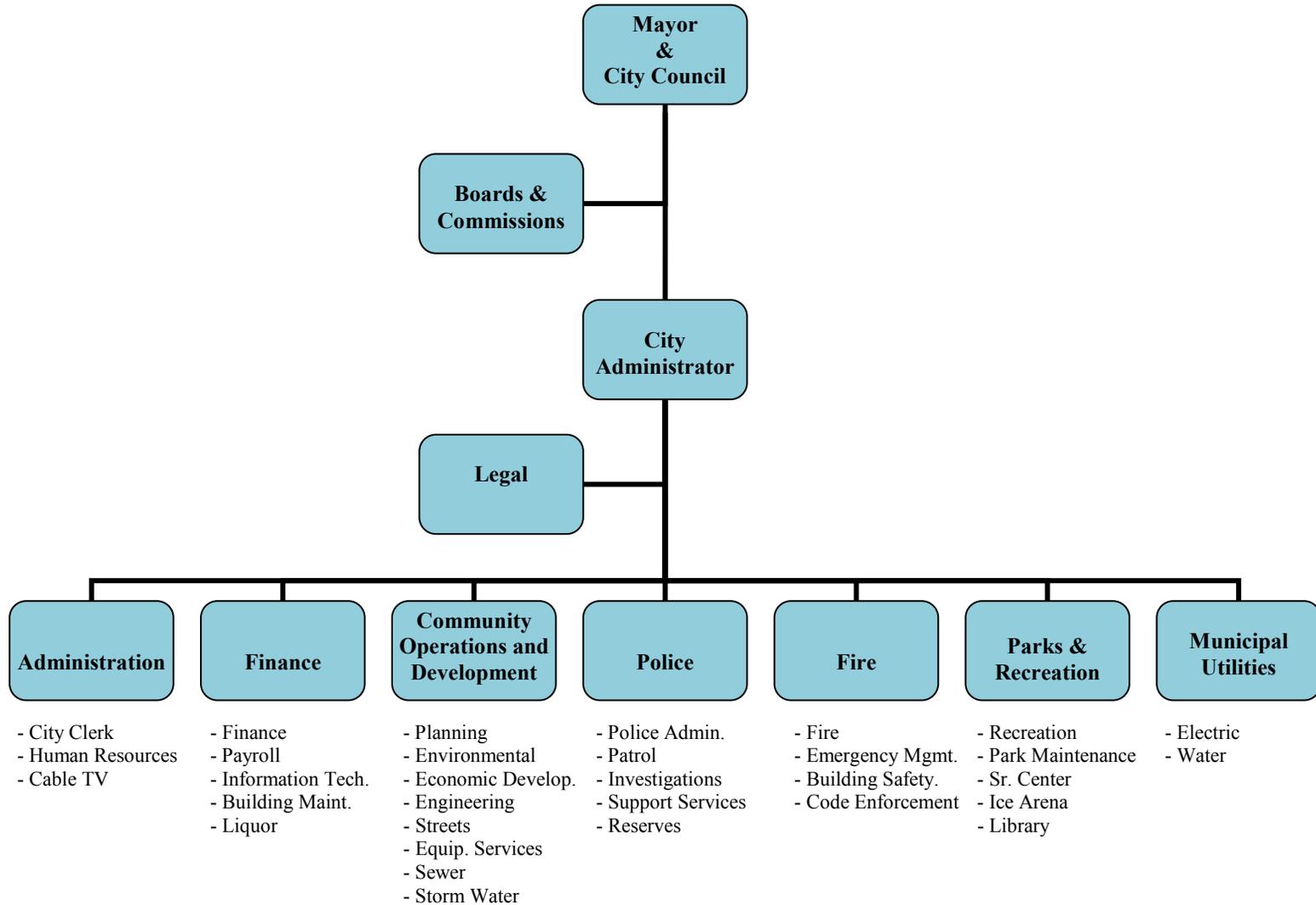
**City of Elk River  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

# CITY OF ELK RIVER ORGANIZATIONAL CHART



CITY OF ELK RIVER, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

<b>CITY COUNCIL</b>		<u>Term Expires December 31,</u>
John Dietz	Mayor	2018
Barbara Burandt	Council member	2016
Jerry Olsen	Council member	2018
Matthew Westgaard	Council member	2016
Jennifer Wagner	Council member	2018

**APPOINTED PERSONNEL**

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

**FINANCIAL SECTION**

CITY OF ELK RIVER  
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015



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## 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, 2015, 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, 2015, 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.



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### ***Change in Accounting Standards***

As described in Note 9 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### **Other Matters**

#### ***Required Supplementary Information***

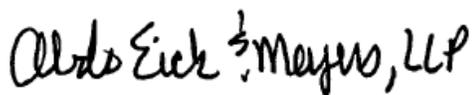
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, and the Schedule of Funding Progress for Other Post-Employment Benefit Plans starting on page 90 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  
Minneapolis, Minnesota  
May 18, 2016



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## 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, 2015. 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 5 - 7 of this report.

### Financial Highlights

The assets and deferred outflows of resources of the City of Elk River exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$200,618,986 (net position). Of this amount, \$44,675,050 (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 \$8,906,787, attributable to capital contributions of \$2.7 million in the Sewer fund and Water funds as well as a gain on sale of capital assets in governmental activities of \$2.8 million.

As of the close of the current fiscal year, the City of Elk River's governmental funds reported combined ending fund balances of \$41,112,019.

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	\$ 23,676	\$ 103,295	\$ -	\$ -	\$ 126,971
Restricted	7,000	1,812,499	10,932,083	457,918	13,209,500
Committed	376,943	5,329,017	-	2,770,934	8,476,894
Assigned	-	1,359,646	-	14,219,878	15,579,524
Unassigned	6,157,179	-	-	(2,438,049)	3,719,130
	<u>\$ 6,564,798</u>	<u>\$ 8,604,457</u>	<u>\$ 10,932,083</u>	<u>\$ 15,010,681</u>	<u>\$ 41,112,019</u>

The City of Elk River's total long-term liabilities increased \$8,255,255 during the current fiscal year, from \$57,118,179 to \$65,373,434.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bonds payable	\$ 35,270,528	\$ -	\$ (1,556,072)	\$ 33,714,456
Contracts for deeds	1,410,000	-	-	1,410,000
Compensated absences	1,504,686	565,922	(604,370)	1,466,238
Net pension liability	-	8,744,979	(1,155,382)	7,589,597
Net OPEB obligation	317,929	11,700	47,314	376,943
Total governmental activities	<u>38,503,143</u>	<u>9,322,601</u>	<u>(3,268,510)</u>	<u>44,557,234</u>
Business-type activities				
Bonds payable	16,503,233	-	(917,999)	15,585,234
Notes payable	1,599,876	-	(191,508)	1,408,368
Compensated absences	410,814	144,380	(130,436)	424,758
Net pension liability	-	3,810,879	(533,387)	3,277,492
Net OPEB obligation	101,113	17,909	1,326	120,348
Total business-type activities	<u>18,615,036</u>	<u>3,973,168</u>	<u>(1,772,004)</u>	<u>20,816,200</u>
Total City long-term liabilities	<u>\$ 57,118,179</u>	<u>\$ 13,295,769</u>	<u>\$ (5,040,514)</u>	<u>\$ 65,373,434</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, storm water, 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 starting on page 28 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 four 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, TIF Districts, and Pavement Management 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 starting on page 32 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, storm water, water, and electric operations.

The basic proprietary fund financial statements can be found starting on page 40 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 50 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 starting on page 51 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 share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 90 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 starting on page 96 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 and deferred inflows of resources by \$200,618,986 at the close of the most recent fiscal year.

By far, the largest portion of the City of Elk River's net position (76 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 Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 46,019,412	\$ 43,319,151	\$ 34,093,281	\$ 39,001,534	\$ 80,112,693	\$ 82,320,685
Capital assets	100,211,719	111,622,597	93,681,707	73,546,983	193,893,426	185,169,580
Total assets	<u>146,231,131</u>	<u>154,941,748</u>	<u>127,774,988</u>	<u>112,548,517</u>	<u>274,006,119</u>	<u>267,490,265</u>
Total deferred outflows of resources	<u>1,974,440</u>	<u>294,581</u>	<u>454,331</u>	<u>67,284</u>	<u>2,428,771</u>	<u>361,865</u>
Long-term liabilities outstanding	44,557,234	38,503,143	20,816,200	18,615,036	65,373,434	57,118,179
Other liabilities	2,338,153	2,716,293	4,980,591	5,398,902	7,318,744	8,115,195
Total liabilities	<u>46,895,387</u>	<u>41,219,436</u>	<u>25,796,791</u>	<u>24,013,938</u>	<u>72,692,178</u>	<u>65,233,374</u>
Total deferred inflows of resources	<u>2,433,266</u>	<u>-</u>	<u>690,460</u>	<u>-</u>	<u>3,123,726</u>	<u>-</u>
Net investment in capital assets	75,030,579	84,921,650	76,747,269	63,392,972	151,777,848	148,314,622
Restricted	3,675,588	4,192,856	490,500	490,500	4,166,088	4,683,356
Unrestricted	20,170,751	24,902,387	24,504,299	24,718,391	44,675,050	49,620,778
Total net position	<u>\$ 98,876,918</u>	<u>\$ 114,016,893</u>	<u>\$ 101,742,068</u>	<u>\$ 88,601,863</u>	<u>\$ 200,618,986</u>	<u>\$ 202,618,756</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 (\$44,675,050) 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

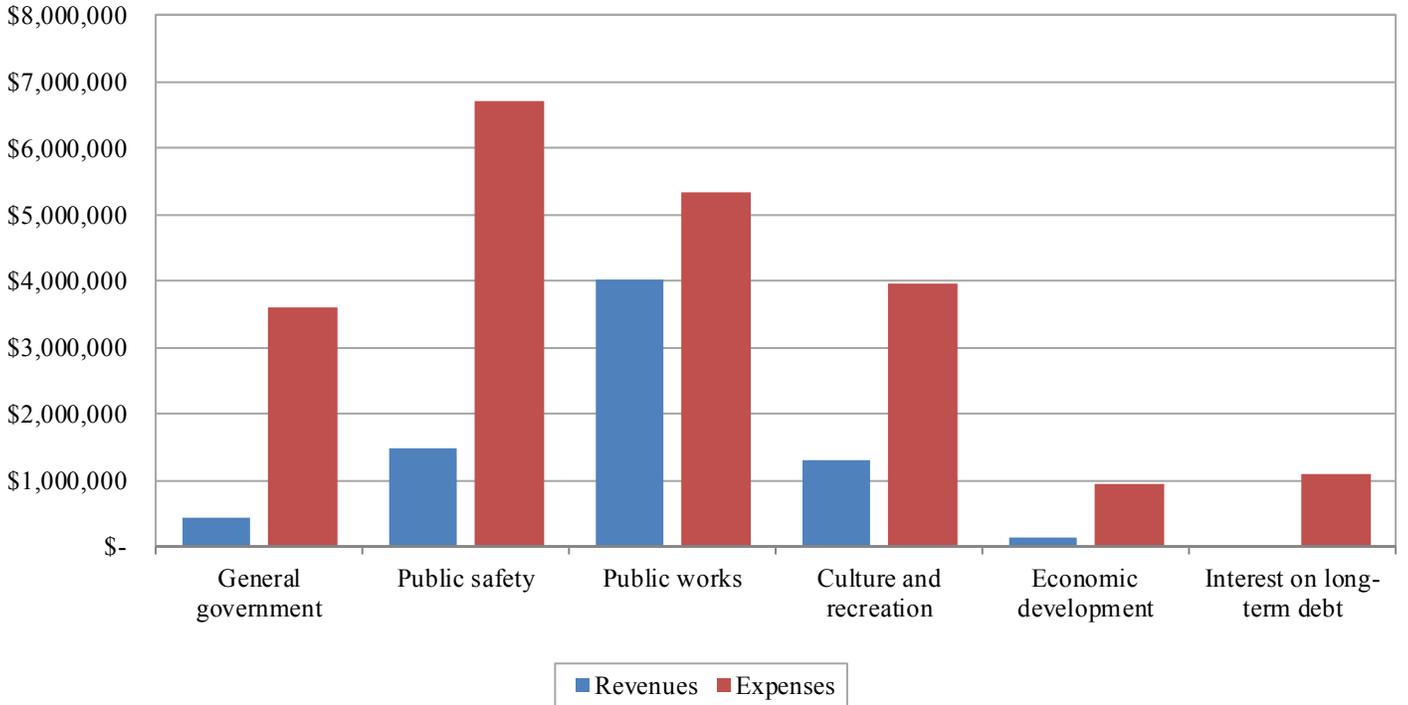
	Governmental Activities		Business-type Activities		Total	
	*		*			
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,827,043	\$ 2,666,277	\$ 45,680,611	\$ 43,751,274	\$ 48,507,654	\$ 46,417,551
Operating grants and contributions	1,033,338	1,049,744	-	-	1,033,338	1,049,744
Capital grants and contributions	3,574,036	4,020,851	2,708,564	935,909	6,282,600	4,956,760
<b>General revenues</b>						
Property taxes	10,931,945	10,509,231	-	-	10,931,945	10,509,231
Other taxes	1,513,621	1,441,259	-	-	1,513,621	1,441,259
Grants and contributions not restricted to specific programs	1,642,098	1,749,886	-	-	1,642,098	1,749,886
Unrestricted investment earnings	512,193	1,137,024	259,494	557,659	771,687	1,694,683
Gain on disposal of capital assets	2,796,041	29,593	8,899	29,525	2,804,940	59,118
<b>Total revenues</b>	<b>24,830,315</b>	<b>22,603,865</b>	<b>48,657,568</b>	<b>45,274,367</b>	<b>73,487,883</b>	<b>67,878,232</b>
<b>Expenses</b>						
General government	3,619,293	3,554,136	-	-	3,619,293	3,554,136
Public safety	6,720,283	6,615,593	-	-	6,720,283	6,615,593
Public works	5,351,630	6,860,673	-	-	5,351,630	6,860,673
Culture and recreation	3,970,704	4,088,992	-	-	3,970,704	4,088,992
Economic development	959,414	1,091,125	-	-	959,414	1,091,125
Interest on long-term debt	1,084,902	1,075,408	-	-	1,084,902	1,075,408
Municipal liquor	-	-	5,945,126	5,776,873	5,945,126	5,776,873
Garbage	-	-	1,382,890	1,303,943	1,382,890	1,303,943
Sewer	-	-	2,318,709	2,156,329	2,318,709	2,156,329
Storm Water	-	-	736,411	-	736,411	-
Water	-	-	2,478,904	2,459,319	2,478,904	2,459,319
Electric	-	-	30,012,830	29,597,247	30,012,830	29,597,247
<b>Total expenses</b>	<b>21,706,226</b>	<b>23,285,927</b>	<b>42,874,870</b>	<b>41,293,711</b>	<b>64,581,096</b>	<b>64,579,638</b>
<b>Increase (decrease) in net position before transfers</b>	<b>3,124,089</b>	<b>(682,062)</b>	<b>5,782,698</b>	<b>3,980,656</b>	<b>8,906,787</b>	<b>3,298,594</b>
<b>Transfer of capital assets</b>	<b>(11,188,695)</b>	<b>(313,287)</b>	<b>11,188,695</b>	<b>313,287</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>297,362</b>	<b>1,332,023</b>	<b>(297,362)</b>	<b>(1,332,023)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>(7,767,244)</b>	<b>336,674</b>	<b>16,674,031</b>	<b>2,961,920</b>	<b>8,906,787</b>	<b>3,298,594</b>
<b>Net position - beginning as restated (note 9)</b>	<b>106,644,162</b>	<b>113,680,219</b>	<b>85,068,037</b>	<b>85,639,943</b>	<b>191,712,199</b>	<b>199,320,162</b>
<b>Net position - ending</b>	<b>\$ 98,876,918</b>	<b>\$114,016,893</b>	<b>\$101,742,068</b>	<b>\$ 88,601,863</b>	<b>\$200,618,986</b>	<b>\$202,618,756</b>

\* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$7,372,731 restatement of beginning net position for governmental activities and \$3,533,826 restatement for business-type activities. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position January 1, 2015.

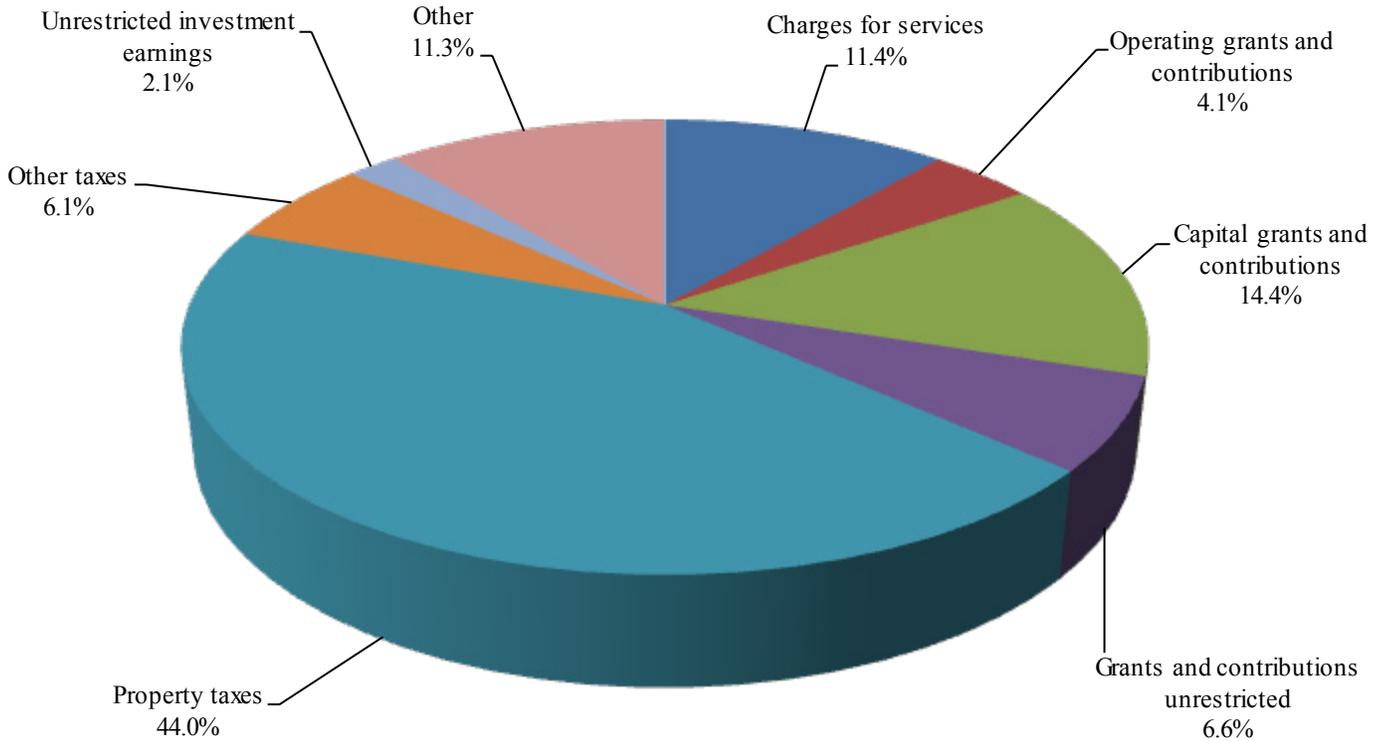
**Governmental activities.** Governmental activities account for 49 percent of the City of Elk River's net position. Governmental activities decreased the City's net position by \$7,767,244. Key elements of the relevant changes are as follows:

- In 2015 governmental activities transfers \$11,188,695 of capital assets to business-type activities related to the opening of the Storm Water fund.
- The City recognized a gain on sale of capital assets of \$2,796,041 related to the sale of land and vehicles.

### Expenses and Program Revenues - Governmental Activities



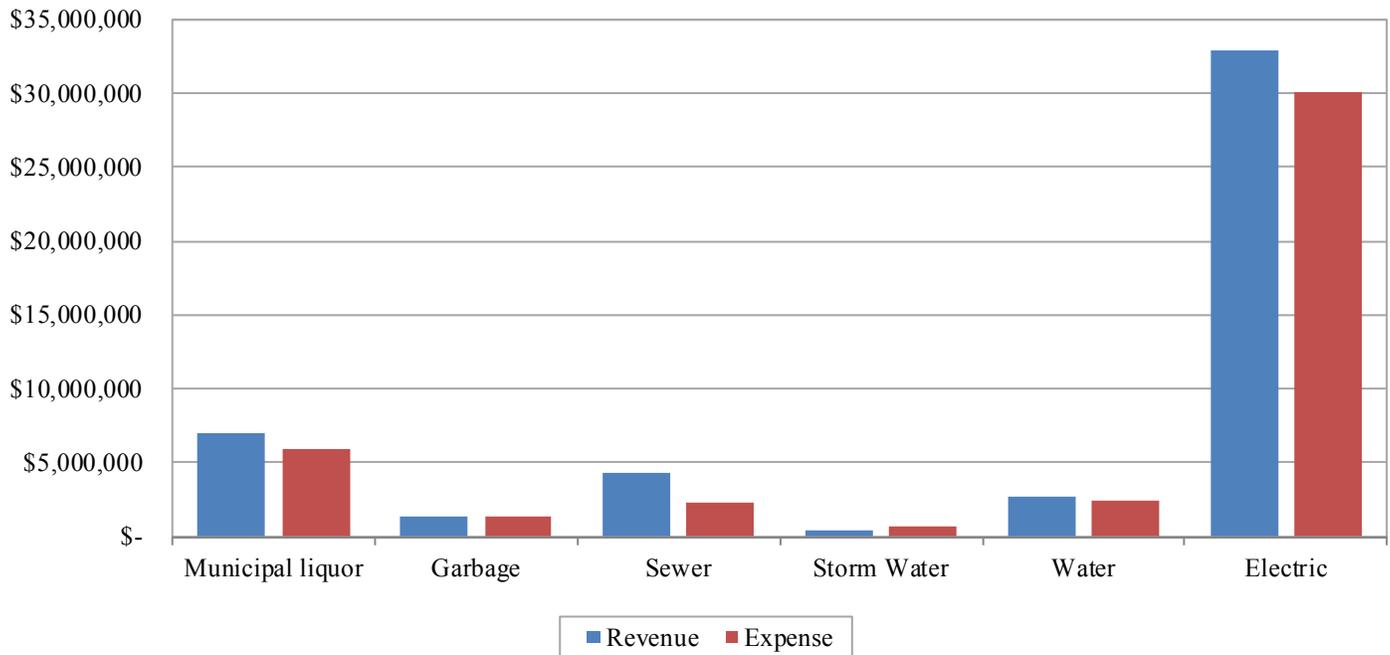
### Revenues by Source - Governmental Activities



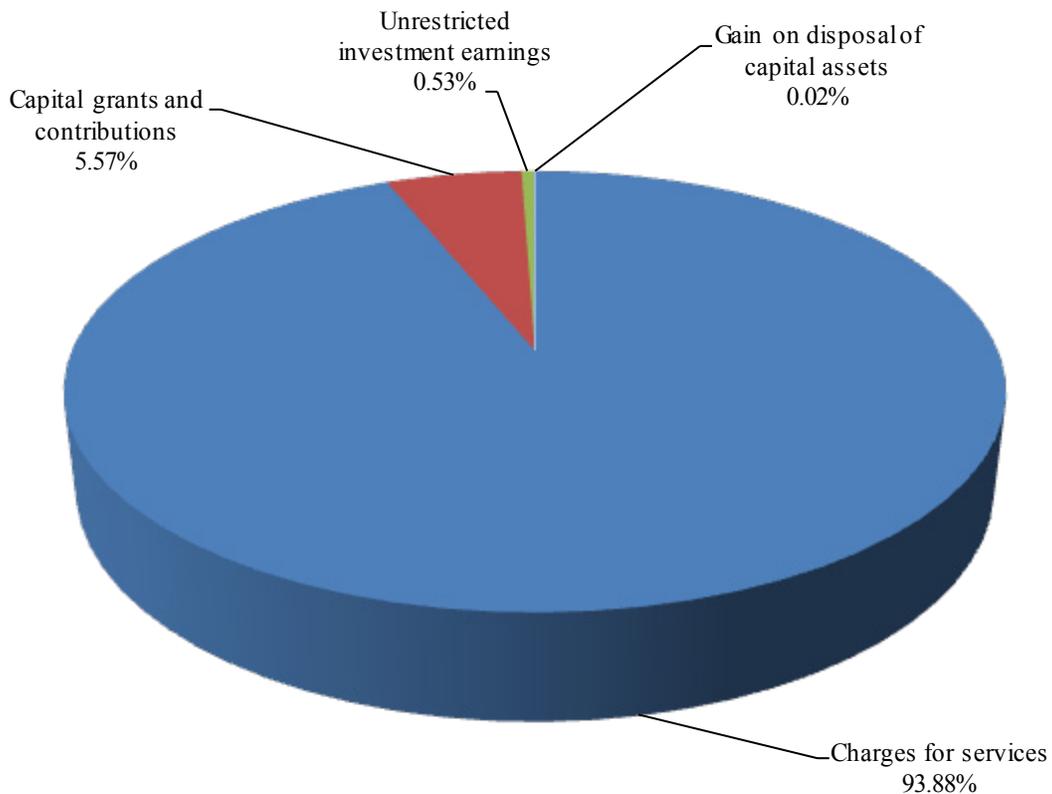
**Business-type activities.** Business-type activities increased the City of Elk River’s net position by \$16,674,031. Key elements of this increase are as follows:

- Charges for services for business-type activities increased \$1,929,337 due largely to an increase in electric usage. The electric utility accounts for 72% of the total charges for services.
- Capital grants and contributions increased \$1,772,655, primarily as a result of increased municipal construction state aid.

**Expenses and program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**



## 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 \$41,112,019. Approximately 9 percent of this total amount (\$3,719,130) constitutes unassigned fund balance. The remainder of fund balance (\$37,392,889) is not available for new spending because it is either 1) nonspendable (\$126,971), 2) restricted (\$13,209,500), 3) committed (\$8,476,894) or 4) assigned (\$15,579,524) 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 \$401,196 during the current year, resulting primarily from budgeted transfers in.

The YMCA Bonds fund decreased \$117,162 due to the debt service payments on the crossover advance refunding debt issued in 2013.

The TIF Districts fund decreased \$289,727 due to the repayment of excess decertified TIF funds returned to the county.

The Pavement Management fund increased \$440,415 due to collection of franchise fees and intergovernmental revenues in excess of current year expenditures.

**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 - \$3,124,753, Garbage - \$537,038, Sewer - \$6,495,624, Storm Water - \$168,218, Water - \$4,207,713, and Electric - \$9,970,953. The Garbage fund net position decreased \$61,127 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 \$52,094 under budget and licenses and permits were \$40,391 over due to increased building activity.
- Expenditures were under budget by \$329,747 due mainly to personnel vacancies in the police department 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, 2015, amounts to \$193,893,426 (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 \$8,723,846 or 5 percent.

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

- \$590,000 in public safety equipment and \$48,000 in public works equipment.
- Construction of \$3.7 million for the 2015 street project.
- Construction continued on Natures Edge Business Center Phase II project. (\$318,113 in 2015)
- Construction continued on the wastewater treatment facility improvements totaling over \$10.5 million in 2015.
- Incurred approximately \$600,000 of costs for 2015 storm sewer projects in 2015.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 40,876,833	\$ 40,911,871	\$ 1,526,407	\$ 1,526,359	\$ 42,403,240	\$ 42,438,230
Construction in progress	3,602,680	749,673	13,745,714	3,602,803	17,348,394	4,352,476
Buildings	27,851,240	29,413,979	9,369,167	9,981,099	37,220,407	39,395,078
Other improvements	1,937,065	2,246,132	-	-	1,937,065	2,246,132
Equipment	3,704,785	3,717,618	2,270,213	2,094,310	5,974,998	5,811,928
Infrastructure	22,239,116	34,583,324	66,770,206	56,342,412	89,009,322	90,925,736
<b>Total</b>	<b>\$ 100,211,719</b>	<b>\$ 111,622,597</b>	<b>\$ 93,681,707</b>	<b>\$ 73,546,983</b>	<b>\$ 193,893,426</b>	<b>\$ 185,169,580</b>

Additional information on the City's capital assets can be found in Note 3C starting on page 64 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$65,373,434, an increase of \$8,255,255 from 2014. General obligation improvement bonds (\$32,320,000) 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 (\$12,535,000) were used to finance sewer and water systems. Revenue bonds (\$2,985,000) were used to finance electric system improvements. Special assessment bonds (\$900,000) 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	
	2015	2014	2015	2014	2015	2014
Bonds payable						
G.O. bonds	\$ 32,320,000	\$ 33,515,000	\$ -	\$ -	\$ 32,320,000	\$ 33,515,000
G.O. revenue bonds	-	-	12,535,000	12,835,000	12,535,000	12,835,000
Revenue bonds	-	-	2,985,000	3,585,000	2,985,000	3,585,000
Special assessment bonds	900,000	1,210,000	-	-	900,000	1,210,000
Issuance premium	494,456	545,528	65,234	83,233	559,690	628,761
<b>Total bonds payable, net</b>	<b>33,714,456</b>	<b>35,270,528</b>	<b>15,585,234</b>	<b>16,503,233</b>	<b>49,299,690</b>	<b>51,773,761</b>
Contracts for deeds	1,410,000	1,410,000	-	-	1,410,000	1,410,000
Notes payable	-	-	1,408,368	1,599,876	1,408,368	1,599,876
Compensated absences	1,466,238	1,504,686	424,758	410,814	1,890,996	1,915,500
Net pension liability	7,589,597	-	3,277,492	-	10,867,089	-
Net OPEB obligation	376,943	317,929	120,348	101,113	497,291	419,042
<b>Total</b>	<b>\$ 44,557,234</b>	<b>\$ 38,503,143</b>	<b>\$ 20,816,200</b>	<b>\$ 18,615,036</b>	<b>\$ 65,373,434</b>	<b>\$ 57,118,179</b>

Additional long-term debt in the amount of \$1,410,000 is for a contract for deed, \$1,408,368 is for notes payable, \$1,890,996 is for compensated absences, \$10,867,089 is for net pension liability, and \$497,291 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 \$57,026,844. \$8,627,815 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 starting on page 69 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 2016 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  
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Primary Government			Component Unit - HRA
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and temporary investments	\$ 30,626,383	\$ 27,782,642	\$ 58,409,025	\$ 1,173,921
Restricted cash and temporary investments	-	490,500	490,500	-
Cash with fiscal agent	9,423,440	-	9,423,440	-
Receivables				
Interest	89,697	36,193	125,890	-
Taxes	218,345	-	218,345	3,388
Accounts	473,849	3,230,960	3,704,809	-
Special assessments	1,345,363	-	1,345,363	-
Notes, net	1,949,507	-	1,949,507	539,413
Due from other governments	565,407	133,684	699,091	-
Due from primary government	-	-	-	215,273
Internal balances	(15,863)	15,863	-	-
Inventories	-	2,195,635	2,195,635	-
Prepaid items	126,971	207,804	334,775	-
Land held for resale	261,400	-	261,400	-
Pension asset	954,913	-	954,913	-
Capital assets				
Land and construction in progress	44,479,513	15,272,121	59,751,634	257,100
Depreciable assets (net of accumulated depreciation)	55,732,206	78,409,586	134,141,792	138,464
<b>TOTAL ASSETS</b>	<b>146,231,131</b>	<b>127,774,988</b>	<b>274,006,119</b>	<b>2,327,559</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	1,716,124	395,167	2,111,291	4,629
Deferred charge on refunding	258,316	59,164	317,480	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>1,974,440</b>	<b>454,331</b>	<b>2,428,771</b>	<b>4,629</b>
<b>LIABILITIES</b>				
Accounts payable	904,917	4,382,998	5,287,915	11,788
Salaries payable	153,795	107,932	261,727	846
Due to other governments	-	210,327	210,327	-
Due to component unit	215,273	-	215,273	-
Accrued interest payable	514,200	191,624	705,824	-
Unearned revenue	549,968	87,710	637,678	-
Noncurrent liabilities				
Due within one year	5,659,646	1,690,040	7,349,686	-
Due in more than one year	38,897,588	19,126,160	58,023,748	39,524
<b>TOTAL LIABILITIES</b>	<b>46,895,387</b>	<b>25,796,791</b>	<b>72,692,178</b>	<b>52,158</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
State aid received for subsequent years	315,587	-	315,587	-
Deferred pension resources	2,117,679	690,460	2,808,139	9,025
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,433,266</b>	<b>690,460</b>	<b>3,123,726</b>	<b>9,025</b>

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

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED  
DECEMBER 31, 2015

	Primary Government			Component Unit - HRA
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 75,030,579	\$ 76,747,269	\$ 151,777,848	\$ 395,564
Restricted for				
Debt service	1,154,728	490,500	1,645,228	-
Landfill mitigation	460,524	-	460,524	-
Economic development	1,305,182	-	1,305,182	-
Law enforcement	12,099	-	12,099	-
Fire honor guard	6,000	-	6,000	-
Park improvements	402,872	-	402,872	-
Street improvements	334,183	-	334,183	-
Housing and redevelopment	-	-	-	1,875,441
Unrestricted	<u>20,170,751</u>	<u>24,504,299</u>	<u>44,675,050</u>	<u>-</u>
 TOTAL NET POSITION	 <u>\$ 98,876,918</u>	 <u>\$ 101,742,068</u>	 <u>\$ 200,618,986</u>	 <u>\$ 2,271,005</u>

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,619,293	\$ 439,826	\$ -	\$ -
Public safety	6,720,283	1,194,458	301,579	-
Public works	5,351,630	174,452	365,482	3,497,229
Culture and recreation	3,970,704	925,591	308,722	76,807
Economic development	959,414	92,716	57,555	-
Interest on long-term debt	1,084,902	-	-	-
Total governmental activities	<u>21,706,226</u>	<u>2,827,043</u>	<u>1,033,338</u>	<u>3,574,036</u>
Business-type activities				
Municipal liquor	5,945,126	6,974,336	-	-
Garbage	1,382,890	1,321,301	-	-
Sewer	2,318,709	1,818,476	-	2,454,630
Storm Water	736,411	355,454	-	-
Water	2,478,904	2,379,835	-	253,934
Electric	30,012,830	32,831,209	-	-
Total business-type activities	<u>42,874,870</u>	<u>45,680,611</u>	<u>-</u>	<u>2,708,564</u>
Total primary government	<u>\$ 64,581,096</u>	<u>\$ 48,507,654</u>	<u>\$ 1,033,338</u>	<u>\$ 6,282,600</u>
Component unit				
Housing and Redevelopment Authority	<u>\$ 161,164</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Other taxes

Grants and contributions not restricted to specific programs

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, January 1 as restated (Note 9)

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	HRA
\$ (3,179,467)	\$ -	\$ (3,179,467)	\$ -
(5,224,246)	-	(5,224,246)	-
(1,314,467)	-	(1,314,467)	-
(2,659,584)	-	(2,659,584)	-
(809,143)	-	(809,143)	-
(1,084,902)	-	(1,084,902)	-
<u>(14,271,809)</u>	<u>-</u>	<u>(14,271,809)</u>	<u>-</u>
-	1,029,210	1,029,210	-
-	(61,589)	(61,589)	-
-	1,954,397	1,954,397	-
-	(380,957)	(380,957)	-
-	154,865	154,865	-
-	2,818,379	2,818,379	-
<u>-</u>	<u>5,514,305</u>	<u>5,514,305</u>	<u>-</u>
<u>(14,271,809)</u>	<u>5,514,305</u>	<u>(8,757,504)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,154)</u>
10,011,541	-	10,011,541	254,498
655,765	-	655,765	-
264,639	-	264,639	-
1,513,621	-	1,513,621	-
1,642,098	-	1,642,098	142
512,193	259,494	771,687	5,920
2,796,041	8,899	2,804,940	-
(11,188,695)	11,188,695	-	-
297,362	(297,362)	-	-
<u>6,504,565</u>	<u>11,159,726</u>	<u>17,664,291</u>	<u>260,560</u>
(7,767,244)	16,674,031	8,906,787	99,406
<u>106,644,162</u>	<u>85,068,037</u>	<u>191,712,199</u>	<u>2,171,599</u>
<u>\$ 98,876,918</u>	<u>\$ 101,742,068</u>	<u>\$ 200,618,986</u>	<u>\$ 2,271,005</u>

CITY OF ELK RIVER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	General Fund	YMCA Bonds	TIF Districts
<b>ASSETS</b>			
Cash and temporary investments	\$ 6,658,237	\$ 467,829	\$ 621
Cash with fiscal agent	-	9,423,440	-
Receivables			
Interest	20,359	-	-
Taxes	194,923	5,878	-
Accounts	12,555	-	-
Special assessments	-	-	-
Notes, net	-	-	56,046
Due from other governments	56,898	-	-
Due from other funds	113,014	-	-
Due from component unit	7,656	-	-
Prepaid items	23,676	-	-
Land held for resale	-	-	-
	<u>\$ 7,087,318</u>	<u>\$ 9,897,147</u>	<u>\$ 56,667</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 250,441	\$ -	\$ -
Salaries payable	147,228	-	-
Due to other funds	-	-	1,373,824
Due to component unit	-	-	222,929
Unearned revenue	-	-	-
	<u>397,669</u>	<u>-</u>	<u>1,596,753</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
State aid received for subsequent years	-	-	-
Unavailable revenues - taxes	124,851	2,889	-
Unavailable revenues - special assessments	-	-	-
Unavailable revenues - other	-	-	-
	<u>124,851</u>	<u>2,889</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			
<b>FUND BALANCES</b>			
Nonspendable	23,676	-	-
Restricted	7,000	9,894,258	56,046
Committed	376,943	-	-
Assigned	-	-	-
Unassigned	6,157,179	-	(1,596,132)
	<u>6,564,798</u>	<u>9,894,258</u>	<u>(1,540,086)</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<u>\$ 7,087,318</u>	<u>\$ 9,897,147</u>	<u>\$ 56,667</u>

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

<u>Pavement Management</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,795,549	\$ 20,704,147	\$ 30,626,383
-	-	9,423,440
8,652	60,686	89,697
-	17,544	218,345
163,765	297,529	473,849
-	1,345,363	1,345,363
-	1,893,461	1,949,507
501,274	7,235	565,407
207,294	1,146,841	1,467,149
-	-	7,656
-	103,295	126,971
-	261,400	261,400
<u>\$ 3,676,534</u>	<u>\$ 25,837,501</u>	<u>\$ 46,555,167</u>
\$ 255,830	\$ 398,646	\$ 904,917
-	6,567	153,795
-	109,188	1,483,012
-	-	222,929
-	549,968	549,968
<u>255,830</u>	<u>1,064,369</u>	<u>3,314,621</u>
315,587	-	315,587
-	11,379	139,119
-	1,339,638	1,339,638
334,183	-	334,183
<u>649,770</u>	<u>1,351,017</u>	<u>2,128,527</u>
-	103,295	126,971
-	3,252,196	13,209,500
2,770,934	5,329,017	8,476,894
-	15,579,524	15,579,524
-	(841,917)	3,719,130
<u>2,770,934</u>	<u>23,422,115</u>	<u>41,112,019</u>
<u>\$ 3,676,534</u>	<u>\$ 25,837,501</u>	<u>\$ 46,555,167</u>



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CITY OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2015

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

Total fund balances - governmental funds		\$ 41,112,019
1. Long-term assets for pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.		954,913
2. Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Governmental capital assets	169,538,187	
Less accumulated depreciation	<u>(69,326,468)</u>	100,211,719
3. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		1,812,940
4. Long-term liabilities are not due and payable in the current period and, therefore are not reported in governmental funds.		
Bonds payable	(33,220,000)	
Deferred charge on refunding	258,316	
Issuance premium	(494,456)	
Contract for deeds	(1,410,000)	
Accrued interest payable	(514,200)	
Compensated absences	(1,466,238)	
Net pension liability	(7,589,597)	
Net OPEB obligation	<u>(376,943)</u>	(44,813,118)
5. Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources	1,716,124	
Deferred inflows of pension resources	<u>(2,117,679)</u>	<u>(401,555)</u>
Total net position - governmental activities		<u>\$ 98,876,918</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, 2015

	General	YMCA Bonds	TIF Districts
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 9,483,656	\$ 289,550	\$ 264,639
Other taxes	164,559	-	-
Licenses and permits	639,791	-	-
Intergovernmental	297,669	-	-
Charges for services	867,211	-	1,251
Fines and forfeits	153,344	-	-
Special assessments	-	-	-
Interest income	79,741	69,012	2,531
Miscellaneous			
Landfill expansion fee	-	-	-
Refunds and reimbursements	105,951	-	-
Contributions	22,505	248,656	-
Other	5,572	-	-
<b>TOTAL REVENUES</b>	<b>11,819,999</b>	<b>607,218</b>	<b>268,421</b>
<b>EXPENDITURES</b>			
Current			
General government	3,141,666	-	-
Public safety	6,060,771	-	-
Public works	1,827,323	-	-
Culture and recreation	1,822,543	-	-
Economic development	-	-	517,978
Debt service			
Principal	-	330,000	-
Interest and service charges	-	644,380	40,170
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>12,852,303</b>	<b>974,380</b>	<b>558,148</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,032,304)</b>	<b>(367,162)</b>	<b>(289,727)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,684,650	250,000	-
Transfers out	(251,150)	-	-
Sale of capital assets	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,433,500</b>	<b>250,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>401,196</b>	<b>(117,162)</b>	<b>(289,727)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>6,163,602</b>	<b>10,011,420</b>	<b>(1,250,359)</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 6,564,798</b>	<b>\$ 9,894,258</b>	<b>\$ (1,540,086)</b>

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

<u>Pavement Management</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 915,788	\$ 10,953,633
1,349,062	-	1,513,621
-	-	639,791
2,992,363	623,689	3,913,721
-	893,496	1,761,958
-	16,115	169,459
-	315,259	315,259
33,013	327,896	512,193
-	1,052,234	1,052,234
167,091	163,409	436,451
-	375,560	646,721
100	28,711	34,383
<u>4,541,629</u>	<u>4,712,157</u>	<u>21,949,424</u>
-	223,904	3,365,570
-	142,440	6,203,211
326,212	164,588	2,318,123
-	993,868	2,816,411
-	436,695	954,673
-	1,175,000	1,505,000
-	429,413	1,113,963
-	55,707	55,707
-	694,450	694,450
3,775,002	377,211	4,152,213
-	162,387	162,387
-	186,595	186,595
<u>4,101,214</u>	<u>5,042,258</u>	<u>23,528,303</u>
<u>440,415</u>	<u>(330,101)</u>	<u>(1,578,879)</u>
-	2,769,137	4,703,787
-	(4,155,275)	(4,406,425)
-	3,017,674	3,017,674
<u>-</u>	<u>1,631,536</u>	<u>3,315,036</u>
440,415	1,301,435	1,736,157
<u>2,330,519</u>	<u>22,120,680</u>	<u>39,375,862</u>
<u>\$ 2,770,934</u>	<u>\$ 23,422,115</u>	<u>\$ 41,112,019</u>

CITY OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Total net change in fund balances - governmental funds		\$ 1,736,157
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 outlays	5,220,743	
Depreciation expense	<u>(5,219,342)</u>	1,401
2. The net effect of various miscellaneous transactions involving capital assets including transfers and disposals, which decrease net position.		
Transfers of capital assets	(11,188,695)	
Disposals	(714,245)	
Depreciation on disposals	<u>490,661</u>	(11,412,279)
3. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Other revenue	334,183	
Property taxes	(21,688)	
Special assessments	<u>(255,005)</u>	57,490
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 on long-term debt		1,505,000
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	14,254	
Amortization of issuance premium	51,072	
Amortization of deferred charge from refunding	(36,265)	
Compensated absences	38,448	
Net OPEB obligation	<u>(59,014)</u>	8,495
6. Long-term pension activity is not reported in governmental funds.		
Pension expense	309,132	
Direct aid contributions	<u>27,360</u>	<u>336,492</u>
Change in net position - governmental activities		<u><u>\$ (7,767,244)</u></u>

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 BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 9,420,750	\$ 9,535,750	\$ 9,483,656	\$ (52,094)
Other taxes	125,000	125,000	164,559	39,559
Licenses and permits	599,400	599,400	639,791	40,391
Intergovernmental	286,550	286,550	297,669	11,119
Charges for services	854,450	854,450	867,211	12,761
Fines and forfeits	125,000	130,400	153,344	22,944
Interest income	85,000	85,000	79,741	(5,259)
Miscellaneous				
Refunds and reimbursements	101,000	101,000	105,951	4,951
Contributions	25,000	25,000	22,505	(2,495)
Other	6,000	6,000	5,572	(428)
<b>TOTAL REVENUES</b>	<b>11,628,150</b>	<b>11,748,550</b>	<b>11,819,999</b>	<b>71,449</b>
<b>EXPENDITURES</b>				
Current				
General government	3,159,750	3,163,150	3,141,666	21,484
Public safety	6,263,400	6,295,900	6,060,771	235,129
Public works	1,807,750	1,870,400	1,827,323	43,077
Culture and recreation	1,830,750	1,852,600	1,822,543	30,057
<b>TOTAL EXPENDITURES</b>	<b>13,061,650</b>	<b>13,182,050</b>	<b>12,852,303</b>	<b>329,747</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(1,433,500)</b>	<b>(1,433,500)</b>	<b>(1,032,304)</b>	<b>401,196</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,684,650	1,684,650	1,684,650	-
Transfers out	(251,150)	(251,150)	(251,150)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,433,500</b>	<b>1,433,500</b>	<b>1,433,500</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>401,196</b>	<b>401,196</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>6,163,602</b>	<b>6,163,602</b>	<b>6,163,602</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 6,163,602</b>	<b>\$ 6,163,602</b>	<b>\$ 6,564,798</b>	<b>\$ 401,196</b>

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

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Municipal Liquor	Garbage	Sewer
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and temporary investments	\$ 2,820,640	\$ 551,393	\$ 7,171,788
Cash held with fiscal agent	-	-	-
Receivables (net)			
Accrued interest	8,739	1,598	22,219
Accounts	-	14,522	358,517
Due from other governments	-	-	133,684
Due from other funds	-	108,523	320,686
Inventories	1,190,057	-	-
Prepaid items	-	-	-
	<u>4,019,436</u>	<u>676,036</u>	<u>8,006,894</u>
<b>TOTAL CURRENT ASSETS</b>			
<b>NONCURRENT ASSETS</b>			
Capital assets			
Nondepreciable	753,961	-	13,645,066
Depreciable	3,040,025	-	37,518,979
Accumulated depreciation	(1,776,280)	-	(18,374,312)
	<u>2,017,706</u>	<u>-</u>	<u>32,789,733</u>
<b>TOTAL NONCURRENT ASSETS</b>			
	<u>6,037,142</u>	<u>676,036</u>	<u>40,796,627</u>
<b>TOTAL ASSETS</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	51,179	2,269	34,733
Deferred charge on refunding	-	-	-
	<u>51,179</u>	<u>2,269</u>	<u>34,733</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	209,860	117,196	1,014,996
Salaries payable	8,455	271	6,138
Due to other governments	67,337	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	115,169
Unearned revenue	1,419	-	-
Compensated absences payable - current	-	-	-
Notes payable - current	-	-	-
Bonds payable - current	-	-	400,000
	<u>287,071</u>	<u>117,467</u>	<u>1,536,303</u>
<b>TOTAL CURRENT LIABILITIES</b>			

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

<u>Storm Water</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
\$ 186,530	\$ 4,367,165	\$ 12,685,126	\$ 27,782,642
-	-	490,500	490,500
581	611	2,445	36,193
1,673	191,754	2,664,494	3,230,960
-	-	-	133,684
35,109	223,992	-	688,310
-	14,015	991,563	2,195,635
-	29,025	178,779	207,804
<u>223,893</u>	<u>4,826,562</u>	<u>17,012,907</u>	<u>34,765,728</u>
321,737	160,289	391,068	15,272,121
17,790,123	34,730,104	48,706,993	141,786,224
<u>(7,214,177)</u>	<u>(14,165,419)</u>	<u>(21,846,450)</u>	<u>(63,376,638)</u>
<u>10,897,683</u>	<u>20,724,974</u>	<u>27,251,611</u>	<u>93,681,707</u>
<u>11,121,576</u>	<u>25,551,536</u>	<u>44,264,518</u>	<u>128,447,435</u>
5,547	28,490	272,949	395,167
-	11,809	47,355	59,164
<u>5,547</u>	<u>40,299</u>	<u>320,304</u>	<u>454,331</u>
147	183,177	2,857,622	4,382,998
865	14,173	78,030	107,932
-	2,976	140,014	210,327
-	23,034	649,413	672,447
-	26,563	49,892	191,624
-	86,291	-	87,710
1,176	16,555	153,002	170,733
-	-	194,307	194,307
-	233,000	692,000	1,325,000
<u>2,188</u>	<u>585,769</u>	<u>4,814,280</u>	<u>7,343,078</u>

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Municipal Liquor	Garbage	Sewer
<b>NONCURRENT LIABILITIES</b>			
Compensated absences payable	\$ 94,605	\$ -	\$ 16,438
Net other postemployment benefits obligation	27,445	-	29,006
Net pension liability	436,965	19,376	296,544
Notes payable	-	-	-
Bonds payable	-	-	9,600,000
	<u>559,015</u>	<u>19,376</u>	<u>9,941,988</u>
<b>TOTAL NONCURRENT LIABILITIES</b>			
	<u>846,086</u>	<u>136,843</u>	<u>11,478,291</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	<u>99,776</u>	<u>4,424</u>	<u>67,712</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,017,706	-	22,789,733
Restricted	-	-	-
Unrestricted	<u>3,124,753</u>	<u>537,038</u>	<u>6,495,624</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,142,459</u>	<u>\$ 537,038</u>	<u>\$ 29,285,357</u>

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

<u>Storm Water</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
\$ -	\$ 12,454	\$ 130,528	\$ 254,025
856	-	63,041	120,348
47,363	234,129	2,243,115	3,277,492
-	-	1,214,061	1,214,061
-	1,635,859	3,024,375	14,260,234
<u>48,219</u>	<u>1,882,442</u>	<u>6,675,120</u>	<u>19,126,160</u>
<u>50,407</u>	<u>2,468,211</u>	<u>11,489,400</u>	<u>26,469,238</u>
<u>10,815</u>	<u>47,987</u>	<u>459,746</u>	<u>690,460</u>
10,897,683	18,867,924	22,174,223	76,747,269
-	-	490,500	490,500
168,218	4,207,713	9,970,953	24,504,299
<u>\$ 11,065,901</u>	<u>\$ 23,075,637</u>	<u>\$ 32,635,676</u>	<u>\$ 101,742,068</u>

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Municipal Liquor	Garbage	Sewer
<b>SALES AND COST OF SALES</b>			
Sales	\$ 6,972,614	\$ -	\$ -
Cost of sales	(4,905,302)	-	-
Gross profit	<u>2,067,312</u>	<u>-</u>	<u>-</u>
<b>OPERATING REVENUES</b>			
User Charges	-	1,308,815	1,812,117
Delinquency collections	-	10,529	4,134
Other	1,722	1,957	2,225
TOTAL OPERATING REVENUES	<u>1,722</u>	<u>1,321,301</u>	<u>1,818,476</u>
<b>OPERATING EXPENSES</b>			
Personnel services	661,659	33,545	453,554
Supplies	31,542	1,537	108,816
Purchased power	-	-	-
Other service charges	225,221	1,347,808	461,914
Depreciation	121,402	-	1,017,240
TOTAL OPERATING EXPENSES	<u>1,039,824</u>	<u>1,382,890</u>	<u>2,041,524</u>
OPERATING INCOME (LOSS)	<u>1,029,210</u>	<u>(61,589)</u>	<u>(223,048)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	35,687	8,828	90,135
Miscellaneous revenues	-	-	-
Interest expense	-	-	(277,185)
Gain (loss) on disposal of capital assets	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>35,687</u>	<u>8,828</u>	<u>(187,050)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,064,897	(52,761)	(410,098)
CAPITAL CONTRIBUTIONS	-	-	2,454,630
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	-	-	12,666
TRANSFERS IN	-	35,584	1,000,000
TRANSFERS OUT	(689,718)	(43,950)	(120,000)
CHANGE IN NET POSITION	375,179	(61,127)	2,937,198
NET POSITION, JANUARY 1 AS RESTATED (NOTE 9)	<u>4,767,280</u>	<u>598,165</u>	<u>26,348,159</u>
NET POSITION, DECEMBER 31	<u>\$ 5,142,459</u>	<u>\$ 537,038</u>	<u>\$ 29,285,357</u>

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

<u>Storm Water</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 6,972,614
-	-	-	(4,905,302)
-	-	-	<u>2,067,312</u>
353,420	2,141,096	32,951,267	38,566,715
2,034	18,898	238,339	273,934
-	42,543	(642,384)	(593,937)
<u>355,454</u>	<u>2,202,537</u>	<u>32,547,222</u>	<u>38,246,712</u>
132,579	499,539	2,344,264	4,125,140
1,767	253,528	197,014	594,204
-	-	22,034,307	22,034,307
160,476	530,118	3,398,210	6,123,747
<u>441,589</u>	<u>1,130,584</u>	<u>1,922,359</u>	<u>4,633,174</u>
<u>736,411</u>	<u>2,413,769</u>	<u>29,896,154</u>	<u>37,510,572</u>
<u>(380,957)</u>	<u>(211,232)</u>	<u>2,651,068</u>	<u>2,803,452</u>
4,645	24,666	95,533	259,494
-	177,298	283,987	461,285
-	(65,135)	(116,676)	(458,996)
-	-	8,899	8,899
<u>4,645</u>	<u>136,829</u>	<u>271,743</u>	<u>270,682</u>
(376,312)	(74,403)	2,922,811	3,074,134
-	253,934	-	2,708,564
11,161,451	14,578	-	11,188,695
280,762	94,703	-	1,411,049
-	(30,000)	(824,743)	(1,708,411)
<u>11,065,901</u>	<u>258,812</u>	<u>2,098,068</u>	<u>16,674,031</u>
-	22,816,825	30,537,608	85,068,037
<u>\$ 11,065,901</u>	<u>\$ 23,075,637</u>	<u>\$ 32,635,676</u>	<u>\$ 101,742,068</u>

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Municipal Liquor	Garbage	Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 6,971,868	\$ 1,310,832	\$ 1,556,476
Other operating cash receipts	1,722	1,957	2,225
Payments to suppliers	(5,400,083)	(1,339,821)	(605,602)
Payments to employees	(666,764)	(28,345)	(464,269)
	<u>906,743</u>	<u>(55,377)</u>	<u>488,830</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	35,584	1,000,000
Transfers to other funds	(689,718)	(43,950)	(120,000)
Decrease (increase) in due from other funds	-	-	-
Increase (decrease) in due to other funds	-	-	-
	<u>(689,718)</u>	<u>(8,366)</u>	<u>880,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(22,361)	-	(10,820,930)
Proceeds from sale of capital assets	-	-	-
Connection fees received	-	-	736,270
Grant received	-	-	1,718,360
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	(261,499)
Principal paid on promissory note	-	-	-
	<u>(22,361)</u>	<u>-</u>	<u>(8,627,799)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	33,668	8,779	82,624
	<u>228,332</u>	<u>(54,964)</u>	<u>(7,176,345)</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents, January 1	<u>2,592,308</u>	<u>606,357</u>	<u>14,348,133</u>
Cash and cash equivalents, December 31	<u>\$ 2,820,640</u>	<u>\$ 551,393</u>	<u>\$ 7,171,788</u>

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

<u>Storm Water</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
\$ 318,672	\$ 2,218,848	\$ 32,460,951	\$ 44,837,647
-	252,022	326,880	584,806
(162,096)	(777,734)	(25,682,803)	(33,968,139)
(77,051)	(530,331)	(2,003,949)	(3,770,709)
<u>79,525</u>	<u>1,162,805</u>	<u>5,101,079</u>	<u>7,683,605</u>
280,762	94,703	-	1,411,049
-	(30,000)	(824,743)	(1,708,411)
-	239,870	-	239,870
-	-	45,623	45,623
<u>280,762</u>	<u>304,573</u>	<u>(779,120)</u>	<u>(11,869)</u>
(177,821)	(764,695)	(2,345,925)	(14,131,732)
-	-	8,899	8,899
-	253,934	-	990,204
-	-	-	1,718,360
-	(228,000)	(672,000)	(900,000)
-	(67,079)	(136,360)	(464,938)
-	-	(191,508)	(191,508)
<u>(177,821)</u>	<u>(805,840)</u>	<u>(3,336,894)</u>	<u>(12,970,715)</u>
<u>4,064</u>	<u>24,146</u>	<u>93,451</u>	<u>246,732</u>
186,530	685,684	1,078,516	(5,052,247)
-	3,681,481	12,097,110	33,325,389
<u>\$ 186,530</u>	<u>\$ 4,367,165</u>	<u>\$ 13,175,626</u>	<u>\$ 28,273,142</u>

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Municipal Liquor	Garbage	Sewer
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and investments	\$ 2,820,640	\$ 551,393	\$ 7,171,788
Restricted cash and investments	-	-	-
	<u>\$ 2,820,640</u>	<u>\$ 551,393</u>	<u>\$ 7,171,788</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 1,029,210	\$ (61,589)	\$ (223,048)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other revenue related to operations	-	-	-
Depreciation expense	121,402	-	1,017,240
(Increase) decrease in assets/deferred outflows			
Accounts receivable	-	1,588	(124,465)
Due from other funds	-	(10,100)	(1,626)
Due from other governments	-	-	(133,684)
Inventories	(84,562)	-	-
Prepaid items	-	-	-
Deferred pension resources	(51,179)	(2,269)	(34,733)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(153,190)	9,524	(34,872)
Salaries payable	(16,893)	(788)	(9,670)
Due to other governments	(266)	-	-
Unearned revenue	(746)	-	-
OPEB liability	5,135	-	5,135
Compensated absences payable	194	-	2,321
Deferred pension resources	99,776	4,424	67,712
Net pension liability	(42,138)	3,833	(41,480)
	<u>\$ 906,743</u>	<u>\$ (55,377)</u>	<u>\$ 488,830</u>
Noncash capital and related financing activities			
Amortization of bond premium	\$ -	\$ -	\$ -
Amortization of deferred charges on refunding	-	-	-
Contribution of capital assets from other funds	-	-	12,666
Capital assets purchased on account	-	-	959,784

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

<u>Storm Water</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
\$ 186,530	\$ 4,367,165	\$ 12,685,126	\$ 27,782,642
-	-	490,500	490,500
<u>\$ 186,530</u>	<u>\$ 4,367,165</u>	<u>\$ 13,175,626</u>	<u>\$ 28,273,142</u>

\$ (380,957)	\$ (211,232)	\$ 2,651,068	\$ 2,803,452
-	177,298	283,987	461,285
441,589	1,130,584	1,922,359	4,633,174
(1,673)	25,633	(63,678)	(162,595)
(35,109)	-	-	(46,835)
-	-	25,832	(107,852)
-	2,466	(12,434)	(94,530)
-	(670)	(3,092)	(3,762)
(5,547)	(28,490)	(272,949)	(395,167)
147	111,503	281,355	214,467
865	(8,607)	(72,884)	(107,977)
-	276	10,716	10,726
-	12,660	-	11,914
856	-	8,109	19,235
1,176	(61,021)	71,274	13,944
10,815	47,987	459,746	690,460
47,363	(35,582)	(188,330)	(256,334)
<u>\$ 79,525</u>	<u>\$ 1,162,805</u>	<u>\$ 5,101,079</u>	<u>\$ 7,683,605</u>

\$ -	\$ 818	\$ 17,181	\$ 17,999
-	1,648	6,472	8,120
11,161,451	14,578	-	11,188,695
-	-	-	959,784

CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
DEVELOPER ESCROW AGENCY FUND  
DECEMBER 31, 2015

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 115,073
Accounts receivable	<u>510</u>
 TOTAL ASSETS	 <u>\$ 115,583</u>
 LIABILITIES	
Refundable deposits payable	<u>\$ 115,583</u>

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

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 *Pavement Management fund* is used to account for franchise taxes collected to fund expenditures for the ongoing maintenance and repair of the City streets.

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 *Storm Water fund* accounts for the activities of the storm water collection 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.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

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 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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, 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 THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**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, 2015 is as follows:

	2015
Electric	\$ 109,845
Water	26,250
Total	\$ 136,095

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, 2015, the total delinquent special assessment receivable balance was \$80,737.

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 THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**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:

Asset	Years
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 has two items that qualify for reporting in this category. A deferred charge on refunding reported in the government-wide 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. Deferred pension resources are reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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 two types of items, which arise under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, state aid received for subsequent years and unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The state aid received for subsequent years also qualifies and is presented as a deferred inflow of resources on the statement of net position. Furthermore, the City has one additional item which qualifies for reporting in this category on the statements of net position. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations involving net differences between projected and actuarial earnings on plan investments and changes in proportions.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**8. Pensions**

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Elk River Fire Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

**9. 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, 2015, the balance reported in the governmental fund financial statements consists of \$549,968 from unearned park dedication credits.

**10. 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.

**11. 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.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**12. 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.

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.

**13. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**14. 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, 2015, expenditures exceeded appropriations in the Ice Arena fund by \$128,927, which was funded by available fund balance.

**B. Deficit Fund Equity**

The following funds had deficit fund balances at December 31, 2015:

Primary Government	
TIF Districts - major capital projects fund	\$ 1,540,086
Park Dedication - capital projects fund	489,674

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

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 \$15,744,681 and the bank balance was \$15,857,026. The bank balance was covered by federal depository insurance totaling \$1,004,739 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 \$1,173,921 and the bank balance was \$1,173,745. 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 THE FINANCIAL STATEMENTS  
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**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, 2015 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, 2015, more than 5% of the City's investments were held in the following U.S. Agencies: Federal National Mortgage Association (12%), Federal Home Loan Bank (11%), 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

As of December 31, 2015, 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.

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
<b>Pooled investments</b>			
Minnesota Municipal Money Market Fund	N/A	Less than 6 months	\$ 5,357,342
Broker Money Markets	N/A	Less than 6 months	2,345,567
Total pooled investments			<u>7,702,909</u>
<b>Non-pooled investments</b>			
U.S. Government Securities	AAA	1 to 5 years	7,088,074
	AAA	More than 5 years	9,044,180
Total U.S. Government Securities			<u>16,132,254</u>
U.S. Treasury Securities	AAA	Less than 6 months	129,719
	AAA	1 to 5 years	9,293,721
Total U.S. Treasury Securities			<u>9,423,440</u>
Municipal Securities	AAA	Less than 6 months	385,284
	AAA	6 to 12 months	500,950
	AA	More than 5 years	1,048,760
	AAA	1 to 5 years	2,914,802
	AAA	More than 5 years	2,375,913
Total Municipal Securities			<u>7,225,709</u>
Negotiable CD's	N/A	Less than 6 months	1,187,708
		6 to 12 months	2,796,478
		1 to 5 years	8,219,804
Total negotiable CD's			<u>12,203,990</u>
Total non-pooled investments			<u>44,985,393</u>
Total investments			52,688,302
Deposits			15,744,681
Cash on hand			<u>5,055</u>
Total cash and investments			<u>\$ 68,438,038</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 THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

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

	Primary Government	Component Unit - HRA
Statement of Net Position		
Cash and investments	\$ 58,409,025	\$ 1,173,921
Restricted cash and investments	490,500	-
Cash with fiscal agent	9,423,440	-
Statement of Fiduciary Net Assets		
Cash and investments	115,073	-
Total	\$ 68,438,038	\$ 1,173,921

**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 \$56,046 in the TIF Districts fund, \$286,963 in the Revolving Loan fund and \$317,909 in the State DEED fund are outstanding at December 31, 2015.

The Federal DEED fund loaned \$311,155 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 2015, the City issued a \$1,288,589 long-term note receivable related to the sale of property to a developer under an abatement agreement. The note shall be payable in semiannual installments as tax abatement revenues are received, commencing on August 1, 2017, and maturing February 1, 2037. A note receivable of \$1,288,589 in the Development Fund is outstanding at December 31, 2015.

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, 2015.

In 2015, the HRA issued loans to applicants under the rehabilitation loan program. The terms of each loan vary and are payable over 5-15 years with rates from 1.25-3.25 percent. Notes receivable of \$139,413 in the HRA are outstanding at December 31, 2015.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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, 2015 was as follows:

<b>Primary Government</b>	Beginning Balance	Transfers	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated					
Land	\$ 40,911,871	\$ -	\$ 186,595	\$ (221,633)	\$ 40,876,833
Construction in progress	749,673	-	3,602,680	(749,673)	3,602,680
Total capital assets not being depreciated	<u>41,661,544</u>	<u>-</u>	<u>3,789,275</u>	<u>(971,306)</u>	<u>44,479,513</u>
Capital assets being depreciated					
Buildings	45,041,224	-	89,443	(82,570)	45,048,097
Other improvements	5,393,304	-	-	-	5,393,304
Equipment	11,538,335	-	852,176	(401,123)	11,989,388
Infrastructure	79,349,645	(17,493,650)	771,890	-	62,627,885
Total capital assets being depreciated	<u>141,322,508</u>	<u>(17,493,650)</u>	<u>1,713,509</u>	<u>(483,693)</u>	<u>125,058,674</u>
Less accumulated depreciation for					
Buildings	(15,627,245)	-	(1,652,182)	82,570	(17,196,857)
Other improvements	(3,147,172)	-	(309,067)	-	(3,456,239)
Equipment	(7,820,717)	-	(863,057)	399,171	(8,284,603)
Infrastructure	(44,766,321)	6,772,588	(2,395,036)	-	(40,388,769)
Total accumulated depreciation	<u>(71,361,455)</u>	<u>6,772,588</u>	<u>(5,219,342)</u>	<u>481,741</u>	<u>(69,326,468)</u>
Total capital assets being depreciated, net	<u>69,961,053</u>	<u>(10,721,062)</u>	<u>(3,505,833)</u>	<u>(1,952)</u>	<u>55,732,206</u>
Governmental activities capital assets, net	<u>\$ 111,622,597</u>	<u>\$ (10,721,062)</u>	<u>\$ 283,442</u>	<u>\$ (973,258)</u>	<u>\$ 100,211,719</u>

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

<b>Primary Government</b>	<u>Ending Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated					
Land	\$ 1,526,359	\$ -	\$ 48	\$ -	\$ 1,526,407
Construction in progress	3,602,803	-	12,557,295	(2,414,384)	13,745,714
Total capital assets not being depreciated	<u>5,129,162</u>	<u>-</u>	<u>12,557,343</u>	<u>(2,414,384)</u>	<u>15,272,121</u>
Capital assets being depreciated:					
Buildings	19,500,114	-	29,815	(4,028)	19,525,901
Equipment	4,145,010	-	503,155	(239,704)	4,408,461
Collection and distribution	96,881,006	17,493,650	3,477,206	-	117,851,862
Total capital assets being depreciated	<u>120,526,130</u>	<u>17,493,650</u>	<u>4,010,176</u>	<u>(243,732)</u>	<u>141,786,224</u>
Less accumulated depreciation for:					
Buildings	(9,519,015)	-	(641,747)	4,028	(10,156,734)
Equipment	(2,050,700)	-	(220,953)	133,405	(2,138,248)
Collection and distribution	(40,538,594)	(6,772,588)	(3,770,474)	-	(51,081,656)
Total accumulated depreciation	<u>(52,108,309)</u>	<u>(6,772,588)</u>	<u>(4,633,174)</u>	<u>137,433</u>	<u>(63,376,638)</u>
Total capital assets being depreciated, net	<u>68,417,821</u>	<u>10,721,062</u>	<u>(622,998)</u>	<u>(106,299)</u>	<u>78,409,586</u>
Business-type activities capital assets, net	<u>\$ 73,546,983</u>	<u>\$ 10,721,062</u>	<u>\$ 11,934,345</u>	<u>\$ (2,520,683)</u>	<u>\$ 93,681,707</u>

Capital asset activity for the HRA component unit for the year ended December 31, 2015 was as follows:

<b>Component Unit</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	<u>(24,207)</u>	<u>(11,619)</u>	<u>-</u>	<u>(35,826)</u>
Total capital assets being depreciated, net	<u>150,083</u>	<u>(11,619)</u>	<u>-</u>	<u>138,464</u>
Component unit capital assets, net	<u>\$ 407,183</u>	<u>\$ (11,619)</u>	<u>\$ -</u>	<u>\$ 395,564</u>

CITY OF ELK RIVER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

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

**Primary Government**

Governmental activities	
General government	\$ 286,600
Public safety	693,263
Public works	3,070,354
Culture and recreation	<u>1,169,125</u>

Total depreciation expense - governmental activities	<u>\$ 5,219,342</u>
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Business-type activities

Municipal liquor	\$ 121,402
Sewer	1,017,240
Storm Water	441,589
Water	1,130,584
Electric	<u>1,922,359</u>

Total depreciation expense - business-type activities	<u>\$ 4,633,174</u>
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**Component Unit**

Housing and Redevelopment Authority	<u>\$ 11,619</u>
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**Construction commitments**

The City has the following construction commitments at December 31, 2015:

Project	Spent to date	Remaining Commitment
2015 Street Improvements	\$ 3,685,933	\$ 267,307
Wastewater Treatment Facility Improvements	<u>12,128,251</u>	<u>4,396,949</u>
Total	<u>\$ 15,814,184</u>	<u>\$ 4,664,256</u>

The commitment for the 2015 Street Improvements project is being financed by resources available in the Pavement Management fund, including franchise fees and intergovernmental revenues. 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 THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

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

The composition of interfund balances as of December 31, 2015 is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Electric	\$ 77,165
General	Water	23,034
General	Nonmajor governmental funds	12,815
Pavement Management	Electric	207,294
Garbage	Electric	108,523
Sewer	Electric	148,886
Storm Water	Electric	35,109
Sewer	TIF Districts	171,800
Water	TIF Districts	128,850
Water	Nonmajor governmental funds	95,142
Nonmajor governmental funds	TIF Districts	1,073,174
Nonmajor governmental funds	Electric	72,436
Nonmajor governmental funds	Nonmajor governmental funds	1,231
Total		<u><u>\$ 2,155,459</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

Receivable Entity	Payable Entity	Amount
Primary government - General Fund	Component unit - HRA	\$ 7,656
Component unit - HRA	Primary government - TIF Districts	222,929

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 \$222,929 payable to the HRA will be paid with the collection of tax increment revenue and will not be repaid within one year.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Interfund transfers

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds		
Major funds -		
General	\$ 1,684,650	\$ 251,150
YMCA bonds	250,000	-
Nonmajor funds	2,769,137	4,155,275
Total governmental funds	<u>4,703,787</u>	<u>4,406,425</u>
 Proprietary funds		
Municipal liquor	-	689,718
Garbage	35,584	43,950
Sewer	1,000,000	120,000
Storm Water	280,762	-
Water	94,703	30,000
Electric	-	824,743
Total proprietary funds	<u>1,411,049</u>	<u>1,708,411</u>
 Total	<u>\$ 6,114,836</u>	<u>\$ 6,114,836</u>

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.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Long-term Debt**

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

<b>PRIMARY GOVERNMENT</b>	Issue Date	Maturity Date	Interest Rate	Authorized and Issued	Payable 12/31/15
<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	\$ 2,260,000
2007D EDA G.O. Bonds	11/8/2007	2/1/2017	3.80%	10,000,000	10,000,000
2010A G.O. Capital Improvement Bonds	4/21/2010	2/1/2023	2.00-4.00%	6,105,000	3,985,000
2012A G.O. Capital Improvement Bonds	3/15/2012	2/1/2033	1.00-2.50%	6,975,000	6,390,000
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>35,985,000</u>	<u>32,320,000</u>
Special Assessment Bonds					
2012B G.O. Improvement Refunding Bonds	3/15/2012	2/1/2018	2.00%	1,525,000	900,000
Total bonded indebtedness				37,510,000	33,220,000
Contracts for deeds	4/12/2008	5/15/2016	5.00-6.00%	1,800,000	1,410,000
Compensated absences payable				-	1,466,238
Net pension liability				-	7,589,597
Net OPEB obligation				-	376,943
Total governmental activities indebtedness				<u>\$ 39,310,000</u>	<u>\$ 44,062,778</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	\$ 1,695,000
2010A G.O. Capital Improvement Bonds	4/21/2010	8/1/2023	2.00-4.00%	1,265,000	840,000
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>12,535,000</u>
Revenue Bonds					
2007A Electric Revenue Bonds	3/28/2007	2/1/2022	4.00%	2,875,000	1,750,000
2014A Electric Revenue Refunding Bonds	3/13/2014	8/1/2018	2.00-4.00%	2,030,000	1,235,000
Total revenue bonds				<u>4,905,000</u>	<u>2,985,000</u>
Total bonded indebtedness				19,255,000	15,520,000
Promissory note	3/19/2002	12/31/2022	-%	3,521,000	1,408,368
Compensated absences payable				-	424,758
Net pension liability				-	3,277,492
Net OPEB obligation				-	120,348
Total business-type activities indebtedness				<u>\$ 22,776,000</u>	<u>\$ 20,750,966</u>
Total primary government indebtedness				<u>\$ 62,086,000</u>	<u>\$ 64,813,744</u>
<b>DISCRETE COMPONENT UNIT</b>					
Housing and Redevelopment Authority					
Net pension liability					<u>\$ 39,524</u>

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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>					
	G.O. Bonds		Special Assessment Bonds		Contract for deed	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,385,000	\$ 953,456	\$ 305,000	\$ 14,950	\$ 1,410,000	\$ 84,600
2017	10,375,000	876,566	300,000	8,900	-	-
2018	1,280,000	460,863	295,000	2,950	-	-
2019	1,315,000	425,413	-	-	-	-
2020	1,350,000	388,863	-	-	-	-
2021 - 2025	6,160,000	1,402,012	-	-	-	-
2026 - 2030	5,065,000	790,593	-	-	-	-
2031 - 2033	3,390,000	144,350	-	-	-	-
<b>Total</b>	<b>\$ 32,320,000</b>	<b>\$ 5,442,116</b>	<b>\$ 900,000</b>	<b>\$ 26,800</b>	<b>1,410,000</b>	<b>84,600</b>

	<b>Primary Government - Business-Type Activities</b>					
	G.O. Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 705,000	\$ 356,738	\$ 620,000	\$ 90,400	\$ 194,307	\$ -
2017	725,000	339,205	635,000	73,500	195,216	-
2018	750,000	320,103	660,000	56,000	198,252	-
2019	760,000	299,795	250,000	37,800	200,916	-
2020	785,000	278,803	260,000	27,600	203,952	-
2021 - 2025	3,170,000	1,093,046	560,000	22,600	415,725	-
2026 - 2030	2,590,000	726,100	-	-	-	-
2031 - 2035	3,050,000	269,508	-	-	-	-
<b>Total</b>	<b>\$ 12,535,000</b>	<b>\$ 3,683,298</b>	<b>\$ 2,985,000</b>	<b>\$ 307,900</b>	<b>\$ 1,408,368</b>	<b>\$ -</b>

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Long-term liability activity for the year ended December 31, 2015 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	\$ 33,515,000	\$ -	\$ (1,195,000)	\$ 32,320,000	\$ 3,385,000
Special assessment bonds	1,210,000	-	(310,000)	900,000	305,000
Issuance premium	545,528	-	(51,072)	494,456	-
Total bonds payable	<u>35,270,528</u>	<u>-</u>	<u>(1,556,072)</u>	<u>33,714,456</u>	<u>3,690,000</u>
Contracts for deeds	1,410,000	-	-	1,410,000	1,410,000
Compensated absences	1,504,686	565,922	(604,370)	1,466,238	559,646
Net pension liability	-	8,744,979 *	(1,155,382)	7,589,597	-
Net OPEB obligation	<u>317,929</u>	<u>11,700</u>	<u>47,314</u>	<u>376,943</u>	<u>-</u>
Governmental activity long-term liabilities	<u>38,503,143</u>	<u>9,322,601</u>	<u>(3,268,510)</u>	<u>44,557,234</u>	<u>5,659,646</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds payable					
G.O. revenue bonds	12,835,000	-	(300,000)	12,535,000	705,000
Revenue bonds	3,585,000	-	(600,000)	2,985,000	620,000
Issuance premium	83,233	-	(17,999)	65,234	-
Total bonds payable	<u>16,503,233</u>	<u>-</u>	<u>(917,999)</u>	<u>15,585,234</u>	<u>1,325,000</u>
Notes payable	1,599,876	-	(191,508)	1,408,368	194,307
Compensated absences	410,814	144,380	(130,436)	424,758	170,733
Net pension liability	-	3,810,879 *	(533,387)	3,277,492	-
Net OPEB obligation	<u>101,113</u>	<u>17,909</u>	<u>1,326</u>	<u>120,348</u>	<u>-</u>
Business-type activity long-term liabilities	<u>18,615,036</u>	<u>3,973,168</u>	<u>(1,772,004)</u>	<u>20,816,200</u>	<u>1,690,040</u>
Total primary government long-term liabilities	<u>\$ 57,118,179</u>	<u>\$ 13,295,769</u>	<u>\$ (5,040,514)</u>	<u>\$ 65,373,434</u>	<u>\$ 7,349,686</u>
<b>DISCRETE COMPONENT UNIT</b>					
Housing and Redevelopment Authority					
Net pension liability	<u>\$ -</u>	<u>\$ 43,920</u>	<u>* \$ (4,396)</u>	<u>\$ 39,524</u>	<u>\$ -</u>

\* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 9 for further detail.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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 \$10,000,000 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. Net pension liabilities are liquidated through the General fund and enterprise funds.

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 14 and 13 percent of revenues from the Sewer and Water funds, respectively. For 2015, principal and interest paid and total operating revenues for the Sewer fund were \$261,499 and \$1,818,476, respectively. For 2015, principal and interest paid and total operating revenues for the Water fund were \$295,079 and \$2,202,537, respectively.

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 2 percent of revenues from the Electric fund. For 2015, principal and interest paid and total customer revenues for the Electric fund were \$710,600 and \$32,551,722, 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.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**F. Fund Balance Classification**

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	General Fund	YMCA Bonds	TIF Districts	Pavement Management	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 23,676	\$ -	\$ -	\$ -	\$ 103,295	\$ 126,971
Restricted for						
Debt service	\$ -	\$ 9,894,258	\$ -	\$ -	\$ 1,130,389	\$ 11,024,647
Landfill mitigation	-	-	-	-	460,524	460,524
Economic development	-	-	56,046	-	1,247,312	1,303,358
Law enforcement	-	-	-	-	12,099	12,099
Fire Honor Guard	6,000	-	-	-	-	6,000
Park improvements	1,000	-	-	-	401,872	402,872
Total restricted	<u>\$ 7,000</u>	<u>\$ 9,894,258</u>	<u>\$ 56,046</u>	<u>\$ -</u>	<u>\$ 3,252,196</u>	<u>\$ 13,209,500</u>
Committed to						
Library operations	\$ -	\$ -	\$ -	\$ -	\$ 415,778	\$ 415,778
Ice arena	-	-	-	-	270,407	270,407
Economic development	-	-	-	-	4,461,882	4,461,882
Insurance reserve	-	-	-	-	180,950	180,950
Street improvements	-	-	-	2,770,934	-	2,770,934
OPEB obligation	376,943	-	-	-	-	376,943
Total committed	<u>\$ 376,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,770,934</u>	<u>\$ 5,329,017</u>	<u>\$ 8,476,894</u>
Assigned to						
Landfill mitigation	\$ -	\$ -	\$ -	\$ -	\$ 767,997	\$ 767,997
Law enforcement	-	-	-	-	1,725	1,725
Debt service	-	-	-	-	44,704	44,704
Economic development	-	-	-	-	545,220	545,220
Capital equipment	-	-	-	-	1,663,668	1,663,668
Building construction/improvements	-	-	-	-	3,859,536	3,859,536
Street improvements	-	-	-	-	1,878,713	1,878,713
Other improvement projects	-	-	-	-	6,501,420	6,501,420
Park improvements	-	-	-	-	316,541	316,541
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,579,524</u>	<u>\$ 15,579,524</u>

CITY OF ELK RIVER, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan Description**

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

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

**B. Benefits Provided**

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

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

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

GERF benefits

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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

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

**C. Contributions**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$668,633, \$615,331 and \$584,075, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$478,192, \$418,280 and \$383,545 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension costs**

GERF pension costs

At December 31, 2015, the City reported a liability of \$7,452,462 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1438 percent which was a decrease of 0.0149 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$600,138 for its proportionate share of GERF's pension expense.

CITY OF ELK RIVER, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,273	\$ 375,731
Changes in actuarial assumptions	456,950	-
Net difference between projected and actual earnings on plan investments	-	663,408
Changes in proportion	-	604,627
Contributions to GERF subsequent to the measurement date	350,936	-
Total	\$ 884,159	\$ 1,643,766

Deferred outflows of resources totaling \$350,936 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (340,099)
2017	(340,099)
2018	(606,714)
2019	176,369

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$3,454,151 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.304 percent which was an increase of 0.005 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$366,161 for its proportionate share of PEPFF's pension expense. The City also recognized for the year ended December 31, 2015 \$27,360 as pension grant revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF ELK RIVER, MINNESOTA  
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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,614	\$ 560,150
Changes in actuarial assumptions	656,588	-
Net difference between projected and actual earnings on plan investments	-	613,248
Changes in proportion	55,896	-
Contributions to PEPFF subsequent to the measurement date	267,388	-
Total	\$ 983,486	\$ 1,173,398

Deferred outflows of resources totaling \$267,388 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2016	\$ 190,370
2017	190,370
2018	190,370
2019	(214,657)
2020	100,847

**E. Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability rates were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1<sup>st</sup> until 2034, then 2.5 percent for GERS and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERS was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

**F. Discount rate**

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension liability sensitivity**

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
GERF	\$ 11,717,920	\$ 7,452,462	\$ 3,929,850
PEPFF	6,732,177	3,454,151	745,931

**H. Pension plan fiduciary net position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF ELK RIVER, MINNESOTA  
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**Note 5: 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 2015 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$1,380	\$1,380	5.0%	5.0%	5.0%

**Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION**

**A. Plan Description**

All members of the Elk River Fire Department (the Department) are covered by a defined benefit plan administered by the Elk River Fire Department Relief Association (the Association). As of December 31, 2014, the plan covered 40 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived 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). Funds are also derived from investment income.

**B. Benefits Provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with a minimum of 5 years of service, shall be equal to 40 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$164,825 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2015 were \$174,826. The City's contributions were equal to the required contributions as set by state statute. In addition, the City made voluntary contributions of \$30,000 to the plan.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

**D. Pension Costs**

At December 31, 2015, the City reported a net pension asset of \$954,913 for the plan. The net pension liability (asset) was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$123,228.

At December 31, 2015, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 43,449
Contributions to plan subsequent to the measurement date	<u>204,826</u>
Total	<u><u>\$ 248,275</u></u>

Deferred outflows of resources totaling \$204,826 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2016	\$ 10,862
2017	10,862
2018	10,862
2019	10,863

**E. Actuarial Assumptions**

The total pension liability at December 31, 2014 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility	
Age 50 or after 20 years service	
If both age 50 and minimum 5 years of service but not 20 years, pension reduced 4% for each year less than 20 years.	
Salary increases	2.75% per year
Cost of living increases	2.75% per year
Investment rate of return	6.00%
20 year municipal bond yield	3.56%

There were no changes in actuarial assumptions in 2014.

CITY OF ELK RIVER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 6: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	47.00 %	7.75 %
Fixed income	25.00	4.50
Real estate	13.00	6.75
Cash	<u>15.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined benefit plan	\$ (884,877)	\$ (954,913)	\$ (1,023,588)

**H. Pension plan fiduciary net position**

The Association issues a publicly available financial report. The report may be obtained by writing to the Elk River Fire Department Relief Association, 13073 Orono Parkway, Elk River, MN 55330.

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**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.

CITY OF ELK RIVER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

**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:

	Municipal Retiree Health Plan	Utility Retiree Health Plan
Annual required contribution (ARC)	\$ 125,720	\$ 11,240
Interest on net OPEB obligation	14,564	2,197
Adjustment to ARC	(21,504)	(3,177)
Annual OPEB cost	<u>118,780</u>	<u>10,260</u>
Contributions made	<u>(48,640)</u>	<u>(2,151)</u>
Increase in net OPEB obligation	70,140	8,109
Net OPEB obligation - beginning of year	<u>364,110</u>	<u>54,932</u>
Net OPEB obligation - end of year	<u><u>\$ 434,250</u></u>	<u><u>\$ 63,041</u></u>

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:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
<b>MRHP</b>				
12/31/2013	\$ 96,519	\$ 48,803	51 %	\$ 283,261
12/31/2014	120,448	39,599	33	364,110
12/31/2015	118,780	48,640	41	434,250
<b>URHP</b>				
12/31/2013	\$ 6,073	\$ 1,391	23 %	\$ 45,042
12/31/2014	9,890	-	-	54,932
12/31/2015	10,260	2,151	21	63,041

CITY OF ELK RIVER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

**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:

	Municipal Retiree Health Plan	Utility Retiree Health Plan
	<u>          </u>	<u>          </u>
Actuarial accrued liability (a)	\$ 996,344	\$ 68,948
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a-b)	<u>\$ 996,344</u>	<u>\$ 68,948</u>
Funded ratio (b/a)	- %	- %
Covered payroll (c)	\$ 7,442,216	\$ 2,810,413
Unfunded actuarial accrued liability as a percentage of covered payroll ((a - b) / c)	13.4 %	2.5 %

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.

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, 2015 was over no more than thirty years.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

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, 2015 was thirty years.

**Note 8: 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.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: OTHER INFORMATION - CONTINUED**

**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 receiving electric service from Anoka Electric Cooperative, Inc. (AEC). In 2010 the Utility completed the final purchase under this agreement.

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

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

The Utilities paid \$211 in 2015, respectively, for loss of revenues under this agreement. All amounts paid are included in property and equipment.

In 2015, the Utilities entered into a 10 year agreement to transfer ownership of electric plant and electric service to customers in eight designated areas receiving service from Connexus Energy. Specific payment terms have been negotiated for 5 years, and if any of the eight areas are not acquired within this timeframe, the payment terms may be renegotiated.

The agreed cost of property purchased from Connexus Energy is net book value, integration expenses, and a loss of revenue payment. The loss of revenue payment for each area acquired is based on a formula outlined in the agreement, payable for the subsequent ten years after initial purchase.

The Utilities acquired the first of the designated service areas in 2015 for \$877,807. The first loss of revenue payment will be made in 2017. All amounts paid are included in property and equipment.

**D. 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, 2015, there were five series of revenue bonds outstanding, with an aggregate principal payable amount of \$13,038,118.

CITY OF ELK RIVER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 8: OTHER INFORMATION - CONTINUED**

**E. 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, 345 kV AC transmission line with a rating of 2,300 MW, between Brookings, South Dakota, and the Southeast 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 18.89 percent. The return on this investment through CMMPA is designed to provide approximately \$124,000 annually over the 40 year project life. The transmission payments for 2015 were \$42,532 of which \$24,353 was receivable at December 31, 2015.

**F. 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.

**G. Segment Information**

The City maintains six enterprise funds that account for the municipal liquor operations, garbage collections, and sewer, storm water, 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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 9: CHANGE IN ACCOUNTING STANDARDS**

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4 and 6.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
<b><u>PRIMARY GOVERNMENT</u></b>			
Governmental activities	\$ 114,016,893	\$ (7,372,731)	\$ 106,644,162
Business-type activities	\$ 88,601,863	\$ (3,533,826)	\$ 85,068,037
Business-type activities			
Liquor Store	\$ 5,246,383	\$ (479,103)	\$ 4,767,280
Garbage	613,708	(15,543)	598,165
Sewer	26,686,183	(338,024)	26,348,159
Water	23,086,536	(269,711)	22,816,825
Electric	32,969,053	(2,431,445)	30,537,608
Total business-type activities	\$ 88,601,863	\$ (3,533,826)	\$ 85,068,037
<b><u>DISCRETE COMPONENT UNIT</u></b>			
Housing and Redevelopment Authority	\$ 2,207,499	\$ (35,900)	\$ 2,171,599

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.



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**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF ELK RIVER  
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF ELK RIVER, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.1438 %	\$ 7,452,462	\$ -	\$ 7,452,462	\$ 8,712,032	85.5 %	78.7 %

**Schedule of employer's PERA contributions - General Employees Retirement Fund**

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 668,633	\$ 668,633	\$ -	\$ 8,915,107	7.5 %

**Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.3040 %	\$ 3,454,151	\$ -	\$ 3,454,151	\$ 2,788,952	123.9 %	86.6 %

CITY OF ELK RIVER, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of employer's PERA contributions - Public Employees Police and Fire Fund**

Year Ending	Required Supplementary Information				
	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 478,192	\$ 478,192	\$ -	\$ 2,951,802	16.2 %

**Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios**

	2015
<b>Total pension liability</b>	
Service cost	\$ 93,312
Interest	126,522
Changes of benefit terms	62,318
<b>Net change in total pension liability</b>	282,152
<b>Total pension liability - January 1, 2014</b>	1,953,814
<b>Total pension liability - December 31, 2014 (a)</b>	<u>\$ 2,235,966</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 30,000
Contributions - state	164,825
Net investment income	124,109
Administrative expense	(8,634)
<b>Net change in plan fiduciary net position</b>	310,300
<b>Plan fiduciary net position - January 1, 2014</b>	2,880,579
<b>Plan fiduciary net position - December 31, 2014 (b)</b>	<u>\$ 3,190,879</u>
<b>Fire Relief's net pension liability (asset) - December 31, 2014 (a-b)</b>	<u>\$ (954,913)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability (b/a)</b>	142.71%
<b>Covered-employee payroll</b>	N/A
<b>Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll</b>	N/A

**Notes to Schedule**

*Benefit changes.* In 2015, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

*Changes of assumptions.* In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF ELK RIVER, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of employer's Fire Relief Association contributions**

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/15	\$ 174,826	\$ 204,826	\$ (30,000)
12/31/14	164,825	194,825	(30,000)
12/31/13	167,103	197,103	(30,000)

**Schedule of funding progress for the other postemployment benefit plans**

**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	- %	\$ 4,095,000	2.17 %
01/01/11	-	908,610	908,610	-	6,901,671	13.17
01/01/14	-	996,344	996,344	-	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	- %	\$ 2,300,000	2.47 %
01/01/11	-	42,681	42,681	-	2,286,547	1.87
01/01/14	-	68,948	68,948	-	2,810,413	2.45

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF ELK RIVER  
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015



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## **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, 2015

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 5,272,042	\$ 1,030,379	\$ 14,401,726	\$ 20,704,147
Receivables				
Interest	12,882	3,156	44,648	60,686
Taxes	9,196	7,956	392	17,544
Accounts	186,543	-	110,986	297,529
Special assessments	-	238,126	1,107,237	1,345,363
Notes, net	1,893,461	-	-	1,893,461
Due from other governments	1,645	-	5,590	7,235
Due from other funds	1,075,414	-	71,427	1,146,841
Prepaid items	103,295	-	-	103,295
Land held for resale	261,400	-	-	261,400
	<b>\$ 8,815,878</b>	<b>\$ 1,279,617</b>	<b>\$ 15,742,006</b>	<b>\$ 25,837,501</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 184,958	\$ -	\$ 213,688	\$ 398,646
Salaries payable	6,567	-	-	6,567
Due to other funds	14,485	-	94,703	109,188
Unearned revenue	-	-	549,968	549,968
	<b>206,010</b>	<b>-</b>	<b>858,359</b>	<b>1,064,369</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - taxes	5,411	5,576	392	11,379
Unavailable revenues - special assessments	-	236,216	1,103,422	1,339,638
	<b>5,411</b>	<b>241,792</b>	<b>1,103,814</b>	<b>1,351,017</b>
<b>FUND BALANCES</b>				
Nonspendable	103,295	-	-	103,295
Restricted	1,812,499	1,037,825	401,872	3,252,196
Committed	5,329,017	-	-	5,329,017
Assigned	1,359,646	-	14,219,878	15,579,524
Unassigned	-	-	(841,917)	(841,917)
	<b>8,604,457</b>	<b>1,037,825</b>	<b>13,779,833</b>	<b>23,422,115</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,815,878</b>	<b>\$ 1,279,617</b>	<b>\$ 15,742,006</b>	<b>\$ 25,837,501</b>

CITY OF ELK RIVER, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 541,194	\$ 370,135	\$ 4,459	\$ 915,788
Intergovernmental revenue	4,859	-	618,830	623,689
Charges for services	849,959	-	43,537	893,496
Fines and forfeits	16,115	-	-	16,115
Special assessments	-	162,519	152,740	315,259
Interest income	102,992	9,914	214,990	327,896
Miscellaneous				
Landfill expansion fee		-	1,052,234	1,052,234
Refunds and reimbursements	163,409	-	-	163,409
Contributions	30,561	-	344,999	375,560
Other	28,106	-	605	28,711
<b>TOTAL REVENUES</b>	<b>1,737,195</b>	<b>542,568</b>	<b>2,432,394</b>	<b>4,712,157</b>
<b>EXPENDITURES</b>				
Current				
General government	89,137	-	134,767	223,904
Public safety	30,927	-	111,513	142,440
Public works	29,195	-	135,393	164,588
Culture and recreation	809,667	-	184,201	993,868
Economic development	436,695	-	-	436,695
Debt service				
Principal	-	1,175,000	-	1,175,000
Interest and service charges	-	413,140	16,273	429,413
Capital outlay				
General government	-	-	55,707	55,707
Public safety	-	-	694,450	694,450
Public works	-	-	377,211	377,211
Culture and recreation	127,835	-	34,552	162,387
Economic development	186,595	-	-	186,595
<b>TOTAL EXPENDITURES</b>	<b>1,710,051</b>	<b>1,588,140</b>	<b>1,744,067</b>	<b>5,042,258</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>27,144</b>	<b>(1,045,572)</b>	<b>688,327</b>	<b>(330,101)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	436,580	1,100,163	1,232,394	2,769,137
Transfers out	(1,427,447)	-	(2,727,828)	(4,155,275)
Sale of capital assets	2,954,240	-	63,434	3,017,674
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,963,373</b>	<b>1,100,163</b>	<b>(1,432,000)</b>	<b>1,631,536</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,990,517</b>	<b>54,591</b>	<b>(743,673)</b>	<b>1,301,435</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>6,613,940</b>	<b>983,234</b>	<b>14,523,506</b>	<b>22,120,680</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 8,604,457</b>	<b>\$ 1,037,825</b>	<b>\$ 13,779,833</b>	<b>\$ 23,422,115</b>



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## 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.

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, 2015

	Library	Ice Arena	Landfill	Revolving Loan
<b>ASSETS</b>				
Cash and investments	\$ 414,383	\$ 256,270	\$ 1,227,917	\$ 950,710
Receivables				
Interest	1,269	785	3,914	2,945
Taxes	1,265	-	-	-
Accounts	-	174,959	88	-
Notes, net	-	-	-	286,963
Due from other governments	-	-	-	-
Due from other funds	-	2,240	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
	<u>416,917</u>	<u>434,254</u>	<u>1,231,919</u>	<u>1,240,618</u>
<b>TOTAL ASSETS</b>	<b>\$ 416,917</b>	<b>\$ 434,254</b>	<b>\$ 1,231,919</b>	<b>\$ 1,240,618</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 225	\$ 158,638	\$ 3,308	\$ 2,465
Salaries payable	-	5,209	90	-
Due to other funds	70	-	-	-
	<u>295</u>	<u>163,847</u>	<u>3,398</u>	<u>2,465</u>
<b>TOTAL LIABILITIES</b>	<b>295</b>	<b>163,847</b>	<b>3,398</b>	<b>2,465</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - taxes	844	-	-	-
	<u>844</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	460,524	-
Committed	415,778	270,407	-	1,238,153
Assigned	-	-	767,997	-
	<u>415,778</u>	<u>270,407</u>	<u>1,228,521</u>	<u>1,238,153</u>
<b>TOTAL FUND BALANCES</b>	<b>415,778</b>	<b>270,407</b>	<b>1,228,521</b>	<b>1,238,153</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 416,917</b>	<b>\$ 434,254</b>	<b>\$ 1,231,919</b>	<b>\$ 1,240,618</b>

Federal DEED	State DEED	Development	Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total
\$ 200,000	\$ 94,526	\$ 853,098	\$ 184,663	\$ 13,579	\$ 136,849	\$ 940,047	\$ 5,272,042
-	293	2,643	572	42	419	-	12,882
-	-	3,771	-	-	-	4,160	9,196
-	-	-	11,496	-	-	-	186,543
-	317,909	1,288,589	-	-	-	-	1,893,461
-	-	-	-	203	-	1,442	1,645
-	-	1,073,174	-	-	-	-	1,075,414
-	-	-	103,295	-	-	-	103,295
-	-	-	-	-	-	261,400	261,400
<u>\$ 200,000</u>	<u>\$ 412,728</u>	<u>\$ 3,221,275</u>	<u>\$ 300,026</u>	<u>\$ 13,824</u>	<u>\$ 137,268</u>	<u>\$ 1,207,049</u>	<u>\$ 8,815,878</u>
\$ -	\$ -	\$ 63	\$ 15,781	\$ -	\$ -	\$ 4,478	\$ 184,958
-	-	-	-	-	-	1,268	6,567
-	-	-	-	-	-	14,415	14,485
-	-	63	15,781	-	-	20,161	206,010
-	-	2,743	-	-	-	1,824	5,411
-	-	-	103,295	-	-	-	103,295
200,000	407,468	-	-	12,099	92,564	639,844	1,812,499
-	5,260	3,218,469	180,950	-	-	-	5,329,017
-	-	-	-	1,725	44,704	545,220	1,359,646
200,000	412,728	3,218,469	284,245	13,824	137,268	1,185,064	8,604,457
<u>\$ 200,000</u>	<u>\$ 412,728</u>	<u>\$ 3,221,275</u>	<u>\$ 300,026</u>	<u>\$ 13,824</u>	<u>\$ 137,268</u>	<u>\$ 1,207,049</u>	<u>\$ 8,815,878</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, 2015

	Library	Ice Arena	Landfill	Revolving Loan
REVENUES				
Property taxes	\$ 62,513	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	4,680	-
Charges for services	-	760,825	11,134	2,500
Fines and forfeits	-	-	-	-
Interest income	5,560	4,757	18,913	12,399
Miscellaneous				
Refunds and reimbursements	-	-	-	3,139
Contributions	24,711	5,850	-	-
Other	-	18,163	-	6,989
<b>TOTAL REVENUES</b>	<b>92,784</b>	<b>789,595</b>	<b>34,727</b>	<b>25,027</b>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	29,195	-
Culture and recreation	102,475	707,192	-	-
Economic development	-	-	-	3,572
Capital outlay				
Culture and recreation	-	127,835	-	-
Economic development	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>102,475</b>	<b>835,027</b>	<b>29,195</b>	<b>3,572</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,691)	(45,432)	5,532	21,455
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(89,534)	-
Sale of capital assets	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(89,534)</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	(9,691)	(45,432)	(84,002)	21,455
FUND BALANCES, JANUARY 1	425,469	315,839	1,312,523	1,216,698
FUND BALANCES, DECEMBER 31	<u>\$ 415,778</u>	<u>\$ 270,407</u>	<u>\$ 1,228,521</u>	<u>\$ 1,238,153</u>

Federal DEED	State DEED	Development	Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total
\$ -	\$ -	\$ 155,624	\$ -	\$ -	\$ -	\$ 323,057	\$ 541,194
-	-	-	-	-	-	179	4,859
-	2,000	70,000	-	-	-	3,500	849,959
-	-	-	-	16,115	-	-	16,115
1,728	5,828	44,739	3,037	428	3,128	2,475	102,992
-	-	57,555	102,332	-	-	383	163,409
-	-	-	-	-	-	-	30,561
-	2,954	-	-	-	-	-	28,106
<u>1,728</u>	<u>10,782</u>	<u>327,918</u>	<u>105,369</u>	<u>16,543</u>	<u>3,128</u>	<u>329,594</u>	<u>1,737,195</u>
-	-	-	89,137	-	-	-	89,137
-	-	-	-	30,927	-	-	30,927
-	-	-	-	-	-	-	29,195
-	-	-	-	-	-	-	809,667
-	7,945	192,294	-	-	-	232,884	436,695
-	-	-	-	-	-	-	127,835
-	-	186,595	-	-	-	-	186,595
-	7,945	378,889	89,137	30,927	-	232,884	1,710,051
<u>1,728</u>	<u>2,837</u>	<u>(50,971)</u>	<u>16,232</u>	<u>(14,384)</u>	<u>3,128</u>	<u>96,710</u>	<u>27,144</u>
-	-	-	-	-	-	436,580	436,580
-	-	(1,055,913)	-	-	(250,000)	(32,000)	(1,427,447)
-	-	2,954,240	-	-	-	-	2,954,240
-	-	1,898,327	-	-	(250,000)	404,580	1,963,373
1,728	2,837	1,847,356	16,232	(14,384)	(246,872)	501,290	1,990,517
<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>\$ 200,000</u>	<u>\$ 412,728</u>	<u>\$ 3,218,469</u>	<u>\$ 284,245</u>	<u>\$ 13,824</u>	<u>\$ 137,268</u>	<u>\$ 1,185,064</u>	<u>\$ 8,604,457</u>

CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - LIBRARY  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 63,100	\$ 63,100	\$ 62,513	\$ (587)
Interest income	6,400	6,400	5,560	(840)
Miscellaneous				
Contributions	28,900	28,900	24,711	(4,189)
 TOTAL REVENUES	 98,400	 98,400	 92,784	 (5,616)
EXPENDITURES				
Current				
Culture and recreation	98,400	119,400	102,475	16,925
 NET CHANGE IN FUND BALANCES	 \$ -	 \$ (21,000)	 (9,691)	 \$ 11,309
 FUND BALANCES, JANUARY 1			 425,469	
 FUND BALANCES, DECEMBER 31			 \$ 415,778	

CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - ICE ARENA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 758,350	\$ 758,350	\$ 760,825	\$ 2,475
Interest income	2,200	2,200	4,757	2,557
Miscellaneous				
Vending machines	14,000	14,000	15,360	1,360
Contributions	6,500	6,500	5,850	(650)
Other	4,100	4,100	2,803	(1,297)
TOTAL REVENUES	<u>785,150</u>	<u>785,150</u>	<u>789,595</u>	<u>4,445</u>
EXPENDITURES				
Current				
Culture and recreation	694,600	694,600	707,192	(12,592)
Capital outlay				
Culture and recreation	11,500	11,500	127,835	(116,335)
TOTAL EXPENDITURES	<u>706,100</u>	<u>706,100</u>	<u>835,027</u>	<u>(128,927)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 79,050</u>	<u>\$ 79,050</u>	(45,432)	<u>\$ (124,482)</u>
FUND BALANCES, JANUARY 1			<u>315,839</u>	
FUND BALANCES, DECEMBER 31			<u>\$ 270,407</u>	

CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - LANDFILL  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,500	\$ 2,500	\$ 4,680	\$ 2,180
Charges for services	11,000	11,000	11,134	134
Interest income	8,500	8,500	18,913	10,413
	<u>22,000</u>	<u>22,000</u>	<u>34,727</u>	<u>12,727</u>
TOTAL REVENUES	22,000	22,000	34,727	12,727
EXPENDITURES				
Current				
Public works	36,850	40,850	29,195	11,655
	<u>36,850</u>	<u>40,850</u>	<u>29,195</u>	<u>11,655</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,850)	(18,850)	5,532	24,382
OTHER FINANCING USES				
Transfers out	(68,550)	(68,550)	(89,534)	(20,984)
	<u>(68,550)</u>	<u>(68,550)</u>	<u>(89,534)</u>	<u>(20,984)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (83,400)</u>	<u>\$ (87,400)</u>	(84,002)	<u>\$ 3,398</u>
FUND BALANCES, JANUARY 1			<u>1,312,523</u>	
FUND BALANCES, DECEMBER 31			<u>\$ 1,228,521</u>	

CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT AUTHORITY  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 345,750	\$ 345,750	\$ 323,057	\$ (22,693)
Intergovernmental	-	-	179	179
Charges for services	3,500	3,500	3,500	-
Interest income	4,500	4,500	2,475	(2,025)
Miscellaneous				
Refunds and reimbursements	-	-	383	383
<b>TOTAL REVENUES</b>	<b>353,750</b>	<b>353,750</b>	<b>329,594</b>	<b>(24,156)</b>
EXPENDITURES				
Current				
Economic development	253,100	268,500	232,884	35,616
EXCESS OF REVENUES OVER EXPENDITURES	100,650	85,250	96,710	11,460
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	436,580	436,580
Transfers out	(32,000)	(32,000)	(32,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(32,000)</b>	<b>(32,000)</b>	<b>404,580</b>	<b>436,580</b>
NET CHANGE IN FUND BALANCES	<u>\$ 68,650</u>	<u>\$ 53,250</u>	501,290	<u>\$ 448,040</u>
FUND BALANCES, JANUARY 1			<u>683,774</u>	
FUND BALANCES, DECEMBER 31			<u>\$ 1,185,064</u>	



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## **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, 2015

	Improvement Bonds	Government Building Bonds	Total
<b>ASSETS</b>			
Cash and investments	\$ 247,796	\$ 782,583	\$ 1,030,379
Receivables			
Interest	759	2,397	3,156
Taxes	271	7,685	7,956
Special assessments	238,126	-	238,126
 <b>TOTAL ASSETS</b>	 \$ 486,952	 \$ 792,665	 \$ 1,279,617
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - taxes	\$ 533	\$ 5,043	\$ 5,576
Unavailable revenues - special assessments	236,216	-	236,216
 <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	 236,749	 5,043	 241,792
 <b>FUND BALANCES</b>			
Restricted	250,203	787,622	1,037,825
 <b>TOTAL DEFERRED INFLOWS OF     RESOURCES AND FUND BALANCES</b>	 \$ 486,952	 \$ 792,665	 \$ 1,279,617

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, 2015

	Improvement Bonds	Government Building Bonds	Total
REVENUES			
Property taxes	\$ 65	\$ 370,070	\$ 370,135
Special assessments	162,519	-	162,519
Interest income	2,171	7,743	9,914
TOTAL REVENUES	<u>164,755</u>	<u>377,813</u>	<u>542,568</u>
EXPENDITURES			
Debt service			
Principal	310,000	865,000	1,175,000
Interest and service charges	21,550	391,590	413,140
TOTAL EXPENDITURES	<u>331,550</u>	<u>1,256,590</u>	<u>1,588,140</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(166,795)	(878,777)	(1,045,572)
OTHER FINANCING SOURCES			
Transfers in	181,348	918,815	1,100,163
NET CHANGE IN FUND BALANCES	14,553	40,038	54,591
FUND BALANCES, JANUARY 1	<u>235,650</u>	<u>747,584</u>	<u>983,234</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 250,203</u></u>	<u><u>\$ 787,622</u></u>	<u><u>\$ 1,037,825</u></u>



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## 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.

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, 2015

	Capital Reserve	Equipment Replacement	Park Dedication
<b>ASSETS</b>			
Cash and temporary investments	\$ 999,092	\$ 723,299	\$ 63,450
Receivables			
Interest	3,132	2,241	194
Delinquent taxes	-	54	-
Accounts	-	-	-
Special assessments	6,389	-	-
Due from other governments	5,590	-	-
Due from other funds	9,991	61,436	-
	<u>\$ 1,024,194</u>	<u>\$ 787,030</u>	<u>\$ 63,644</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 44,433	\$ 96,733	\$ 3,350
Due to other funds	-	-	-
Unearned revenue	-	-	549,968
	<u>44,433</u>	<u>96,733</u>	<u>553,318</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - taxes	-	-	-
Unavailable revenues - special assessments	6,390	-	-
	<u>6,390</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	-	-	352,243
Assigned	973,371	690,297	-
Unassigned	-	-	(841,917)
	<u>973,371</u>	<u>690,297</u>	<u>(489,674)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<u>\$ 1,024,194</u>	<u>\$ 787,030</u>	<u>\$ 63,644</u>

<u>Park Improvements</u>	<u>Government Buildings</u>	<u>GRE Reserve</u>	<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Total</u>
\$ 365,057	\$ 3,741,957	\$ 2,746,493	\$ 1,933,296	\$ 3,829,082	\$ 14,401,726
1,118	11,593	8,509	5,998	11,863	44,648
-	-	-	338	-	392
-	110,986	-	-	-	110,986
-	-	-	424,503	676,345	1,107,237
-	-	-	-	-	5,590
-	-	-	-	-	71,427
<u>\$ 366,175</u>	<u>\$ 3,864,536</u>	<u>\$ 2,755,002</u>	<u>\$ 2,364,135</u>	<u>\$ 4,517,290</u>	<u>\$ 15,742,006</u>
\$ 5	\$ 5,000	\$ -	\$ 64,167	\$ -	\$ 213,688
-	-	-	-	94,703	94,703
-	-	-	-	-	549,968
<u>5</u>	<u>5,000</u>	<u>-</u>	<u>64,167</u>	<u>94,703</u>	<u>858,359</u>
-	-	-	392	-	392
-	-	-	420,863	676,169	1,103,422
-	-	-	421,255	676,169	1,103,814
49,629	-	-	-	-	401,872
316,541	3,859,536	2,755,002	1,878,713	3,746,418	14,219,878
-	-	-	-	-	(841,917)
<u>366,170</u>	<u>3,859,536</u>	<u>2,755,002</u>	<u>1,878,713</u>	<u>3,746,418</u>	<u>13,779,833</u>
<u>\$ 366,175</u>	<u>\$ 3,864,536</u>	<u>\$ 2,755,002</u>	<u>\$ 2,364,135</u>	<u>\$ 4,517,290</u>	<u>\$ 15,742,006</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, 2015

	Capital Reserve	Equipment Replacement	Park Dedication
<b>REVENUES</b>			
Property taxes	\$ -	\$ 105	\$ -
Intergovernmental revenue	16,237	255,596	-
Charges for services	-	-	26,807
Special assessments	9,094	-	-
Interest income	21,436	10,407	1,112
Miscellaneous			
Landfill expansion fee	-	-	-
Contributions	128,305	-	-
Other	605	-	-
	<u>175,677</u>	<u>266,108</u>	<u>27,919</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
General government	134,767	-	-
Public safety	65,043	-	-
Public works	34,491	-	-
Culture and recreation	-	-	24,651
Debt service			
Interest and service charges	-	-	16,273
Capital outlay			
General government	55,707	-	-
Public safety	-	623,994	-
Public works	-	59,097	-
Culture and recreation	-	34,552	-
	<u>290,008</u>	<u>717,643</u>	<u>40,924</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>(114,331)</u>	<u>(451,535)</u>	<u>(13,005)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	334,993	-
Transfers out	(212,700)	-	-
Sale of capital assets	-	63,434	-
	<u>(212,700)</u>	<u>398,427</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	(327,031)	(53,108)	(13,005)
<b>FUND BALANCES, JANUARY 1</b>			
	<u>1,300,402</u>	<u>743,405</u>	<u>(476,669)</u>
<b>FUND BALANCES, DECEMBER 31</b>			
	<u>\$ 973,371</u>	<u>\$ 690,297</u>	<u>\$ (489,674)</u>

<u>Park Improvements</u>	<u>Government Buildings</u>	<u>GRE Reserve</u>	<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 4,354	\$ -	\$ 4,459
50,000	-	-	296,997	-	618,830
16,730	-	-	-	-	43,537
-	-	-	137,723	5,923	152,740
4,076	48,486	37,206	24,443	67,824	214,990
-	1,052,234	-	-	-	1,052,234
7,000	-	209,694	-	-	344,999
-	-	-	-	-	605
<u>77,806</u>	<u>1,100,720</u>	<u>246,900</u>	<u>463,517</u>	<u>73,747</u>	<u>2,432,394</u>
-	-	-	-	-	134,767
-	46,470	-	-	-	111,513
-	46,356	-	45,327	9,219	135,393
142,960	16,590	-	-	-	184,201
-	-	-	-	-	16,273
-	-	-	-	-	55,707
-	70,456	-	-	-	694,450
-	-	-	318,114	-	377,211
-	-	-	-	-	34,552
<u>142,960</u>	<u>179,872</u>	<u>-</u>	<u>363,441</u>	<u>9,219</u>	<u>1,744,067</u>
<u>(65,154)</u>	<u>920,848</u>	<u>246,900</u>	<u>100,076</u>	<u>64,528</u>	<u>688,327</u>
290,668	-	-	-	606,733	1,232,394
-	(918,815)	(39,500)	(181,348)	(1,375,465)	(2,727,828)
-	-	-	-	-	63,434
<u>290,668</u>	<u>(918,815)</u>	<u>(39,500)</u>	<u>(181,348)</u>	<u>(768,732)</u>	<u>(1,432,000)</u>
225,514	2,033	207,400	(81,272)	(704,204)	(743,673)
<u>140,656</u>	<u>3,857,503</u>	<u>2,547,602</u>	<u>1,959,985</u>	<u>4,450,622</u>	<u>14,523,506</u>
<u>\$ 366,170</u>	<u>\$ 3,859,536</u>	<u>\$ 2,755,002</u>	<u>\$ 1,878,713</u>	<u>\$ 3,746,418</u>	<u>\$ 13,779,833</u>



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## 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, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<b>ASSETS</b>				
Cash	\$ 91,132	\$ 78,781	\$ 54,840	\$ 115,073
Accounts receivable	266	2,964	2,720	510
<b>TOTAL ASSETS</b>	<b>\$ 91,398</b>	<b>\$ 81,745</b>	<b>\$ 57,560</b>	<b>\$ 115,583</b>
<b>LIABILITIES</b>				
Refundable deposits payable	\$ 91,398	\$ 92,784	\$ 68,599	\$ 115,583

## 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, 2015

ASSETS	
Cash and investments	\$ 1,173,921
Receivables	
Taxes	3,388
Notes	539,413
Due from primary government	<u>215,273</u>
TOTAL ASSETS	<u><u>\$ 1,931,995</u></u>
LIABILITIES	
Accounts payable	\$ 11,788
Salaries payable	<u>846</u>
TOTAL LIABILITIES	<u>12,634</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - taxes	<u>1,554</u>
FUND BALANCES	
Nonspendable	539,413
Restricted	<u>1,378,394</u>
TOTAL FUND BALANCES	<u>1,917,807</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,931,995</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, 2015

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

Fund balance - housing and redevelopment authority		\$ 1,917,807
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>(35,826)</u>	395,564
2. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		
		1,554
3. Long-term liabilities are not due and payable in the current period and, therefore are not reported in governmental funds.		
Net pension liability		(39,524)
4. Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources	4,629	
Deferred inflows of pension resources	<u>(9,025)</u>	<u>(4,396)</u>
Net position of housing and redevelopment authority		<u><u>\$ 2,271,005</u></u>

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, 2015

REVENUES	
Property taxes	\$ 256,740
Intergovernmental revenue	142
Interest income	5,920
Miscellaneous	<u>10</u>
TOTAL REVENUES	262,812
EXPENDITURES	
Current	
Economic development	<u>141,525</u>
NET CHANGE IN FUND BALANCES	121,287
FUND BALANCES, JANUARY 1	<u>1,796,520</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 1,917,807</u></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, 2015

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

Net change in fund balances - housing and redevelopment authority	\$ 121,287
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	(11,619)
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	(2,242)
3. Long-term pension activity is not reported in governmental funds.	
Pension expense	<u>(8,020)</u>
Change in net position of housing and redevelopment authority	<u><u>\$ 99,406</u></u>



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**STATISTICAL SECTION (UNAUDITED)**

CITY OF ELK RIVER  
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015



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**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>	130
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>	140
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>	148
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>	156
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>	158

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			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 82,663,610	\$ 85,293,459	\$ 85,390,968	\$ 86,149,417
Restricted	4,802,808	6,189,063	5,569,773	4,723,030
Unrestricted	27,998,543	25,641,836	27,628,733	28,588,304
Total governmental activities net position	<u>\$ 115,464,961</u>	<u>\$ 117,124,358</u>	<u>\$ 118,589,474</u>	<u>\$ 119,460,751</u>
Business-type activities				
Net investment in capital assets	\$ 59,410,729	\$ 59,942,345	\$ 60,750,900	\$ 59,601,861
Restricted	445,900	733,400	724,500	724,500
Unrestricted	13,839,859	17,028,349	17,696,135	19,793,756
Total business-type activities net position	<u>\$ 73,696,488</u>	<u>\$ 77,704,094</u>	<u>\$ 79,171,535</u>	<u>\$ 80,120,117</u>
Primary government				
Net investment in capital assets	\$ 142,074,339	\$ 145,235,804	\$ 146,141,868	\$ 145,751,278
Restricted	5,248,708	6,922,463	6,294,273	5,447,530
Unrestricted	41,838,402	42,670,185	45,324,868	48,382,060
Total primary government net position	<u>\$ 189,161,449</u>	<u>\$ 194,828,452</u>	<u>\$ 197,761,009</u>	<u>\$ 199,580,868</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**

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 84,629,091	\$ 84,741,957	\$ 84,060,768	\$ 84,353,785	\$ 84,921,650	\$ 75,030,579
7,341,554	6,283,346	6,391,182	5,256,724	4,192,856	3,675,588
26,702,252	29,282,251	27,448,688	24,069,710	24,902,387	20,170,751
<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>	<u>\$ 98,876,918</u>
\$ 60,972,838	\$ 60,525,218	\$ 60,268,219	\$ 62,035,437	\$ 63,392,972	\$ 76,747,269
724,500	724,500	724,500	647,000	490,500	490,500
19,907,416	19,421,085	22,376,508	22,957,506	24,718,391	24,504,299
<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>	<u>\$ 101,742,068</u>
\$ 145,601,929	\$ 145,267,175	\$ 144,328,987	\$ 146,389,222	\$ 148,314,622	\$ 151,777,848
8,066,054	7,007,846	7,115,682	5,903,724	4,683,356	4,166,088
46,609,668	48,703,336	49,825,196	47,027,216	49,620,778	44,675,050
<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>	<u>\$ 200,618,986</u>

CITY OF ELK RIVER, MINNESOTA  
 CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities				
General government	\$ 2,560,213	\$ 2,732,697	\$ 3,286,350	\$ 2,777,568
Public safety	5,606,438	5,924,093	6,715,607	6,106,181
Public works	6,169,030	6,527,565	5,875,992	5,397,058
Culture and recreation	2,859,058	3,598,695	3,549,637	3,767,312
Economic development	631,437	1,001,829	1,893,707	1,569,432
Interest on long-term debt	764,725	952,082	1,315,275	1,252,493
Total governmental activities expenses	<u>18,590,901</u>	<u>20,736,961</u>	<u>22,636,568</u>	<u>20,870,044</u>
Business-type activities				
Municipal Liquor	5,202,087	5,301,597	5,464,819	5,374,453
Garbage	1,094,788	1,114,133	1,166,709	1,256,177
Sewer	1,721,522	1,786,266	1,849,031	1,781,804
Storm Water	-	-	-	-
Water	2,104,827	2,413,942	2,506,510	2,334,388
Electric	16,588,510	18,718,636	22,036,471	23,258,383
Total business-type activities expenses	<u>26,711,734</u>	<u>29,334,574</u>	<u>33,023,540</u>	<u>34,005,205</u>
Total primary government expenses	<u>\$ 45,302,635</u>	<u>\$ 50,071,535</u>	<u>\$ 55,660,108</u>	<u>\$ 54,875,249</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
General government	\$ 246,541	\$ 283,003	\$ 371,911	\$ 334,100
Public safety	2,403,601	1,533,699	962,275	634,242
Public works	617,099	76,117	159,664	47,860
Culture and recreation	1,065,218	1,083,081	1,084,067	1,074,266
Economic development	178,217	92,486	65,999	60,335
Operating grants and contributions	387,584	362,313	977,411	758,958
Capital grants and contributions	8,117,032	4,174,427	4,302,760	2,599,593
Total governmental activities program revenues	<u>13,015,292</u>	<u>7,605,126</u>	<u>7,924,087</u>	<u>5,509,354</u>
Business-type activities				
Charges for services				
Municipal Liquor	5,906,768	6,043,088	6,213,657	6,094,058
Garbage	1,106,268	1,139,763	1,160,774	1,194,937
Sewer	1,352,647	1,454,219	1,511,165	1,504,785
Storm Water	-	-	-	-
Water	1,770,819	2,144,622	2,139,046	2,218,816
Electric	17,143,485	19,895,323	22,941,903	24,258,120
Operating grants and contributions	504,168	295,081	149,327	92,957
Capital grants and contributions	4,297,666	1,996,636	888,925	267,233
Total business-type activities program revenues	<u>32,081,821</u>	<u>32,968,732</u>	<u>35,004,797</u>	<u>35,630,906</u>
Total primary government program revenues	<u>\$ 45,097,113</u>	<u>\$ 40,573,858</u>	<u>\$ 42,928,884</u>	<u>\$ 41,140,260</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**

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 3,028,102	\$ 3,495,458	\$ 2,994,342	\$ 3,344,317	\$ 3,554,136	\$ 3,619,293
6,011,477	6,238,611	6,187,246	6,173,244	6,615,593	6,720,283
5,447,282	5,720,759	6,037,000	6,535,616	6,860,673	5,351,630
3,702,671	3,851,181	4,013,098	3,914,000	4,088,992	3,970,704
1,438,742	1,451,109	1,059,058	2,088,064	1,091,125	959,414
1,138,414	1,045,905	1,163,352	1,288,020	1,075,408	1,084,902
<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>	<u>21,706,226</u>
5,267,041	5,366,557	5,622,305	5,706,760	5,776,873	5,945,126
1,331,514	1,304,238	1,276,887	1,251,420	1,303,943	1,382,890
1,962,431	2,130,287	2,239,914	2,320,743	2,156,329	2,318,709
-	-	-	-	-	736,411
2,089,889	2,108,499	2,264,814	2,332,680	2,459,319	2,478,904
25,452,567	26,726,349	27,586,573	28,422,759	29,597,247	30,012,830
<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>42,874,870</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>	<u>\$ 64,581,096</u>
\$ 301,509	\$ 425,954	\$ 369,794	\$ 338,469	\$ 385,238	\$ 439,826
722,073	787,884	789,728	961,072	1,063,725	1,194,458
61,605	79,073	82,173	206,606	233,593	174,452
1,089,058	1,102,630	1,128,070	1,075,576	906,291	925,591
125,759	70,976	8,244	274,833	77,430	92,716
763,551	954,831	1,018,519	954,164	1,049,744	1,033,338
1,318,660	1,750,824	1,007,794	807,208	4,020,851	3,574,036
<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>	<u>7,434,417</u>
5,953,626	6,145,692	6,525,234	6,756,581	6,825,342	6,974,336
1,282,013	1,310,014	1,302,920	1,285,138	1,304,750	1,321,301
1,483,120	1,491,460	1,533,851	1,613,276	1,734,141	1,818,476
-	-	-	-	-	355,454
1,961,760	1,917,384	2,343,881	2,381,651	2,290,824	2,379,835
26,840,983	28,657,698	30,403,469	31,029,299	31,596,217	32,831,209
103,324	38,550	23,440	-	-	-
397,989	482,319	490,916	924,641	935,909	2,708,564
<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>48,389,175</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>	<u>\$ 55,823,592</u>

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (5,575,609)	\$ (13,131,835)	\$ (14,712,481)	\$ (15,360,690)
Business-type activities	5,370,087	3,634,158	1,981,257	1,625,701
Total primary government net (expense)/revenue	<u>\$ (205,522)</u>	<u>\$ (9,497,677)</u>	<u>\$ (12,731,224)</u>	<u>\$ (13,734,989)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Property taxes	\$ 8,754,923	\$ 9,744,930	\$ 11,095,407	\$ 11,440,991
Tax increment	790,882	894,595	1,041,300	1,080,142
Other taxes	-	-	-	156,894
Unrestricted grants and contributions	2,577,700	2,395,665	1,775,536	1,940,274
Investment earnings	1,151,144	1,465,401	1,215,053	548,651
Miscellaneous	28,450	23,213	-	20,013
Transfers of capital assets	-	(511,412)	-	-
Transfers	908,826	778,840	1,050,301	1,045,002
Total governmental activities	<u>14,211,925</u>	<u>14,791,232</u>	<u>16,177,597</u>	<u>16,231,967</u>
Business-type activities				
Investment earnings	589,210	640,876	534,485	367,883
Miscellaneous	2,108	-	2,000	-
Transfers of capital assets	-	511,412	-	-
Transfers	(908,826)	(778,840)	(1,050,301)	(1,045,002)
Total business-type activities	<u>(317,508)</u>	<u>373,448</u>	<u>(513,816)</u>	<u>(677,119)</u>
Total primary government	<u>\$ 13,894,417</u>	<u>\$ 15,164,680</u>	<u>\$ 15,663,781</u>	<u>\$ 15,554,848</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 8,636,316	\$ 1,659,397	\$ 1,465,116	\$ 871,277
Business-type activities	5,052,579	4,007,606	1,467,441	948,582
Total primary government	<u>\$ 13,688,895</u>	<u>\$ 5,667,003</u>	<u>\$ 2,932,557</u>	<u>\$ 1,819,859</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**

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ (16,384,473)	\$ (16,630,851)	\$ (17,049,774)	\$ (18,725,333)	\$ (15,549,055)	\$ (14,271,809)
1,919,373	2,407,187	3,633,218	3,956,224	3,393,472	5,514,305
<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>	<u>\$ (8,757,504)</u>
\$ 11,254,752	\$ 11,398,819	\$ 10,854,241	\$ 10,742,370	\$ 10,378,906	\$ 10,667,306
1,071,099	947,486	830,204	87,848	130,325	264,639
193,466	83,748	125,623	829,112	1,441,259	1,513,621
2,000,923	1,702,334	1,307,662	1,436,135	1,749,886	1,642,098
359,733	499,034	319,654	(663,762)	1,137,024	512,193
61,308	23,233	49,470	629,177	29,593	2,796,041
(303,051)	-	(348,259)	(121,172)	(313,287)	(11,188,695)
958,389	3,610,854	1,504,263	1,565,206	1,332,023	297,362
<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>	<u>6,504,565</u>
220,602	269,716	219,950	(243,047)	557,659	259,494
-	-	1,260	1,572	29,525	8,899
303,051	-	348,259	121,172	313,287	11,188,695
(958,389)	(3,610,854)	(1,504,263)	(1,565,206)	(1,332,023)	(297,362)
<u>(434,736)</u>	<u>(3,341,138)</u>	<u>(934,794)</u>	<u>(1,685,509)</u>	<u>(431,552)</u>	<u>11,159,726</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>	<u>\$ 17,664,291</u>
\$ (787,854)	\$ 1,634,657	\$ (2,406,916)	\$ (4,220,419)	\$ 336,674	\$ (7,767,244)
1,484,637	(933,951)	2,698,424	2,270,715	2,961,920	16,674,031
<u>\$ 696,783</u>	<u>\$ 700,706</u>	<u>\$ 291,508</u>	<u>\$ (1,949,704)</u>	<u>\$ 3,298,594</u>	<u>\$ 8,906,787</u>

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

	Fiscal Year			
	2006	2007	2008	2009
General fund				
Reserved	\$ -	\$ 5,938	\$ -	\$ -
Unreserved	4,816,386	5,346,066	5,190,662	5,699,575
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General fund	<u>\$ 4,816,386</u>	<u>\$ 5,352,004</u>	<u>\$ 5,190,662</u>	<u>\$ 5,699,575</u>
All other governmental funds				
Reserved	\$ 9,979,026	\$ 14,453,663	\$ 6,953,630	\$ 6,535,205
Unreserved, reported in				
Special revenue funds	5,070,764	3,849,815	7,751,286	7,844,537
Capital projects funds	8,091,573	9,179,236	9,574,268	10,101,066
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 23,141,363</u>	<u>\$ 27,482,714</u>	<u>\$ 24,279,184</u>	<u>\$ 24,480,808</u>

**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**

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	20,201	14,628	22,725	23,676
-	20,390	-	-	-	7,000
91,502	156,323	208,486	247,937	317,929	376,943
727,443	859,508	200,000	-	-	-
5,187,520	5,261,391	5,776,627	5,791,725	5,822,948	6,157,179
<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>	<u>\$ 6,564,798</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
93,080	57,870	101,812	99,703	101,910	103,295
6,936,113	5,942,368	7,608,842	14,800,868	13,925,683	13,202,500
2,506,814	2,712,645	2,456,185	4,393,689	5,829,001	8,099,951
16,984,061	19,736,795	19,219,810	15,455,671	15,883,279	15,579,524
(1,011,820)	(1,059,647)	(1,384,984)	(2,324,550)	(2,527,613)	(2,438,049)
<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>	<u>\$ 34,547,221</u>

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenues</b>				
Property taxes	\$ 9,529,773	\$ 10,571,695	\$ 12,037,076	\$ 12,329,194
Other taxes	-	-	-	156,894
Licenses and permits	1,207,368	987,708	460,108	322,338
Intergovernmental	4,142,937	2,973,505	4,134,779	3,117,997
Charges for services	2,485,464	1,786,094	1,849,307	1,465,898
Fines and forfeits	175,155	156,407	150,086	141,629
Special assessments	1,566,880	1,909,595	1,712,551	1,464,348
Interest	1,151,144	1,465,401	1,215,053	548,651
Miscellaneous	2,555,842	1,545,181	1,628,567	1,853,966
<b>Total revenues</b>	<b>22,814,563</b>	<b>21,395,586</b>	<b>23,187,527</b>	<b>21,400,915</b>
<b>Expenditures</b>				
General government	2,251,111	2,450,722	2,480,208	2,458,879
Public safety	4,941,706	5,109,371	5,565,474	5,377,208
Public works	2,538,658	4,170,119	3,246,436	2,656,097
Culture and recreation	2,605,861	3,386,681	2,890,683	2,666,146
Economic development	627,467	573,446	2,216,617	1,589,464
Capital outlay	10,729,882	12,803,023	10,381,359	4,627,322
Debt service				
Principal	7,051,836	1,767,617	2,022,616	3,162,117
Interest and service charges	909,904	902,415	1,198,174	1,289,087
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>31,656,425</b>	<b>31,163,394</b>	<b>30,001,567</b>	<b>23,826,320</b>
Excess (deficiency) of revenues over (under) expenditures	(8,841,862)	(9,767,808)	(6,814,040)	(2,425,405)
<b>Other financing sources (uses)</b>				
Transfers in	5,923,474	4,785,257	3,868,359	2,887,624
Transfers out	(5,014,648)	(4,006,417)	(2,818,058)	(1,842,622)
Proceeds of long-term debt	3,657,000	13,390,500	2,277,946	2,074,311
Premium on long-term debt issued	-	-	36,542	-
Discount on long-term debt issued	(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	17,439	200,914	84,379	16,629
<b>Total other financing sources (uses)</b>	<b>6,886,707</b>	<b>14,644,777</b>	<b>3,449,168</b>	<b>3,135,942</b>
<b>Net change in fund balances</b>	<b>\$ (1,955,155)</b>	<b>\$ 4,876,969</b>	<b>\$ (3,364,872)</b>	<b>\$ 710,537</b>
Debt service as a percentage of noncapital expenditures	37.1%	15.1%	16.9%	23.7%

**Fiscal Year**

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 12,355,953	\$ 12,461,403	\$ 11,720,311	\$ 10,930,129	\$ 10,640,251	\$ 10,953,633
193,466	83,748	125,623	829,112	1,441,259	1,513,621
402,076	432,875	408,232	513,779	559,286	639,791
1,135,060	1,678,555	1,436,613	1,161,458	838,573	3,913,721
1,727,276	1,573,367	1,659,986	1,926,906	2,091,107	1,761,958
161,074	149,102	137,819	163,481	160,298	169,459
999,633	989,101	845,112	764,006	881,271	315,259
359,731	499,034	319,654	(663,763)	1,146,462	512,193
2,587,771	2,568,159	1,980,207	2,193,571	2,358,709	2,169,789
<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>	<u>21,949,424</u>
2,629,731	3,157,307	2,615,582	2,956,500	3,181,547	3,365,570
5,266,803	5,291,617	5,352,249	5,497,493	5,909,653	6,203,211
2,291,196	2,752,469	2,931,726	2,800,012	2,974,219	2,318,123
2,569,464	2,663,806	2,839,466	2,652,817	2,881,985	2,816,411
1,512,138	1,479,140	1,087,467	1,656,922	1,095,535	954,673
1,879,604	2,874,212	10,264,274	5,243,189	2,277,477	5,251,352
2,411,062	2,618,146	2,127,000	2,194,000	1,535,000	1,505,000
1,126,789	1,059,804	996,454	1,129,572	1,105,114	1,113,963
56,204	-	68,900	153,795	-	-
<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>23,528,303</u>
179,049	(1,461,157)	(9,649,561)	(6,465,621)	(843,314)	(1,578,879)
2,682,562	5,978,905	4,792,943	6,457,233	4,837,016	4,703,787
(1,724,173)	(2,368,051)	(3,288,680)	(4,892,027)	(3,504,993)	(4,406,425)
6,184,243	-	8,500,000	9,685,000	-	-
255,238	-	115,164	341,700	-	-
-	-	-	-	-	-
(6,303,897)	-	-	-	-	-
-	-	-	(1,540,000)	-	-
-	-	-	-	-	-
61,308	23,233	49,470	686,407	44,827	3,017,674
<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>3,315,036</u>
<u>\$ 1,334,330</u>	<u>\$ 2,172,930</u>	<u>\$ 519,336</u>	<u>\$ 4,272,692</u>	<u>\$ 533,536</u>	<u>\$ 1,736,157</u>

19.8%

19.6%

17.1%

16.9%

14.1%

14.3%

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

Fiscal Year	Number of Customers	KWh's Sold	Total Billings
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
2015	10,499	282,265,268	32,704,279

Source: Elk River Municipal Utilities

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

Customer	2015			2006		
	Total KWh Sold	Total Billings	Percentage of Total Billings	Total KWh Sold	Total Billings	Percentage of Total Billings
Customer 1	55,070,400	\$ 3,991,415	13.13 %	-	\$ -	- %
Customer 2	26,035,200	2,302,359	7.57	-	-	-
Customer 3	5,634,000	517,594	1.70	6,470,200	392,236	2.53
Customer 6	5,265,000	470,441	1.55	6,063,000	363,712	2.35
Customer 4	4,779,200	440,325	1.45	5,284,000	313,778	2.03
Customer 5	4,490,400	333,193	1.1	4,783,180	308,467	1.99
Customer 7	3,448,750	326,632	1.07	3,427,200	221,442	1.43
Customer 8	3,427,000	312,539	1.03	-	-	-
Customer 9	2,912,600	259,606	0.85	3,373,400	200,284	1.29
Customer 10	2,724,000	265,593	0.87	3,223,200	213,055	1.38
Customer 11	-	-	-	2,407,920	158,266	1.02
Customer 12	-	-	-	1,888,400	145,310	0.94
TOTAL	<u>113,786,550</u>	<u>\$ 9,219,697</u>	<u>30.32 %</u>	<u>36,920,500</u>	<u>\$ 2,316,550</u>	<u>14.96 %</u>

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tax capacity				
Real property	\$ 20,514,092	\$ 23,166,911	\$ 25,790,055	\$ 26,550,210
Personal property	246,741	281,606	279,154	302,166
Total tax capacity	<u>20,760,833</u>	<u>23,448,517</u>	<u>26,069,209</u>	<u>26,852,376</u>
Tax increment	<u>(675,049)</u>	<u>(786,795)</u>	<u>(744,597)</u>	<u>(899,835)</u>
Taxable net tax capacity	<u>\$ 20,085,784</u>	<u>\$ 22,661,722</u>	<u>\$ 25,324,612</u>	<u>\$ 25,952,541</u>
Total tax capacity rate	<u>43.929%</u>	<u>43.056%</u>	<u>42.494%</u>	<u>43.280%</u>
Taxable market value				
Real property	\$1,773,917,600	\$1,998,598,900	\$2,186,595,580	\$ 2,235,538,000
Personal property	12,494,300	14,318,500	14,221,560	15,363,900
Taxable market value	<u>\$ 1,786,411,900</u>	<u>\$ 2,012,917,400</u>	<u>\$ 2,200,817,140</u>	<u>\$ 2,250,901,900</u>
Estimated actual market value of taxable property	<u>\$ 2,109,366,764</u>	<u>\$ 2,262,479,345</u>	<u>\$ 2,457,361,368</u>	<u>\$ 2,429,563,505</u>
Taxable market value as a percentage of estimated actual market value	84.69%	88.97%	89.56%	92.65%

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.

2010	2011	2012	2013	2014	2015
\$ 25,611,065	\$ 24,736,999	\$ 21,946,865	\$ 19,969,977	\$ 20,047,632	\$ 21,060,822
310,180	350,946	344,032	353,390	367,641	366,113
25,921,245	25,087,945	22,290,897	20,323,367	20,415,273	21,426,935
(888,285)	(784,101)	(698,130)	(122,648)	(116,513)	(198,997)
<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>\$ 21,227,938</u>
<u>44.560%</u>	<u>45.723%</u>	<u>47.588%</u>	<u>50.373%</u>	<u>48.544%</u>	<u>47.190%</u>
\$ 2,121,774,900	\$ 2,035,543,052	\$ 1,775,334,600	\$ 1,599,513,500	\$ 1,622,624,100	\$ 1,735,898,300
15,764,700	17,758,600	17,412,900	18,055,900	18,736,600	18,585,200
<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>\$ 1,754,483,500</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>	<u>\$ 1,900,894,800</u>
97.52%	85.42%	93.96%	91.99%	91.37%	92.30%

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			Overlapping Rates			Total Direct & Overlapping Rates	
	Operating	Debt Service	Total	County	School District			
					Operating	Referendum Mkt. Value		Special Districts
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
2015	45.433	1.757	47.190	51.979	42.483	0.209	4.779	146.640

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>	2015			2006		
	<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	\$ 1,071,962	1	5.05 %	\$ 493,460	1	2.38 %
JPM Capital Corporation	379,972	2	1.79	-	-	-
BRE Retail Residual Owner, LLC	269,158	3	1.27	214,754	3	1.03
Walmart Stores	267,192	4	1.26	111,788	10	0.54
Target Corp.	262,808	5	1.24	-	-	-
Menards, Inc	176,714	6	0.83	134,695	6	0.65
Envision Company LLC	143,730	7	0.68	117,716	8	0.57
Home Depot	142,754	8	0.67	-	-	-
Minnegasco	137,068	9	0.65	131,716	7	0.63
ARHC ERELKMN01 LLC	108,140	10	0.51	-	-	-
Resource Recovery Technology	-	-	-	282,818	2	1.36
Bradley Operating LP	-	-	-	173,027	4	0.83
Phoenix Enterprises	-	-	-	135,322	5	0.65
B & G Realty, Inc	-	-	-	112,498	9	0.54
TOTAL	<u>\$ 2,959,498</u>		<u>13.94 %</u>	<u>\$ 1,907,794</u>		<u>9.18 %</u>

Source: Sherburne County Assessor



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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
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	354,657	11,429,247	99.96
2010	11,164,258	10,920,348	97.82	232,731	11,153,079	99.90
2011	11,164,581	11,052,081	98.99	95,555	11,147,636	99.85
2012	10,701,225	10,592,493	98.98	90,972	10,683,465	99.83
2013	10,658,280	10,574,080	99.21	54,317	10,628,397	99.72
2014	10,350,673	10,300,688	99.52	22,377	10,323,065	99.73
2015	10,589,969	10,511,527	99.26	-	10,511,527	99.26

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

Fiscal Year	Governmental Activities							
	General Obligation	General Obligation Revenue	Lease Revenue	Special Assessment	Permanent Improvement Revolving	Tax Increment	Certificates of Indebtedness	Other
2006	\$ 3,220,000	\$ 1,430,000	\$ 8,265,000	\$ 2,130,000	\$ -	\$ 827,500	\$ 1,134,334	\$ 1,908,725
2007	13,220,000	1,200,000	7,730,000	4,825,000	-	675,000	1,090,350	2,123,092
2008	15,412,946	955,000	7,170,000	4,480,000	-	505,000	756,033	1,839,792
2009	16,677,757	700,000	6,175,000	3,970,000	-	440,000	421,716	1,646,492
2010	22,002,000	540,000	-	3,460,000	-	375,000	87,400	1,499,746
2011	20,897,939	-	-	2,955,000	-	305,000	-	1,410,000
2012	26,579,666	-	-	4,035,306	-	-	-	1,410,000
2013	35,223,141	-	-	1,633,459	-	-	-	1,410,000
2014	34,023,916	-	-	1,246,612	-	-	-	1,410,000
2015	32,789,690	-	-	924,765	-	-	-	1,410,000

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.

Business-Type Activities						
General Obligation Revenue	Revenue Bonds	Certificates of Indebtedness	Notes Payable	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
\$ 7,015,000	\$ 7,185,000	\$ 125,000	\$ 3,066,820	\$36,307,379	5.74 %	\$ 1,610
6,465,000	9,690,000	-	2,879,054	49,897,496	7.29	2,152
8,630,000	9,280,000	-	2,701,994	51,730,765	6.97	2,166
8,070,000	8,840,000	-	2,524,646	49,465,611	7.14	2,093
6,180,000	6,940,000	-	2,345,318	43,429,464	6.32	1,890
5,520,656	6,310,000	-	2,162,882	39,561,477	5.81	1,713
4,791,567	5,085,000	-	1,975,812	43,877,351	6.30	1,890
4,027,478	4,340,000	-	1,789,224	48,423,302	7.00	2,072
12,868,388	3,634,845	-	1,599,876	54,783,637	7.14	2,316
12,564,299	3,020,935	-	1,408,368	52,118,057	na	2,182

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	Less Cash with Fiscal Agent	Net Bonded Debt	Percentage of Net Bonded Debt to Tax Capacity <sup>2</sup>	Net Bonded Debt per Capita <sup>3</sup>
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	32,141,667	2,329,723	9,712,875	20,099,069	99.50	860.04
2014	31,001,667	1,599,852	9,580,144	19,821,671	97.65	837.91
2015	28,986,667	1,154,728	9,423,440	18,408,499	86.72	770.88

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.

CITY OF ELK RIVER, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2015

	Outstanding Debt	Percent of Debt Applicable to City <sup>1</sup>	City's Share of Debt
Direct Debt			
City of Elk River <sup>2</sup>	\$ 35,124,455	100.00%	\$ 35,124,455
Overlapping Debt			
Sherburne County	13,559,437	26.07	3,534,945
School District #728	287,380,000	32.90	94,548,020
Total overlapping debt	300,939,437		98,082,965
Total direct and overlapping debt	\$ 336,063,892		\$ 133,207,420
Debt Ratios			
Ratio of debt per capita (23,880 population)			\$ 5,578
Ratios of debt to taxable market value of \$1,754,483,500			7.59%

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 35,728,238	\$ 40,258,348	\$ 66,024,514	\$ 67,527,057
Bonds	13,124,334	17,792,017	18,391,033	17,471,716
Reserves	<u>1,003,315</u>	<u>861,726</u>	<u>1,318,186</u>	<u>1,418,700</u>
Total net debt applicable to limit	<u>12,121,019</u>	<u>16,930,291</u>	<u>17,072,847</u>	<u>16,053,016</u>
Legal debt margin	<u>\$ 23,607,219</u>	<u>\$ 23,328,057</u>	<u>\$ 48,951,667</u>	<u>\$ 51,474,041</u>
Total net debt applicable to the limit as a percentage of debt limit	33.93%	42.05%	25.86%	23.77%

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 is subject to the debt limit. The Remaining 1/3 will be paid by the YMCA

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 64,126,188	\$ 61,599,050	\$ 58,316,472	\$ 52,752,858	\$ 53,892,054	\$ 57,026,844
18,040,733	17,120,000	23,286,667	32,141,667	30,071,667	19,301,667
1,164,060	1,030,418	1,202,093	10,819,006	10,743,409	10,673,852
<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>8,627,815</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>	<u>\$ 48,399,029</u>
26.32%	26.12%	37.87%	40.42%	35.86%	15.13%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Estimated taxable market value	<u>\$ 1,900,894,800</u>
Debt limit (3% of market value)	<u>\$ 57,026,844</u>
Debt applicable to limit	
G.O. capital improvement bonds	12,635,000
G.O. EDA bonds <sup>1</sup>	6,666,667
Less: Cash and investments in related debt service funds	<u>(10,673,852)</u>
Total net debt applicable to limit	<u>8,627,815</u>
Legal debt margin	<u>\$ 48,399,029</u>

CITY OF ELK RIVER, MINNESOTA  
 PLEDGED-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	
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
2015	36,568,235	30,281,264	6,286,971	900,000	464,938	4.61

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	
\$ 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
162,519	310,000	21,550	0.49

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

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Income <sup>2</sup>	Median Age <sup>3</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>	
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	767,666	32,350	36	13,627	4.1	
2015	23,880 <sup>3</sup>	N/A	N/A	35	13,751	4.0	

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

N/A - not available

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Independent School District 728 <sup>1</sup>	1,450	1	11.76 %	1,500	1	14.14 %
Sherburne County	618	2	5.01	572	2	5.39
Walmart	380	3	3.08	400	4	3.77
Guardian Angels of Elk River	317	4	2.57	316	5	2.98
Great River Energy	236	5	1.91	449	3	4.23
City of Elk River	223	6	1.81	224	6	2.11
Tescom Corporation	187	7	1.52	195	7	1.84
Sportech, Inc.	185	8	1.50	-	-	-
Menards	150	9	1.22	190	8	1.79
Cornerstone Auto Resource	147	10	1.19	-	-	-
Cretex Companies, Inc.	-	-	-	185	9	1.74
Cub Foods	-	-	-	174	10	1.64
Total	<u>3,893</u>		<u>31.57 %</u>	<u>4,205</u>		<u>39.63 %</u>
Total Employment <sup>2</sup>	<u>12,325</u>			<u>10,608</u>		

1 Total District

2 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	26.5	25.8	25.3	24.8	24.8	24.8	25.8	26.9	28.3	29.3
Public safety										
Police										
Officers	29.0	30.0	31.0	31.0	31.0	30.0	31.0	31.0	31.0	32.0
Civilians	9.0	9.0	9.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0
Fire										
Fire administration	3.0	3.5	3.5	3.5	3.7	3.7	1.7	1.7	2.7	3.0
Paid on-call volunteers	39.0	39.0	39.0	39.0	38.0	40.0	40.0	40.0	40.0	44.0
Other public safety	11.5	11.5	10.5	7.6	7.6	7.6	8.4	8.6	9.0	9.0
Public works	13.5	15.0	15.0	13.1	14.0	14.5	15.5	15.0	15.0	15.0
Culture and recreation	19.3	19.3	19.9	19.4	19.4	19.4	18.5	18.5	18.5	17.5
Economic development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Municipal liquor	11.5	11.0	11.5	12.0	14.0	12.5	13.0	13.0	13.0	13.0
Sewer	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Storm Water	-	-	-	-	-	-	-	-	-	1.0
Water	5.0	6.0	5.0	5.0	5.0	5.0	8.0	8.0	8.0	8.0
Electric	29.0	30.0	29.0	28.5	29.0	29.0	30.0	31.0	31.0	34.0
<b>Total</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>209.7</b>	<b>213.5</b>	<b>222.8</b>

Source: City of Elk River Finance Department

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

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Planning</b>										
Land use applications	104	85	88	64	43	54	56	71	85	118
<b>Police</b>										
Police calls	18,494	19,277	21,997	22,231	21,751	20,707	20,451	20,676	21,585	21,930
Traffic citations	na	na	2,323	2,620	2,638	2,125	1,840	1,925	1,930	2,778
<b>Fire</b>										
Fire calls	451	436	453	364	443	469	355	446	411	436
<b>Building/environmental</b>										
Permits issued	4,388	2,382	2,021	1,369	2,105	1,841	1,683	1,866	1,956	1,722
Valuation of permits (thousands of dollars)	\$95,844	\$67,309	\$41,006	\$14,265	\$22,312	\$20,719	\$25,585	\$38,440	\$47,037	\$57,965
<b>Public works</b>										
Street sweeping (hours)	1,192	627	1,085	1,287	1,063	1,494	1,811	1,652	1,888	1,824
Snowplowing (hours)	1,648	4,380	2,737	2,305	3,425	2,964	1,675	4,263	5,872	3,018
Equipment repair (hours)	5,660	6,440	5,038	6,482	5,378	5,711	5,051	5,125	5,210	3,575
<b>Culture and recreation</b>										
Recreation participants	10,633	14,104	20,631	26,124	26,061	26,934	26,803	27,065	27,330	27,348
Ice arena usage (hours)	4,266	4,193	4,386	4,684	4,624	4,740	4,752	4,736	4,568	4,569
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)	1,163	1,190	1,230	1,300	1,200	1,245	1,200	1,203	1,200	1,200
<b>Water</b>										
Number of customers	4,317	4,413	4,508	4,467	4,511	4,515	4,542	4,613	4,676	4,763
Average daily consumption (thousands of gallons)	2,226	2,394	1,992	1,941	1,718	1,786	2,321	2,152	2,143	2,192
<b>Electric</b>										
Number of customers	8,562	8,945	9,203	9,170	9,207	9,227	9,285	9,358	9,449	10,499
Average daily consumption (thousands of KWh's)	534	579	614	638	687	716	749	751	752	773
	169,482	147,725	130,845	110,390	117,873	114,397	119,639	134,085	136,092	144,710

Sources: Various city departments

Note: The golf course was purchased in 2006 and was not open during 2014 or 2015.

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

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	11	12	12	12	12	12	12	12	13
Fire Stations	2	2	2	2	2	2	2	2	2	2
<b>Public works</b>										
Streets (miles)	151	151	151	151	151	151	151	151	151	151
<b>Culture and recreation</b>										
Parks	44	44	44	44	44	44	45	45	46	46
Parks acreage	927	964	964	964	964	964	988	988	1,324	1,324
<b>Sewer</b>										
Sanitary sewers (miles)	73	75	78	79	79	80	80	80	80	80
Lift stations	21	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
<b>Water</b>										
Maximum daily capacity (thousands of gallons)	8,100	8,100	8,100	8,100	8,100	8,100	10,000	10,000	10,000	10,000
<b>Electric</b>										
Generating facilities	6	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.